

**TOWN OF BEDFORD
CHARTER COMMISSION MEETING MINUTES
May 31, 2023
10 Meetinghouse Road**

ROLL CALL: A meeting of the Bedford Charter Commission was held on Wednesday, May 31, 2023, 10 Meetinghouse Road. Participating were Terry Wolf (Chair), Kelleigh Gleason (Vice Chair), and members: Susan Labrie, Matt McLaughlin, Linda Camarota, Paul Brock, Bryan Lord, and Jeff Kerr. Also present was Town Manager Rick Sawyer. Lori Radke was absent.

2. PLEDGE OF ALLEGIANCE – Led by Ms. Camarota.

3. NEW BUSINESS

Chairwoman Wolf read the purpose of their Commission as stated on the ballot, “Shall a Charter Commission be established for the sole purpose of establishing official ballot voting under the current form of government.” There are numerous materials on the Town website at Bedfordnh.org/Boards and Commissions/Charter Commission.

a. Invited Guest Presenters

Chairwoman Wolf stated that their invited guests were from Durham, Londonderry, NHMA, and PFM Financial Consultants. The sample ballots and charters for Durham and Londonderry were online.

Todd Selig, Town Administrator, Durham, stated that he previously worked in Laconia, New Boston, Hopkinton, and tomorrow starts his 23rd year as the Durham Administrator. Durham has functioned under a Council/Manager form of government since the late 1980’s. Previously, they had been operating under Traditional Select Board/Town Meeting form of government. Hosting UNH made it hard to keep pace with decisions made at UNH being bound to a March Town Meeting schedule. A Charter Commission was created and Durham voted to eliminate the Traditional Town Meeting and the 5-person Select Board, and created a 9-member Town Council and an Administrator. They had an informational Town Meeting to hear questions from the public. Over time, few people came, so an additional charter change was made to eliminate that Town Meeting.

Mr. Selig thought they had an efficient budget process. The Administrator develops the budget in summer/early fall. They solicit requests from their boards/committees/commissions and departments. The business office aggregates all of that and they meet with each of them to find out what they need for the coming fiscal year. In March, the Town Council develops annual goals. [*The 2023 goals were distributed to the Commission members.*] In Item #3 there is a budget goal, which changes from year to year; this year it is *Task the Administrator with meeting the following: Holding updated post revaluation municipal tax rate at the 2023 level or less and continue to make an effort to control spending, enhance revenues, broaden the tax base, and explore innovative ways to stabilize or reduce the municipal tax rate.* The Council sets the goal and the Administrator tries to hit the goal with a formal proposed budget which, per the Charter,

goes to the Council by the last business day in October. The Town Council has two months to review the budget proposal and make any changes and adopt a budget. If the Council does not adopt a budget by the last business day in December, the budget proposed by the Administrator becomes the budget by default. That happened once since he's been there; they had a divided Council that tried to make changes to the proposed budget, but no motion passed. The Council decided that they were unable to get consensus and the Administrator's budget became the budget by default. He wanted to know why a situation was created where the Administrator's proposed budget could become the budget by default. A Charter Commission member said that they wanted to make sure the Administrator had meaningful influence in the process. That what the Administrator put forward wasn't just an idea; it was something that had force unless it was changed. He works hard to meet the Council goals and hit the budget target. When they haven't met it, they've explained the reasons why and let the Council make choices if they want to bring the budget down further. The budget changes are fairly minimal and a lot of times the budget that's approved is more than the budget that he's proposed.

Mr. Selig stated that their charter had a 6-year Capital Improvement Plan (CIP), which is presented to the Council one month prior to the submittal of the annual budget. It wasn't an effective way to proceed, so they adopted a 10-year CIP. If Bedford moves forward with a charter that deals with a CIP plan, he recommended 10 years. The Administrator is required to meet with the Planning Board as part of the CIP process. It's helpful for the Planning Board to understand what capital items are coming forward and forces them to think about capital expenditures in the context of development. They meet a month before they bring a proposed budget to the Council, so they also provide it to the Council at that time. They tie in and link the actual proposed CIP with the capital budget that comes forward as part of the annual budget. If the Council is unhappy with a tax rate that's being projected and it's driven by capital items, they know where to look in the CIP to make those reductions. If Bedford goes forward with these changes, he suggested that they align the CIP submittal with the budget submittal, so those two documents are aligned.

Mr. Selig stated that the Town Council is empowered with legislative powers and budgetary authority. They deal with all budgetary items without further action of the town with one exception. A single bonded item in excess of \$2.3M requires a 2/3 vote of the Council and a 2/3 vote of the town by referendum. A bonded item that is less than \$500K, the Council by a majority vote can approve it. A bonded item between \$500K and \$2.3M, the Council by a 2/3 vote can approve it without further action of the town. If they aggregate projects and the total bond aggregation is more than \$2.3M, as long as no one project is more than \$2.3M, the Council can take action themselves by a 2/3 vote.

Mr. Selig stated that once the budget is adopted by the Council, a department head can move money within their budget with the approval of the Administrator. Monies can be transferred from one budget to another with Administrator recommendation and Town Council approval. If there is a need to raise monies not approved as part of the annual budget, the Council has the authority to do that. It requires a public hearing and a super majority to raise additional monies. They have to identify where the offsetting revenue will come from to fund that additional expenditure.

Mr. Selig stated that during the budget process only a small handful of people come and engage. He believed it was because there was a sense that the Council was doing a good

job managing the town and people seem to be satisfied with their decisions. Regarding Durham's charter and budget process, their Council Chair wanted to relay that "it works."

Chairwoman Wolf wanted to know the population of Durham when they originally passed the charter and what it is now. Mr. Selig stated that today they have about 15K residents. If they subtract the UNH students, they have around 7K. In the mid-80's, he guessed the population minus the students was about 5K.

Vice Chair Gleason wanted to confirm that capital improvement items weren't on the ballot unless they exceeded \$2.3M and Mr. Selig confirmed that was correct. Vice Chair Gleason wanted to confirm that they could have \$30M in capital improvement expenditures with 13 items combined into a single bond and that wouldn't go to the voters and Mr. Selig confirmed that was correct. He brought a copy of their approved 2023 budget and their 10-year Capital Improvement Plan. Every item that was approved for fiscal year 2023 was part of the capital budget. They have the operational budget, water budget, wastewater budget, and a capital budget. Vice Chair Gleason stated that she saw their 1-page ballot of the candidates. One of their concerns was the length of the ballot if everything goes on the ballot and how to curb that. Other than the \$2.3M bond threshold, she wanted to know if there were other items, other than citizen petitions, that have to go to the voters on the ballot. Mr. Selig stated that there were not. Periodically the Council will choose to put a question on the ballot or will get something by petition. They operate like a small city. The activity is with the Council; that's where the focus is unless somebody forces it to go to a referendum or the Council chooses to put something as a referendum. The 9 Councilors were dealing with it. For 7K residents, 9 Councilors was a lot of people around the table. The early charter commission felt if the Council was going to be delegated with wide ranging authority, they wanted a lot of thoughtful people around the table. They take their time to make decisions; everyone knows what's being talked about and usually in the end it's a thoughtful decision.

Mr. Brock wanted to know, regarding capital, if they identify a need, fund it, and then expend it where it might take multiple years, or do they build reserves for the capital items. Mr. Selig responded all of the above. They provide a 10-year fiscal forecast, which includes everything in the CIP, so they can look out over the next 10 years and if everything stays as they think it might today, this is what the tax rate might look like. They bond a lot of items and for some items they set money aside. The challenge of setting money aside was some residents felt that if they set money aside today, they might be long gone before they purchase the item they're saving for. They would rather bond it, so they don't get stuck paying for something they don't end up using. Mr. Brock wanted to know if they appropriate as part of the operating budget for capital items. Mr. Selig responded that they do for some. Their FD provides fire service for UNH. They have an agreement where UNH pays for ½ of the cost of the operation and ½ of all of the capital costs. Their arrangement with UNH is such that if there are any funds that have not been fully expended at the end of the fiscal year, those funds, up to 5% of the total FD budget, go into a capital reserve account. Those dollars have been funded 50/50, Durham/UNH. Each year they look at their long-range FD capital costs, how much is in the account and how much they deposit into the account. Some years they will deposit an extra \$25K into that account; some years its \$100K, but they target \$50K a year.

