

Carroll County Farm Advisory Committee Final Report

February 22, 2017

Farm Committee Mission: To find the optimal use of the county farm assets for the benefit of Carroll County residents and taxpayers.

Introductory Letter

The Carroll County Farm Advisory Committee (Farm Committee) was established by the Carroll County Commissioners in the spring of 2016. In May 2016, members of the Carroll County Delegation expressed concern regarding the economics of the Carroll County Farm, and subsequently reduced the Department of Public Works budget (which includes farming activities) by \$90,000.

The Farm Committee's mission is to **find the optimal use of the county farm assets for the benefit of Carroll County residents and taxpayers**. The Committee is dedicated to providing accurate, nonbiased financial information, and does not have any political stake in the outcome. We hope decisions made about the farm are informed by fact, not politics.

With the help of County staff, the Committee has investigated several aspects of the farm in order to complete our charge. We've aimed to:

- Identify the budget impacts of the current farm operations on Carroll County taxpayers.
- Identify options and opportunities to improve the utilization of the county land resources.

Towards these ends, we have identified four main revenue sources for the County Farm. The revenue sources and associated tasks include:

1. Blueberries

Maintaining almost 1,150 high bush blueberry plants. This includes fertilizing with two timely applications, new mulch, pruning, harvesting, and marketing of berries. All of these tasks happen on a yearly basis.

2. Vegetables

Growing about one and a half acre garden with a variety of vegetables. Land preparation, laying plastic mulch, irrigation set up, planting, weeding and harvesting are some of the tasks done with the garden. Washing, weighing, and marketing are completed after harvest. Garden activities were terminated in 2016 due to budget limitations.

3. Hay

Hay production encompasses maintaining about 100 plus acres of county land. The land is fertilized for maximum production. At harvest time the hay is cut, tedded, raked, and baled. Once the hay is baled, it is stored in the hay barn and marketed to the public. Some customers come to the barn pick up their hay orders while others get it delivered (for a fee).

4. Wood

Wood production involves maintaining the remaining 800 acres of county land. Timely timber harvests are managed according a comprehensive forest management plan with the help of the county forester. One of the products of these timber sales is cordwood. Cordwood from timber sales is delivered to the complex to be processed by the DPW staff and inmates, and processed into 16" pieces that are also split for maximum drying.

The wood is stacked or loaded into a truck for delivery. After drying, most of the wood is used for our campfire wood program. This wood is bagged and loaded into the truck for delivery to various state campgrounds within New Hampshire.

In recent history, the Carroll County Farm provided income to the county through these four main revenue sources. In doing so, the County Farm has utilized the labor inputs of many inmates from the Carroll County House of Corrections. Keeping a tradition of using all available resources (from the land to incarcerated individuals) in order to save money and produce goods for the county has been an important aspect of farm planning.

The following pages contain detailed information on the Farm Committee's process, findings, and recommendations for the future of the Carroll County Farm. We see the Farm as an extremely valuable County asset, many possible future uses. In order to complete our mission and make informed decisions about the best uses of the County Farm and Lands, we wish to employ further (that the county initiate a professional) study, to identify & explore the many possible options for the future use of this property.

This report is organized into the following sections:

- Farm Committee Findings and Recommendations
- Summary of Financial Impacts of County Farm Operations on the Carroll County Budget
- Addendum to Financial Summary
- Methodology for Determining Financial Impacts of the County Farm Operations on the County Budget

Appendices:

- Farm Functions and Goals
- Inventory of Farm Equipment
- 2015 Farm Business Plan
- Request for Proposals for Feasibility Study
- Responses to Representative Avellini's Questions from 1/30/2017 DPW Subcommittee meeting
- Financial Data for FY 2016
- Financial Data for FY 2015

Carroll County Farm Advisory Council Members

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Farm Committee Findings and Recommendations

The following summarizes the findings of the Carroll County Farm Subcommittee. We put forth these findings after a 9 month, non-partisan process, analyzing financial data, employee hours, expenditures and revenues related to the farm operations (including hay production, wood production, and garden/blueberry production).

- Financial Impacts of County Farm Operations on Carroll County Budget
 - Based upon our review of the farm operation, eliminating hay production and wood processing on the Carroll County Farm will cost taxpayers money unless alternative revenue sources are provided.
 - Over the two year time frame (FY 2015 and FY 2016), county farm activities including hay production, wood processing, and blueberry/vegetable production generated \$27,723.94 in profit (with an additional \$5,920.80 worth of blueberries and garden vegetables donated to the MVC [Mountain View Community] and local food pantries based on wholesale prices).
 - In addition to the profit generated, these activities also covered their own operating costs and offset approximately \$47,942.46 in personnel costs for the DPW over the two-year period.
 - **On an annual basis, farm operations reduce the cost of DPW operations by approximately \$37,833.20.**

See *Summary of Financial Impacts of County Farm Operations on the Carroll County Budget* in next section for additional detail. Additional information can be found in the Financial Data tables for FY 2015 and FY 2016 in the Appendix.

- Conduct a **feasibility study** of the Carroll County owned lands & buildings
 - We recognize the enormous potential and multitude of options for the county lands and buildings. Determination of the best use of the lands and buildings should be ascertained through a feasibility study, conducted by a professional service, and with the assistance of this subcommittee. This study would incorporate all ideas put forth, including but not limited to the learning center, solar power generation, leasing of agricultural lands to local farmers, and the sale of the land to private business, in addition to the many other ideas discussed over the last year.
 - This group has written a request for proposals outlining the scope of the feasibility study and what we expect as deliverables (See Draft RFP in Appendix). The feasibility study has the potential for partial funding through outside charitable organizations and/or economic development funds if the County contributes matching funds. We have determined the feasibility study will not move forward unless the County provides financial backing for the process.