Ms. Camarota stated that Durham's population was about 5K and minus the student population it's about 7K. She wanted to know if they had different voting polls or just one. Mr. Selig stated that they have one polling place at Oyster River High School. They only have so many volunteers, and it's all hands on deck for the major elections. For a typical town election, the students don't come. If it's a presidential primary or general election, they process 3K to 4K same day registrations. It's a very busy day; they can't run two sites. They do voter registration drives at UNH in advance to try and cut down on the number of same day registrations. Ms. Camarota stated that she looked at Durham's ballot, and it looked like Bedford's form of government. They had talked about 40 different warrant articles. She mentioned the point that he mentioned, the exception of the \$2.3M, so the authority stays mostly with the Administrator and the Town Council. Mr. Selig stated that in Bedford there is a Town Council that has legislative authority. On the legislative side, the structure of government is very much like it is in Durham. On the budgetary side, the Town Council in Durham, other than a \$2.3M bond issue, can make all of the budgetary decisions. Bedford still has the Budgetary Town Meeting. That's the difference. Ms. Camarota wanted to know if Durham was an SB2 town and Mr. Selig responded no. The Council does everything and the annual election is for the election of officers and any referendum items. A single bond issue over \$2.3M would be on the ballot and any petition item signed by 500 voters. If the Council decided that there was some issue that it felt would benefit from everybody voting on it, but typically it's just the election of officers.

Mr. McLaughlin stated that Durham had their budgetary meeting prior to the Council voting by the end of the year and it was poorly attended. Mr. Selig stated that as part of the budget process, the Council was required to have at least one public hearing on the budget. They have very few people that attend. They have a couple of residents who come to most of their meetings and tend to be critical of different things happening in town and express their views about the budget. Mr. McLaughlin wanted to know if they had any authority to change the budget at that budgetary meeting and Mr. Selig responded no. It's a public hearing to inform the Council how the citizens feel. They can take it or leave it. Mr. McLaughlin stated that they had been away from the Town Meeting form of government for a long time and people were happy with what they had. Mr. Selig believed they were. From 1987/88 when they made the change to the charter form of government to the late 90's/early 2000's, there were a lot of growing pains; they were trying to get used to no longer having a Select Board. The Select Board was actively involved in every department. The Council moved to more of a broad overall policy focus, delegating the day to day operations to the Administrator. He thought they'd outgrown that and now the Councilor/Manager form of governance is what people know.

Chairwoman Wolf wanted to know if the Schools had elections on the same March day for the budget and Mr. Selig responded yes. Durham was part of the Oyster River Cooperative School District (Durham/Lee/Madbury), and the School District still has an annual School meeting, but they operate under SB2 form of governance. In February they have their deliberative session on the budget and then the final budget vote is held on the 2nd Tuesday in March. Durham voters go to the Durham polling place; both the Town Moderator and the School Moderator are set up and each have their voting machine. They combine efforts to have one polling place for Durham voters. The School ballot was more like a traditional Town Meeting/School Meeting ballot where they have the officers being elected, operating budget, and teacher contracts. They have to figure out what seems to be the best fit for Bedford and their needs.

Michael Malaguti, Town Manager, Londonderry, stated that he has been Town Manager for about 16 months. Prior, he was the town attorney and prosecutor for the Londonderry PD before that. They operate under an official ballot/ Town Council form of government. Their charter dates back to 1996. After a Charter Commission recommended adopting the official ballot provisions of RSA 49-D, the Council voted to become an official ballot community in March of 2012. They have a 5-member Town Council, which has all of the powers of the legislative and governing body except the power to approve bonds and the power to appropriate. It includes the power to amend the zoning ordinance and the power to adopt other ordinances. As an example of what they were able to do without going to the ballot, they recently adopted the Construction Rehabilitation Tax Exemption Program, which is something they hope will help them expand the commercial tax base and they didn't have to wait until March to do it.

Mr. Malaguti stated that their budget process begins in late summer. He and the Finance Director meet with town departments to look at anticipated needs for the coming year; they are on a fiscal year calendar. Similar to Durham, the budget that is considered by the Town Council is a budget that was first developed and proposed by the Town Manager. Their budget calendar begins on a Saturday in November when he presents the Town Manager's budget to the Town Council and to the community. The town departments are in attendance and give an overview of their requests. There are budget workshops in November and those are where a lot of the hard work is done; getting the Council and the community to understand the different requests. They have two public hearings on the budget. The 1st public hearing occurred last year on December 5th. They reserved December 19th for a bond hearing if necessary. The 2nd public hearing took place on January 16th and the Deliberative Session took place on February 11th followed by the town election and adoption of the budget on March 14th.

Mr. Malaguti stated that previously, their charter required the default budget to be calculated "pursuant to RSA 40:13". Because their charter was adopted under RSA 49-D, the statute didn't apply to them, but they borrowed the statutory definition. In 2018, there was legislation that clarified only contracts approved by the legislative body became part of default. Because their charter incorporated the State definition of default budget by reference, this change automatically became applicable to them. Questions arose whether increases in their healthcare premiums, contractual increases to their non-represented group of employees, and trash & recycling contract increases were included in the default budget. The School District is legally required to provide transportation services yet it was unclear whether increases in that contract would become part of the default budget. There were questions about long-tenured employees, and if those larger salary and benefit numbers were retained in default or whether the default budget should reflect the newly hired employees. In 2019, to address these issues, Londonderry amended its charter to decouple the definition of default from RSA 40:13. They defined, by charter amendment, the default budget in a way that made sense for them. The difference between the two budgets is subtle, but significant. The statutory definition states that 'default budget means the amount of the same appropriations as contained in the operating budget authorized for the previous year, reduced and increased as the case may be by debt service, contracts, and other obligations previously incurred or mandated by law and reduced by one-time expenditures contained in the operating budget and by salaries and benefits of positions that have been eliminated in the proposed budget.' It talks about the definition of contracts as 'contracts previously approved in the amount so

approved by the legislative body in either the operating budget authorized for the previous year or in a separate warrant article for a previous year.’ Londonderry adopted a different definition. They define default budget as ‘the amount calculated by starting with the amount of the appropriations contained in the operating budget for the previous fiscal year, reduced and increased as the case may be by debt service, contracts previously incurred, salary and other related employee costs previously incurred, and other obligations previously incurred or mandated by law and reduced by one-time expenditures contained in the operating budget.’ There was no provision that contracts need to be approved by the legislative body first in order to become part of default.

Mr. Malaguti stated that one of the benefits of official ballot voting under RSA 49-D was the ability for the Town Council to define default budget in a way that makes sense for them. Their Charter Commission expressed concerns in 2012. One was that “active minority groups take away the selection intended to be presented to voters, crafted by town staff and elected officials, and the thousands of hours leading up to the deliberative session.” Another was “whereas in a Town Meeting there was unlimited choice; now there are essentially two choices. The choice between the operating budget and the default budget.” There was no difference to speak of in terms of the power of a resident to amend at either the Deliberative Session or in a Town Meeting. In Londonderry, the power of a resident to do this was poorly understood in an open Town Meeting or at the Deliberative Session. Residents have the power to zero out budgetary lines, change the intent or reverse the intent of a warrant article, turn something originally proposed as binding into non-binding, and could add conditions. Little of that is understood and in his experience rarely exercised at the deliberative session. He suspects it’s the same in Town Meetings.

Mr. Malaguti stated that an item in their majority report and minority report was a concern about a decrease in turn-out participation. At the annual Town Meeting, around the time that the charter was changed, there were between 200-300 people who attended Town Meeting. In 2023, they had 63 attendees at the Deliberative Session out of 17,708 registered voters. At the election a month later, they had 1,864 voters. In 2022, they had 69 attend the Deliberative Session and 3,900 voters. In 2021, they had 62 attend the Deliberative Session and just over 2,000 in attendance at the Town Election.

Mr. Malaguti thought a reason to move away from a Town Meeting was growing size and complexity of a community and the need to react quickly to changing conditions. An example is their trash and recycling contract, which they were forced to renegotiate this year because of unprecedented inflationary conditions. Their form of government allowed them to negotiate and present to the Town Council a proposed amendment to that contract. Once approved, those increases became part of the default budget for future fiscal years. If they had to wait until the next Town Meeting, they would have seen a deterioration in the service they were receiving from their trash and recycling vendor and would not have been able to secure terms as favorable as they were.

Mr. Malaguti stated that his perspective is official ballot voting with a sensible default budget structure compliments the Town Manager/Town Council form of government. It is modern, efficient, and affords meaningful public participation including accountability to the public at every juncture.

Mr. Kerr assumed as an SB2 town that the default budget was dictated by the RSA statutes. It was interesting that they were able to modify that. He noticed on their sample ballot that there were 12 articles. He wanted to know if Mr. Malaguti thought there was ballot fatigue and had a large number of under counts, because people don't vote all the way down the ballot. Mr. Malaguti didn't have the under count numbers. His impression was that the 12 question ballot was down from prior years; they made a conscience effort to do that. Given inflationary conditions, they took a year off from certain items such as the master plan capital reserve account. He didn't perceive it as a significant problem. He gave their voters a lot of credit; they will vote on things that they want to vote on and they won't vote on things that they don't feel they need to vote on. Mr. Kerr wanted to know if the articles on the ballot were required based on their rules or was it something the Council decided to put in. He wanted to know if the Council could have bundled more of them together to reduce the number of things being voted on. Mr. Malaguti stated that a lot of them were recurring capital reserve appropriations. They have capital reserve accounts or expendable trust fund accounts for building maintenance items, FD equipment, and DPW equipment. There are different ways they could budget for those items. They could put more of that through the budget itself instead of separating it into a separate line item. They could consolidate certain capital reserve accounts or trust fund accounts. Their use of those accounts was pretty affective, but in certain cases specialized. He referred to the town that had a cyber-breach and weren't able to recover all of the money that was taken. Londonderry created a cyber-security capital reserve account, which they contribute to every year as a way to beef their cyber infrastructure. It wasn't something they needed to do; there were other ways to pay for those items. He thought it reflected the Council's determination that it's good to have awareness that this was something that was important and they were planning for. There were choices that were made along the way that either result in a lot of ballot questions or not.

Mr. Lord thought the mandate that brought this group together was to increase the democratic participation in the budgetary process. He thought Mr. Malaguti commented that they had a drop off through the changeover. He wanted him to comment, big picture, if he thought there was a loss as a result of that in terms of the community input at the extent they think about the democratic participation as a virtue. Mr. Malaguti stated that he couldn't speak directly to the comparison between Town Meeting versus Londonderry's form of government, because he wasn't Town Manager under the prior form of government. He could say that their experience was very similar to Durham's. He thought they get a lot of participation and interaction with residents in various forms. He echoed what Mr. Selig said; he thought people do not participate, because they are fairly content with how things were going. They also have reoccurring participants who offer feedback both ways. There tends to be a group that is unhappy with the choices that are being made. They come to the meetings and make themselves heard and he thought that was good. He wasn't clear if there was a mechanism for people who are in the service to participate in a Town Meeting. He understood that by going to an official ballot form of voting, it enhances the ability of some people to participate by absentee ballot.

Vice Chair Gleason stated that the cyber-breach was Peterborough and they lost \$2.3M. She thought Londonderry's ballot was very easy to track and read even though there were a bunch pages. She wanted to know if that was the average length of their ballot for an election. Mr. Malaguti stated that there were a few years before he became Town

Manager where it was a bit longer. There had been a conscience effort to keep it around that length in the last year or two. He didn't think it needed to be any longer than that.

Mr. Brock stated that one of the concerns they've heard deals with voter fatigue and the amount of time it takes a voter to get through voting multiple questions. He wanted to know if Londonderry had a single voting place or had precincts. Mr. Malaguti stated that they have a single polling place; the 1st or 2nd largest polling place in the State. Mr. Brock stated relative to the issue of the number of articles on the ballot, he wanted to know if they could operationally or legally group their capital appropriations into building reserve fund, equipment reserve fund, something else, and thereby reduce the number of articles on the ballot. He wanted to know if it was allowable or operationally feasible. Mr. Malaguti thought that the ability to do that was probably not as broad as they can group them altogether, because there were different statutes that authorize certain trust funds or capital accounts to be created. The cyber-security was a fairly specialized fund. It probably could be combined with other similar purposes. Mr. Brock wanted to know if there was a reason why those appropriations cannot be line items in the operating budget. Mr. Malaguti stated that Londonderry has a long-standing practice of operating budgets that are lower than the default budget. For the School District, that's not the case. For years the School District proposed an operating budget that was higher than the default budget. Budgetary restraint was a treasured thing in Londonderry. They have been able to come in under default for many years. Legally they could propose an operating budget that appropriated for all of those funds, but they would have an operating budget vastly higher than the default budget making it almost certain to fail.

Ms. Camarota echoed what Vice Chair Gleason said about reading through the ballot. She likes to know where the money goes, whether the Town Council recommends it or not, and the tax impact of each one and the total increase. She likes to see that detail. She thought that Londonderry's ballot was designed so that the average person could understand it and helps the residents appreciate the work that they do, because they understand it. Kudos for the way that it's designed. She stated that Bedford has a single voting place and they've grown. During presidential elections it's really tough to get in and get out in a timely fashion; they usually do a very good job of it. She wanted to know if Londonderry had similar problems with their single voting place and do they have plans in changing that in any way. Mr. Malaguti stated that they don't have those problems for the most part when 3,000 people show up to vote, but in a presidential cycle when the vast majority of registered voters are showing up to participate, it's a logistical challenge. Through great planning and partnership with their public safety departments and local volunteers, they've never been on the front page of the newspaper for people not being able to vote. It all goes about as well as you could expect. He thought it was a great point about the ballot, and he thought that was one of the reasons why the Town Council decided to move some of the items to the ballot. They have a strong manager form of government as well. He has authority to do certain things, but sometimes he pushes them up to the Town Council, because he felt the decision was significant enough that they need to weigh in. The Town Council does the same by pushing certain items to the community for input. He thought that was a really good way of looking at longer ballots. They're not all bad, in fact, it provides greater transparency. Ms. Camarota thought they did a very good job at their single polling place also; it gets challenging at the presidential.

Chairwoman Wolf thought that Londonderry's ballot was a communication tool of what they're doing in the town. She found it interesting that Londonderry was repeatedly below their default. By breaking it up, they have an operating budget and then capital reserves as different items. Bedford's capital reserves never go into the operating budget; they're always considered completely separate. She wanted to know how Londonderry calculates their default. Mr. Malaguti thought the NHMA folks would better be able to speak to this, but they could actually transfer appropriations even between warrant articles with specific purposes unless the warrant articles were special warrant articles. Whether an appropriation to the cyber-security capital reserve account becomes part of the default budget, he thought not. Although they start with last year's appropriations, he didn't believe that it becomes part of the default. Their budgetary appropriation does and then adjustments up or down such as contracts he enters into under his authority. If he were to enter into a cyber-security consulting agreement or multi-year piece of software, it becomes part of the default. He didn't believe that the separate warrant articles were treated as part of the default. Chairwoman Wolf wanted to know if they follow the RSA for the definition of default. Mr. Malaguti stated that they do not. They aren't technically an SB2 town; they are a 49-D charter town. That's what gives them the flexibility to be able to define default budget the way they want to. There's a case that suggests that there is no requirement for a default budget in a 49-D community, although he wasn't sure how that would work with official ballot voting, but that's what gives them the flexibility. They will see in a lot of the materials, including Londonderry's, that people were referring to it as 'they're going to become an SB2 town.' That's just shorthand for official ballot voting. SB2 was official ballot voting under 40:13. There's a separate official ballot voting mechanism under 49-D, which is what Londonderry falls under.

Stephen Maceroni, PFM, stated that PFM Financial Advisors was one of the largest financial advisory companies in the country. He works out of the Boston office and covers NE. He lives in RI. Most of his business is in NH, RI, and CT and a little bit in ME and VT.

Mr. Maceroni stated that the question was what impact, if any, a change in the budget process could have with the rating agencies. Bedford is the only AAA with Moody's in the State. Moody's has a scorecard methodology when they rate cities and towns, which they recently amended in November of 2022. They reviewed all credits in NE and Bedford maintained their AAA rating. The scorecard was broken up into four factors: economy-30% (residential income-10%, full value per capita-10%, economic growth-10%), financial performance-30% (available fund balance-20%, liquidity ratio-10%), institutional framework-10%, leverage-30% (long-term liabilities-20%, fixed costs-10%). Institutional framework was governance; their ability to raise revenue and control expenses. For the AAA definition of institutional framework, it reads, 'The majority of revenues is not subject to externally imposed caps and the governing body can increase revenue meaningfully without limitations or without approval of voters or other governments.' That's AAA. As you go down, there is a little more flexibility. He's not suggesting that this is the only definition of institutional framework. That's just the AAA definition. If they change the way they budget, he didn't believe it would impact their bond rating. If they have a trend of failed budgets and have to go to default budget, whether they are able to govern prudently under those default budgets would be the major question. It would be a potential headline risk. The rating agencies would note there had been failed budgets and investors would know, but he didn't think it would move the needle on the rating. He spoke to a representative of Moody's who rates the NE cities and towns who wanted to know with a

default, if they get a second bite at the apple. If the budget fails, a lot of cities and towns would just go back to another ballot with adjustments. That's not the case in NH. He thought if the default budget is set up properly, and there are enough provisions that don't limit their ability to raise revenues or cut expenditures, perhaps it's not an issue.

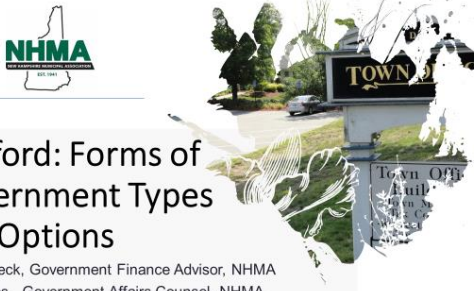
Chairwoman Wolf stated that in Croyden, they cut the budget drastically in Town Meeting. Luckily it went to a special meeting and everything was restored. She thought going to official ballot voting with a default gives them a floor; there is no floor when you're having a Town Meeting. Mr. Maceroni stated that in RI they have a lot of financial Town Meetings, budgets are passed. Those meetings can go long, but when you walk out at the end of the night, there has to be a budget that's approved. Sometimes there's a lot of compromise in that process. Chairwoman Wolf thought in theory here it could be cut by a third or in half. It's just whoever the voters are who show up and pass that; that's what happened in Croyden. A small number of people cut the school budget by 50%. There's no floor when you don't have SB2.

Vice Chair Gleason wanted to know if there was sample language or guidance on how, if they switch to that form of governance, it's ideally worded in the charter in order to not trigger provisions that could potentially jeopardize bond rating. Mr. Maceroni stated probably not. He could share the methodology from Moody's, which has the different categories and what it specifically says. Moody's doesn't give advice. They will give you their opinion when it's a written opinion and it's in connection with a bond issuance. His job for the Town was that he assists when they issue bonds. Part of that is to coordinate with the rating agency, so he's got a dialog with the rating agencies and work with the Town whenever they issue a bond. They have clients across the country and he could query within the company to see if there's any samples.

Mr. Brock wanted to know if they were to drop from AAA, in terms of basis points, what the impact would be. Mr. Maceroni stated that AAA was the gold standard. Generally in a low interest rate environment, the spread between a AAA and a AA is very narrow. In a normal or slightly higher interest rate environment, it's wider. They sold a transaction for a AAA entity a couple of weeks ago and it even traded 50 basis points wider than a natural AAA, which doesn't make sense, but it did just because the investors were looking for a little more. AAA to AA could be anywhere from 20 basis points in a low interest rate environment to 50 basis points in a high interest rate environment. AAA is coveted and there's more to it than just the financial cost, but there is a financial impact as well.

Mr. McLaughlin stated that their school budget was SB2 voting for the last 25 years and only one out of 25 had been a 'no'. The Town had a good track record in an SB2 format.

Katherine Heck and Natch Greyes, NH Municipal Association, had handouts for the Commission: Forms of Town Government NH-Chart, Forms of Town Government-Narrative. Mr. Greyes stated that they looked that the ballot question and their opinion was that it was a rather vague question, because while it's clear that they want an official ballot, they weren't sure what 'under the current form of government' meant. It could mean a Town Council or a Town from of government. They went through a Powerpoint presentation.



Bedford: Forms of Government Types and Options

Katherine Heck, Government Finance Advisor, NHMA
Natch Greyes, Government Affairs Counsel, NHMA

Ballot Question:
Shall a Charter Commission be established for the sole purpose of establishing official ballot voting under the current form of government?

- ### Agenda
- Forms of Town Government
 - The Budget Process/SB 2
 - The Default Budget
 - Default Budget: More Details (If Time Permits)

Forms of Town Government

All of the Options

- ### Forms of Town Government
- Default: Traditional Town Meeting – Everything Done from Town Meeting Floor
 - Most “Traditional” Town Meetings have adopted the “official ballot” for the election of officers – select board, etc. but not for other items.
 - Some towns have moved further, to “SB2” a.k.a. (confusingly) “official ballot form of town meeting” – requiring all warrant articles to be voted on by ballot (as well as election of officers).
 - More on the complex budget process later.

- ### Forms of Town Government: Less Common Options – RSA 49-D:3
- I. Town Council: Same as City Council, but still a town. (Town meeting can vote on ZO & Bonding, if allowed by charter).
 - I-a. Official Ballot Town Council: Charter specifies what the town meeting votes on, with everything else reserved for the Council.
 - II. Budgetary Town Meeting: Town Council does everything, but town meeting votes on the operating budget. (And, perhaps, ZO, if allowed by charter)
 - II-a. Official Ballot Town Meeting: Charter specifies what the town meeting votes on via official ballot versus open meeting (with select board).
 - III. Representative Town Meeting: Town Meeting but with Representatives (i.e. a smaller pool of people participating)

- ### “Official Ballot” & The Budget
- I-a. Official Ballot Town Council: When a charter provides for an official ballot town council **it shall also specify with precision the budgetary items to be included on the official ballot**, a finalization process for the annual budget, the process for public hearings, debate, discussion, and amendment of questions to be placed on the official ballot, the procedures for the transfer of funds among various departments, funds, accounts, and agencies as may be necessary during the year, and the applicability of the official ballot procedure to special elections.
 - II-a. Official Ballot town Meeting: Official ballot town meeting shall be a variation of the open town meeting which provides for **voting on some or all warrant articles, including part or all of the annual town operating budget, by official ballot.**
 - RSA 40:13 (“SB2”): **...utilize the official ballot for voting on all issues before the voters.**

- ### Some Confusion: RSA 49-D:2 vs 49-D:3
- RSA 49-D enacted in 1991. At that time, 3 options – all listed in D:3 and referenced in D:2.
 - As two more options were added (I-a and II-a), D:3 was updated but D:2 was never updated...until now.
 - SB 111, as amended by the House, clarifies that D:2 is not meant to modify the options under D:3, but simply reference those options as part of further instructions about charter options
 - SB 111 hasn’t yet been concurred with by the Senate or signed by the Governor, but we are hopeful that it will be.

Summary: Forms of Town Government

Form	Legislative Body	Governing Body	Comments	Examples
Non-Charter Forms				
Traditional / open town meeting	Town meeting	Board of selectmen		All Towns, 140 towns have this form
Town meeting with official ballot (SB 2)	Town meeting for official ballot	Board of selectmen		All Towns, 67 towns have this form
Charter Forms (see RSA 49-D)				
Town council	Town council	Town council	Charter may reserve authority to the voters to approve board issues and amend warrant articles	Derry, Durham
Official ballot town council	Town council (with official ballot town meeting (charter))	Town council	Charter provides for voting on some or all legislative matters between meetings by official ballot. All other matters are left to the council.	Rockport, Londonderry, Merrimack, Newmarket
Budgetary town meeting	Town council (open town meeting for budget only)	Town council	Town meeting's only authority is to vote on operating budget. All other authority reserved to the council.	Bedford
Official ballot town meeting	Town meeting	Board of selectmen	Charter provides for voting on some or all warrant articles by official ballot. Open town meeting votes on all other legislative matters.	Interborough
Representative town meeting	Representative town meeting	Board of selectmen	Same as open town meeting, except that individuals are selected to participate in town meeting.	None

The Budget Process

The Big Difference Between Forms of Government

The Budget Process: Key Players



- Legislative Body
- Governing Body
- Budget Committee: Advisory v. Official

Governing Body*

- Prepares warrant, drafts separate warrant articles
- Pay all sums of money received to the town treasurer
- Prepare manifest to pay all town expenses
- Maintain records of all town financial transactions
- Publish in annual report, the general fund balance sheet based upon audited financial statements
- Establish and maintain appropriate internal control procedures
- Annually review and adopt an investment policy
- Ensure all funds totaling \$1,500 or more are remitted by departments, town clerk and tax collection to the treasurer
- Submit proposed budget to the Budget Committee or Town Meeting.

*21:48 Governing Body – the term "governing body" shall mean the board of selectmen in a town, the board of aldermen or council in a city or town with a town council, the school board in a school district or the village district commissioners in a village district

The Annual Meeting

- Approves all appropriations;
- Votes to create and fund common municipal/district funds;
- Citizen authority to propose appropriations by petition;
- May amend separate articles to reduce or zero out appropriations;
- May amend proposed budget to reduce (or increase) total bottom line appropriation;
- Can zero out line -item appropriations in DRA proposed budget form.

Warrant articles "pertaining to the operating budget and the default budget" is subject to explanation, discussion and debate at the first session of the annual meeting. RSA 40:13, IX(b). Default may not be amended by the voters.

Default Budget Procedure

- The preparation and determination of the default budget, including one-time expenditures, capital project appropriations, rests with exclusively with the governing body - unless it has been delegated to the budget committee.
- Disclosed and presented for questions and discussion at first budget hearing;
- Line-item changes must be available at budget hearing:
 - Appropriations in last year's budget;
 - Reductions and increases, including identification of specific items that constitute a change by account code and the reason for change
 - One-time expenditures
 - Reductions for eliminated positions
- Discussion and debate of default budget at deliberative session.
- **The default budget may not be amended by voters.**

DRA PORTAL

The system will automatically populate the "Prior Year Adopted Operating Budget" from information provided during the previous tax year.

To make adjustments to the default budget the user can enter "Reductions or increases" and "One Time Appropriations". From these inputs the system will automatically calculate the "Default Budget Values".

Explanatory text can be provided for each account code through the "Reason Field".

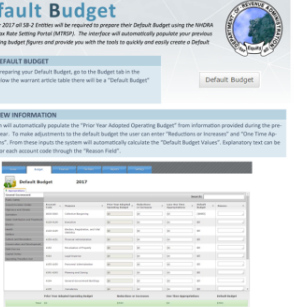
Source: NH DRA
DRA FAQ: <https://www.revenue.nh.gov/municipality/documents/dmtrsp-faqs.pdf>

Default Budget

For the Year 2023 of SB 2 (2018) will be required to prepare their Default Budget using the NH DRA Manager (in the Budget System Interface). The interface will automatically generate your previous year operating budget figures and provide you with the tools to quickly and easily create a Default Budget.

START DEFAULT BUDGET
To begin amending your Default Budget, go to the Budget tab in the NH DRA. Below the warrant article codes there will be a "Default Budget" button.

ENTER NEW INFORMATION
The system will automatically populate the "Prior Year Adopted Operating Budget" from information provided during the previous tax year. To make adjustments to the default budget the user can enter "Reductions or increases" and "One Time Appropriations". From these inputs the system will automatically calculate the "Default Budget Values". Explanatory text can be provided for each account code through the "Reason Field".



SB2 Default Budget Historical Timeline

Since 1995, 72 towns and 81 school districts have adopted the SB2 form of annual meeting.
Source: DRA 12/31/2020

- 1995**
 - RSA 40:12-14 was created to provide an alternative to the traditional Town/school Meeting.
 - The annual meeting cannot end until a budget is adopted, this provided a method to essentially finalize a budget in the event of a "no" vote.
 - The default budget is necessary in the event that the voters reject the proposed operating budget at the second (ballot) session.
- 2004**
 - Default budget calculation clarified in SB 219.
- 2018**
 - Several NH Court cases and over a dozen failed attempts to propose legislation to amend the default budget law, resulted changes passed in 2018.
 - Chapter 313 (SB 342) and Chapter 241 (HB 1307) re-defined how the default budget must be calculated.

Note: Bills are filed every session to amend the default budget calculation, including this year.

Senate Bill 2 (SB2) Official Ballot Law RSA 40:13

Governing body calculates, unless delegated to budget committee through annual meeting authorization. (RSA 40:14-b)

As long as statutory formula is used, default budget may be higher or lower than last year's budget

Default budget is amount of the same appropriations as contained in the operating budget authorized for the previous year . . .

reduced and increased, as the case may be, by debt service, contracts, and other obligations previously incurred or mandated by law, and

reduced by one-time expenditures contained in the operating budget and by salaries and benefits of positions that have been eliminated in the proposed budget.

RSA 40:13, IX(b).

Default Budget Terms Defined

"One-time expenditures": Appropriations not likely to recur in the succeeding budget.

"Contracts": Contracts previously approved, in the amount so approved, by the legislative body in either the operating budget authorized for the previous year or in a separate warrant article for a previous year.

"Eliminated positions" does not include vacant positions under recruitment or position redefined in the proposed operating budget.

Default Budget Procedure

- ▶ Disclosed and presented for questions and discussion at first budget hearing
- ▶ Line- item changes must be available at budget hearing:
 - ▶ Appropriations in last year's budget
 - ▶ Reductions and increases, including identification of specific items that constitute a change by account code and the reason for change
 - ▶ One-time expenditures
 - ▶ Reductions for eliminated positions
- ▶ Discussion and debate of default budget at deliberative session (not amended)

2018 Legislative Changes to the Default Calculation


The 2018 amendment to that law now makes clear which "contracts" can be used to adjust the default budget number.

(Chapter 241, HB 1307), "contracts" are limited to "contracts previously approved, in the amount so approved, by the legislative body in either the operating budget authorized for the previous year or in a separate warrant article for a previous year."

Intent of this change is clear: an amount included in a contract cannot be used to adjust the default budget unless that amount was previously approved by the legislative body.

2018 Legislative Changes to the Default Calculation


Discussion of operating and default budgets at deliberative session. The same new law, Chapter 241, amends RSA 40:13, IV, to say that the first session of the annual meeting in an SB 2 town “shall consist of explanation, discussion, and debate of each warrant article, including warrant articles pertaining to the operating budget and the default budget.”



When does the default budget go into effect?




✓ If the proposed operating budget does not pass, and if the governing body does not choose to call a special meeting to consider a revised operating budget (or if such a vote fails), then the default budget is deemed to have been adopted.

DEFAULT



What line-item transfer authority does the governing body have over a default budget?

Sullivan v. Town of Hampton Board of Selectmen, 153 N.H. 690 (2006)

-  The default budget is a dollar amount which creates a bottom-line figure;
-  the governing body must remain within that figure;
-  the failure to pass the operating budget is a change in circumstances that allows the governing body to use their authority to transfer funds that are appropriated under RSA 32:10.


Individual Warrant Articles

Are there any warrant article appropriations that must be included in the default budget?

- In most cases, a warrant article will be considered a one-time expense, unless it creates a contract.
- Examples include collective bargaining agreements, multi-year contracts and lease/purchase contracts as well as bond issues.

EXCEPTION: If an SB 2 town approves a multi-year appropriation for a capital project under RSA 32:7-a, for each year after the first year, the amount designated for that year as provided in the original warrant article is included in the default budget and deemed appropriated without further vote by the legislative body.

- Once the meeting has authorized a capital project multi-year appropriation, no warrant article is needed in any other year of the term.
- Each year's amount will be treated as appropriated automatically in future years of the term whether the proposed operating budget is passed.




A Warrant Article vs. the Operating Budget

What are the risks associated with putting the full term of the contract to the voters in a separate warrant article?




- The most obvious risk is triggering “no means no.” The voters could vote down the separate warrant article to approve the multi-year agreement and appropriations.
- When a separate article containing an appropriation is rejected by the voters, it generally means that no money can be spent on the purpose stated in that warrant article.
- A well-crafted warrant article may help reduce these risks, should the voters reject the article, so that the purpose of spending is not prohibited by a “no” vote on the article.

What are the risks associated with putting the amount in the operating budget?

- Since there are many types of multi-year agreements signed by the select board or town council, this is often the most efficacious approach—but it does mean that the default budget cannot include the increases that the select board may be on the hook to pay; the budget includes only the same “base” amount as included last year.
- In this case the governing body may use their authority to transfer funds that are appropriated under RSA 32:10.




What are “contracts, and other obligations previously incurred or mandated by law” that are included in the default budget?

-  The annual cost of any multi-year contracts that had been approved by a prior town meeting would be included in the default budget, such as a collective bargaining agreement.
-  Any other multi-year contracts where the full, multi-year cost of the agreement was discussed and disclosed at the town/district meeting where the agreement was approved.
-  Other obligations mandated by law that would be included in the default budget would be such things as:
 - Workers’ compensation insurance which is mandated by RSA Chapter 283 A, or payments to the New Hampshire Retirement System for town employees.
 - County Payments or payments to the State Treasurer.


Examples: Contracts

- ☑ If the town meeting last year or two years ago approved the cost items in a collective bargaining agreement that was appropriately “sanbornized,” and if that agreement includes increases that will apply in the coming year, those increases should be applied as an adjustment to last year’s operating budget to determine the default budget for town meeting. This is because those increases were “previously approved ... by the legislative body.”
- ⊘ If the town’s budget for waste-hauling services was \$400,000 this year, and the governing body entered into a contract mid-year to pay \$450,000 for the same services next year, they cannot include the extra \$50,000 in the default budget. They may certainly include the full \$450,000 in the proposed operating budget for next year, but the default budget number must be the same as this year’s budget number—\$400,000.



Salaries & Raises

- Hillsborough Superior Court, Northern District, found that annual salary increases included in an employment contract, entered into between a town employee and the select board, could not be included in future years’ default budgets. The judge determined that because the appropriations in the contract were not previously approved by the voters, these amounts did not constitute “contracts ... previously incurred by law.” *Neal Kurk v. Thomas Clow, et. al.* Docket No. 261-2018-CV-00086, [Affirmed in part, *Neal Kurk v. Thomas Clow*, 2019 N.H. Lexis 90, NH Supreme Court (decided May 9, 2019)].
- This means that employee raises provided after the annual meeting, that are not disclosed and approved in the salary line item at the annual meeting should not be included in the default unless they are required by a legally binding and previously ratified contract obligating the municipality to fill positions or employ particular people at certain wages.
- Separate warrant articles containing merit raises, a COLA, or other compensation are considered one-time expenses, and would not be included in the default unless the warrant article was carefully worded to carry forward those amounts in subsequent years.




EXAMPLE: Contracts not approved at the Annual Meeting

Example-

- The 2022 budget contained \$100,000 for waste hauling.
- The 2023 contract is set to increase by 5% to \$105,000.
- The 2023 default budget can contain only the \$100,000—as approved in last year’s operating budget—not the \$105,000 contained in the new contract signed by the select board.
- The select board can still pay \$105,000 for waste hauling in 2023, even if the town ends up with the default budget.
- This is because the budget—whether an adopted operating budget or a default budget—is a bottom-line budget, and the select board has the authority to transfer from line to line.
- The board must find the additional \$5,000 elsewhere in the budget. This, of course, means that another area of the budget may suffer, but this is part of the reality of being in a default budget year.

What happens when the select board or town council did not submit the contract to the voters in a separate warrant article?



Default budget must be reduced for eliminated positions


“Excluded Salaries”, Attrition vs. Retirement & Reorganization

2018 testimony indicated the intent that “excluded salaries” and specified the terms did not include vacant positions or reorganized/restructured positions.

2018 testimony acknowledged that when a position is not eliminated but is replaced by new employees with a lower salary (e.g., due to retirement), those changes do not need to be adjusted/reflected in the default budget.

Supporters of the 2018 law changes maintained that if a position remains open or is filled by a more junior employee, the default budget does not need to be adjusted.

Only if a position is eliminated through attrition/reorganization/restructuring does it have to be removed from the default budget.




EXAMPLE:

Annual salary increases -another commonly-debated issue with default budgets

Example, an employee whose salary plus benefits in the 2022 budget was \$100,000 (with a \$50,000 salary).

- The governing body had also entered into an agreement to pay this employee a 10% increase in the subsequent year.
- For the 2023 default budget, the board cannot include \$105,000 (\$55,000 increased salary plus benefits); it can put in just the \$100,000 approved by the legislative body in the 2022 budget.
- That doesn't mean the \$55,000 salary can't be paid to the employee—but it does mean that the board will need to move money around to "find" that extra \$5,000.
- Like any other multi-year agreement, the board could ask the voters to approve the full term of the employee's contract, including the pay increases, in which case the pay increases would be included in the default budget.

EXAMPLE: One-Time Expenditures



Example: the town included money in the maintenance line of last year's operating budget to install new windows in the town hall/school building.

- ❑ Since the window installation was a discrete project that occurred last year, and not something to recur annually -that amount constitutes a one-time expenditure that must be taken out to calculate the default budget.
- ❑ The same would be true about a one-time exterior improvement to a town building or school, such as installing handicap access ramps.
- ❑ The purchase of a new backup electrical power generator for the fire station would not likely be a reoccurring capital expense and would be categorized as a one-time expenditure.

EXAMPLES:

Adjustments to default budget must be presented in detail.

- ✓ Example: if the prior year's operating budget included an amount in the police budget to buy land for future expansion of the police station, the reduction for that one-time expenditure must be identified as a reduction in the police budget, with an explanation that the land has been purchased.
- ✓ Example: if a position in the highway department has been eliminated, that amount must be shown as a reduction in the highway department budget, with an explanation that the position has been eliminated for next year.

EXAMPLE:

Commodities & Utilities

- Example: While the per-unit cost for certain commodities may increase from one year to the next (such as the cost per kilowatt-hour of electricity or the cost per ton of asphalt), the default budget includes the "amount" of the money appropriated for that purpose the previous year, not the amount that will be required for the same number of units in the coming year.
- The default budget is limited not only to the same amount of the appropriations in the previous year's operating budget, but also to those purposes for which appropriations were made in the previous year's operating budget.

EXAMPLES:

No New Budget Line

- New budget line items cannot be added because they are not part of the appropriations contained in the previous year's operating budget.
- This means the only purposes that should be included in the default budget are the purposes (line items) that appeared in the previous year's operating budget.
- Example: if the previous year's operating budget had no appropriation for DRA's Account #4152, revaluation of property, that line cannot be added into the default budget because it does not fall within the definition of default budget under RSA 40:13, IX(b).

Commonly Asked Questions

Q: Our annual meeting is in March, our Governing Body provided a 4% COLA to all employees in September due to inflation using line-item transfer authority. Can we include the COLA and associated payroll taxes and the increase to NH Retirement in the default budget under the salary lines?

A. Unfortunately, while this is legally permissible for the governing body to do, the COLA and the associated increases can not carry into the default, as they were not approved by the voters for that purpose. Those funds are in another line item and the default freezes the amount in the budget line and does not consider line-item transfers in the calculation.

Practice Pointer: if there were adjustments made to salaries after the annual meeting, only the total amount approved in the line is available in the default.

Commonly Asked Questions

Q: We are a calendar year town. In 2022, the town voted to add a part-time employee to the transfer station beginning in July. If we go to default, can all 12 months of salary be included in the default since the position was approved by the voters?

A. In the 2023 default, note only the 26 weeks of salary was approved by the voter, therefore only the amount in the line budgeted at 26 weeks can be included in the default, despite the position being approved.

- The intention was for the position to begin in the second half of the year in 2022, and by only budgeting 26 weeks, the voter was only taxed on the associated salary expenses for 6 months. This presents a challenging scenario, because the default is based on a dollar amount, with no consideration for the position. However, the governing body has line-item transfer authority should the budget go into default.

Future of the Default Budget

Bills are filed every session to amend the default budget calculation, including this legislative session.

- At the time SB2 was passed that it was not intended as a tax reduction mechanism but rather a formula for keeping the town/school running if the voters did not approve the proposed operating budget.
- Legislators are still looking for mechanisms to reduce the amount of the default budget so it can never be higher than the proposed operating budget.

Changes to the definition and wording of SB2 raise questions about whether SB2 as it now exists is what voters adopted.

Ms. Heck stated that if they adopted straight SB2 like the School District, they could t do everything on the same day if they make it a coordinated effort. Many communities do everything on the same day. She was leaving them a couple of 2023 timelines. An SB2 March meeting calendar and a DRA SB2 calendar for March on the dates that have to be considered. She's worked with a community that is considering moving to SB2. They are going through the exercise of going through their budget and figuring out what would count and what wouldn't in a default budget and if anything has to be considered in that, so there were no unintended consequences. She encouraged them to go through that exercise, so they have full continuity of government and their citizens have the programs and services that they are relying on.

Mr. Kerr stated pointing out that their charter language was vague and that they have multiple options under ballot form of government was very important. He was under the impression that they had to do 40.13 and follow the law strictly; the law changes and they don't want to be tied to that. He wanted to know what flexibility they had. He understands that their charter was to figure out the whole framework for this and not just to say yes, they want to do this and then it's all prescribed. They need to do the detailed work and say exactly the nuance they want to do. He wanted to know if they could elaborate on what the flexibility was that they have. Chairwoman Wolf stated that they asked counsel for some information and she had that there for them. It answers his broad question. Mr. Greyes stated that they would agree with counsel. Mr. Kerr stated that this Commission's ultimate outlet was going to be whether they adopt SB2 or some other form that's official ballot voting and also the timeline of when things happen and whether they combine with the School deliberative session. Mr. Greyes stated they weren't sure how broad or narrow their scope was, so they just prepared everything for tonight. Hopefully it was all informative in a way that helps them make whatever decision is best for Bedford. Mr. Kerr thought the most important thing was understanding what the scope was of what they're supposed to be doing, which is vague based on the language. Each session they have he gets a better understanding of what it is they need to achieve.

Mr. Brock stated that his only experience with deliberative session and default budget had been on the School side. The content of the default budget was never questioned at a deliberative session and he wanted to know if that was typical across the State or do people challenge it. Ms. Heck thought it depended on the community, but several lawsuits have come up about default calculations and political subdivisions. By statute, if you are a 40:13 like the School is, only the governing body can certify the default budget, so they do that by signing the warrant and posting it. It's possible that it can be challenged to see if the calculation was done correctly.

Ms. Camarota thanked everyone; she learned a lot. RSA 49-D appears to be an option that the Commission can look at and other options.

Chairwoman Wolf stated that they've discussed SB2 versus Town Meeting around the State and by looking at the data it looks like most of the people who are doing traditional Town Meeting are communities under 10K; they aren't the size of Bedford. Mr. Greyes agreed that Bedford was larger than most doing traditional Town Meeting.

[The Commission took a 5-minute break]

4. PUBLIC HEARING

Chairwoman Wolf opened the public hearing.

William Carter, 100 New Boston Road, thanked the Commission for their due diligence. As Chairman of the Town Council, he got the email from the citizen asking why they don't do SB2 like the School does. That sent the Town Council working with the Town Manager to make sure that they were better informed about what it was going to be. Their feeling was let the people tell them what they want done and that's why there is a Charter Commission and that they are the nine that are going plot the future of what Bedford is going to be when it comes to the budgets in the future. From talking with residents, the

three major parts that come up was the future of Bedford; what's going to happen in the next 20 years. The next generation that's going to be living in the Bedford and how are they going to be leaving the Town for them. The residents are concerned, because they want their children and future generations to be able to move into Bedford and make sure it's the strong vibrant community that it is right now. From what he's seeing, past Councils and management has made this a very vibrant strong town that people want to move to. A lot of the concern is about a default budget. He's done some research on that and does his due diligence to make sure he understands before he's in front of a microphone. The 2nd is the economic stability of the Town. They talk about the School budget only going to default once. He thought running a Town was a little bit different than running a school. The way that things are handled within the Town to make sure that everyone in Town gets the services that they need when they need them. They heard a lot about the AAA bond rating and being the gold standard; that's what Bedford is. People want to move here, because it's the gold standard. The last thing people have said to him is what has gone wrong in Bedford that they need to do this; what has happened over the last 20 years, has this town starting to falter, because now they are moving to try to change what their doing when it comes to the budget. They feel that maybe it's not broken; why fix it. He thought that's what he was getting from the residents. Those are the three big things. He thought the one thing that stood out for him tonight was 'it works'. They're a hybrid, they are a gold standard. They have put something together in Bedford that nobody else does, but they give the level of services, the best roads in the State. There are a lot of things that Bedford has that nobody else has. Right, wrong or indifferent, however they want to move forward when it comes to the end of their Commission time, he asked them to look at what they can do to continue to be the gold standard. It could be a hybrid; whatever they decide to do. He thanked them for doing their full due diligence to make sure that they were doing this for the future of Bedford.

Susan Tufts-Moore, 27 Bedford Center Road, stated that she wanted to come tonight as someone who always attends the Town Budgetary meetings. She had grave concerns about the possibility of changing their town to an SB2 town. She had spoken to many residents over the years in other towns that had changed to SB2 and she never heard anybody say that they were glad that their town changed. In fact, a number of people she had spoken to over the years have warned her never to vote for SB2. They felt that the switch they made was detrimental to their communities. She's gone to many Town Meetings over the years and she didn't understand why other people don't go; there's no reason not to unless you're out of town. They're available, they're widely advertised, and she always found it really interesting to go. She couldn't recall any drastic changes to the Town budget at a Budgetary Town Meeting. An example that keeps coming to her mind was in 1982, it was proposed that the Town include an amount in the budget at the Budgetary Town Meeting to raise the funds necessary to purchase the first 148 acres of the Pulpit Rock Conservation Area. It was a unique opportunity at the time, because the owners had made the property available and a matching grant was also available. There was considerable discussion among the people. There were a lot more than 80 people. Ultimately, the townspeople at the meeting voted to include that sum in the budget. Had it been voted down, they probably wouldn't have the Pulpit Rock Conservation Area today. She thought it would have been harder to have that pass on a written ballot, because so many people don't get informed the way they should about the issues. She's concerned that had it been on the ballot it would have been turned down. She felt that there was a real advantage to having a Budgetary Town Meeting and would hate to see

Bedford go to an SB2 town. She appreciated all of the education the Commission was getting and she got by coming tonight.

Chairwoman Wolf closed the public hearing.

Chairwoman Wolf stated that they would be having another public hearing on June 21st at 6:00 PM.

b. Other New Business

Chairwoman Wolf stated that there was a lot of other information included in the packet in addition to the charters and the ballots. She included information from the Bedford School District and thanked Mike Fournier for helping out with that. The School District had been SB2 since 1997, and they had one default budget, which was in 2019. The Town Manager shared the Bedford Town Meeting Handout and the Capital Reserve accounts were listed on page 8. The entire Capital article is #9 and starts on page 6. She thanked Mr. Sawyer for including information from the attorney. The attorney covers ‘...When a charter provides for an official ballot town council it shall also specify with precision the budgetary items to be included on the official ballot, a finalization process for the annual budget, the process for public hearings, debate, discussion, and amendment of questions to be placed on the official ballot, the procedures for the transfer of funds among various departments, funds, accounts, and agencies as may be necessary during the year, and the applicability of the official ballot procedure to special elections. The majority vote required to approve bonds or notes shall be either $\frac{2}{3}$ or $\frac{3}{5}$ as adopted and provided for in the charter...’ She stated that there was a lot more information in there, but that covered the major gist. She needed to digest this and the presentations that were handed out. She would like to go back to the NHMA and read that at a leisurely pace. They could always bring it back for discussion on the 21st.

Mr. Brock wanted to know if it would be appropriate for a future agenda item to have a discussion about exactly what they were charged to do. Their charge was both narrow and somewhat nebulous. The biggest question he had was were they charged with ‘What should the Town do’ or ‘How should the Town do it’. The 2nd half of that was huge. Chairwoman Wolf thought it included the 2nd half. Vice Chair Gleason read it and thought it was a road map to what it needs to include.

Rick Sawyer, Town Manager, stated that they can ignore the 2nd half if they decide they don’t want to change. If they decide they want to change to a different form of government, then they have to build all of the steps that would show them how to govern under that new form of government. They have to decide, probably not until after their 2nd public hearing, if they were proposing to make a change in the form of government. If so, they need to determine how that government looks. Mr. McLaughlin wanted to know if the lawyer helps them create all of the writing. Mr. Sawyer responded not necessarily. He would review the work that they did and give them advice on it, but it’s the Commission’s task to come up with it. He’s been saying from the beginning that they might want to start looking at language if they were thinking of going in that direction. The 7 towns that they gave examples of were the 7 charter Town Council forms of government and they have a lot of power. They heard that from the Secretary of State’s office, DRA and then compounded tonight with a little more detail of all that information. They really have a

chance to define, if they're going to "official ballot", what is on that ballot. They could put only things of a certain value on the ballot or have capital approved by just the Council. They have a lot of leeway to decide the future of the budget process if they decide there needs to be a change. Their first question is does there need to be a change.

Vice Chair Gleason stated that depending on where they go with it, she's been tracking language and she didn't mind doing some drafting.

Chairwoman Wolf thought on the 21st they hold their hearing; hopefully they have a nice turnout. They could make some effort to get people to come. She thought that evening they could have either an official or unofficial recommendation on what they would like to do; she thought that was pivotal. If they were going to go ahead and make some kind of change, and it would be great for everyone to think about between now and then, she thought a subcommittee of a couple of people could dig into a solid draft and take the month of July off. Then they reconvene in August, whether it's two meetings or not, to review that draft and decide to run it by an attorney and share it with the public. After they share it with the public, then they hold another hearing.

Vice Chair Gleason stated that with her law firm, if she puts something on Sharepoint and share multiple editors to it, people could go in and edit a document and wanted to know if that was something the Sharepoint site for Bedford also allows. Mr. Sawyer stated that they don't have that provision for the public. Chairwoman Wolf stated that they could do it in Google Docs, it just can't be a quorum of the Commission. Mr. Sawyer stated that they could have four people on their subcommittee avoiding the public right-to-know law.

Ms. Camarota stated that the idea of a subcommittee when the Chairwoman mentioned that they should be nearing a conclusion to what direction they were going, that kind of subcommittee work needed to be done if they're looking at June 21 communicating their current feeling of where they're going with it. Chairwomen Wolf stated that they were having their public hearing that night and after they would have business to discuss. If it's the will of the Commission to take a straw vote or an actual vote on whether they want to recommend or not, and then they decide the best way to move forward. Some people might have specific ideas by then. The one benefit of the time was it gives them time to do independent reading; what kind of things do they lean towards more and maybe what weren't options if they were going to go ahead. They could talk about that and give a framework of the subcommittee or did it need to be more than one. A couple of people look at one aspect and a couple of people look at a different aspect.

Mr. Lord wanted to know if their June meeting had any additional expert folks on the agenda and Chairwoman Wolf stated that it's just the public hearing at this point. Vice Chair Gleason stated that there was a suggestion in Rick's email that the Town counsel attend the June 21st meeting. Mr. Sawyer wanted to know if they wanted the Town attorney to come to that meeting or not. He penciled it in to his calendar. Chairwoman Wolf didn't think they were ready. Mr. Brock thought they needed to come to some consensus first and then involve the attorney to put their consensus into words.

Mr. Sawyer reminded them that they needed to have their preliminary report done by October 15th. He thought that might be a 2nd subcommittee; those that weren't on the

subcommittee drafting the language could be working on the report where they had to pull all of this information together.

Chairwoman Wolf stated that she was thinking of writing an article for the Union Leader and could put it up on The Patch letting them know that the Charter Commission exists and that they're going to have their public hearing.

Ms. Camarota wanted to know if they should meet as a Commission from 6-7:00 PM like they did tonight or just the public hearing. Chairwoman Wolf stated that the public hearing was the first thing on their agenda.

Ms. Tufts-Moore stated that if they were going to write an article for the Union Leader and The Patch, what about the Bedford Bulletin. Chairwoman Wolf stated yes; she'll share it with everybody. Vice Chair Gleason thought it would be helpful if you're connected on social media or their neighbors to plug that June 21st 6:00 PM public hearing, because the more people to render their opinion, the better off they are as a Commission.

5. APPROVAL OF MINUTES

a. Regular Meeting – May 17, 2023

MOTION by Mr. Brock to approve the minutes of the May 17, 2023 Meeting. Seconded by Ms. Camarota. Vote taken –Motion Passed–8-0.

6. ADJOURNMENT

MOTION by Mr. Brock to adjourn at 8:30 PM. Seconded by Vice Chair Gleason. Vote taken – Motion Passed – 8-0.

Respectfully submitted,

Dawn Boufford