- While we are exploring our options for use of the County lands, we do not want to lose what we currently have or diminish those resources. For example, hayfields continue to need fertilizer to maintain productivity, and the irrigation system for the blueberries needs maintenance. Some recommendations are included below regarding operating costs the Farm Committee believes should be included in this years' budget to maintain the resources while we look at longer-term options and opportunities through a more comprehensive study.
- Business plan
 - A 2015 farm business plan is attached in the Appendix of this report. We advise that the business plan be considered during the budgeting process.
- Hayfield Management
 - Hay production at the county does not compete with local farmers, and provides a service for some producers who need to purchase hay. We have determined this through many conversations with local farmers, hay producers, the Carroll County Farm Bureau, and hay customers. Carroll County is a hay importer; we do not produce enough hay to supplement local needs. This is especially true for animal producers who have limited land and cannot produce their own hay.
 - At this time, the future use of the hay fields is unknown. We recommend these fields be maintained as productive hay fields until the best use of the fields is ascertained. This would include soil pH management (semi-annual lime or wood ash application), annual fertilization of fields, and regular in-season cutting of hay. Regular maintenance of these fields will make them more attractive to alternative agricultural uses, development, or other potential best uses.
- Forest Management on the County Farm
 - For over 50 years, County Foresters (Extension Field Specialists) have been involved with sustainably managing the forestland on the Carroll County Farm. The management of the forestland on the county property is guided by a comprehensive forest management plan that was written in 2006.
 - With income generation identified as a high-priority goal for the property, the emphasis of the management of this parcel has been to grow quality sawtimber. Harvesting strategies vary depending on the species composition, timber quality, and age and stocking of the trees in the forest stands. In each sale, a variety of forest products are removed from the forest generating

income while also setting the stage for improved growth and development of the future forest.

- Timber sales on the Carroll County Farm have been administered consistent with the forest management plan. Since 2010, four timber harvests have been conducted on 75 acres of the property generating approximately \$29,800 in revenue for the county from approximately 2,250 cords of various wood products sold to local mills. Additionally, 338 cords of tree-length firewood has been harvest for the county farm firewood processing operation.
- Recommendations for Wood Processing Activities
 - The Committee recommends paying the final payment on the wood processor in FY 2017.
 - The County has one final payment of \$9,758.99 and it will then own the wood processor they have been using since 2013. The Maintenance Supervisor estimates that the processor has an additional five years of life expectancy beyond FY 2017. This annual \$9,758.99 cost will be eliminated after 2017 and revenues from wood processing to the County should show a corresponding increase if we maintain current wood processing activities.
- Wood Inventory
 - For the short term, the Committee recommends supporting the purchase/resale line item in the budget for purchasing firewood.
 - In the longer term, the Committee recommends establishing a Revolving Account where proceeds from timber harvesting on the County Lands can be used for purchasing truck length wood when needed as well as covering activities such as invasive species control, timber stand improvement practices, and site preparation where needed to maintain the health and productivity of the forest land.
 - One of the biggest obstacles for the wood processing program at the County has been maintaining an adequate supply of seasoned wood for processing and sale. While some of the wood being processed has come from timber harvesting on the county lands, recent harvesting has focused on areas of the forest with high components of softwood timber species such as white pine, red spruce and eastern hemlock. Harvesting in these stands does not generate significant volumes of hardwood firewood.
 - As a result, truck-length hardwood firewood has been purchased in from local loggers to be processed by the inmates at the County Complex (see \$17,000 line item in FY 2015 farm expenses for Purchase/Resale – wood inventory on spreadsheet).

- On average, the wood processing program at the county produces 9,000 - 11,000 bags of campfire wood per year which can consistently meet the demand of the County's four State Campground clients. (A cord of wood produces an average of 150 bags of campfire wood).
- Revenues from Timber Harvesting should be recognized as County Land/Farm revenues
 - In examining the 2015 and 2016 budgets, the Committee recognized that while supplies for marking and advertising timber sales on the County land were charged to the farm budget, the revenues from the timber sales were not identified as farm-related revenues. Timber sale revenues should be identified as revenues coming from the County land.
- Maple Sugar Tap Contract
 - For many years, a local maple sugar producer has tapped approximately 400 maple trees on the County property and paid the County annually based on the actual number of taps. This arrangement has worked well, but the Committee recommends that this activity be formalized with a written contract that outlines the price per tap, tapping guidelines, etc.
- Food production for nursing home & jail
 - We recognize there is great opportunity to increase food production on county lands to supplement the total county farm food-service budget and provide locally grown, fresh produce to inmates and nursing home residents. With current staff available, the farm is unable to produce the quantity of food needed to make an impact on the total food budget. If additional skilled labor was available, it is conceivable to produce more food, offsetting food costs for the county.
 - If food is to be grown for use within the county food service department, a memorandum of understanding should be written between the county farm manager and the current food service director.
- High tunnel
 - The high tunnel was originally envisaged to enhance vegetable research in northern NH and to provide growers in the county with an educational resource. With the growing popularity of this style of greenhouse production, it has become essential to improve research based extension & outreach under these growing conditions. The tunnel is being used for research and demonstration trials, and is open to growers to visit & learn. The cooperative agreement the county has with

the UNH Cooperative extension has resulted in over 100 growers benefiting from the work conducted at the county location annually.

- Production in the tunnel is decided cooperatively between UNH Extension and the County Farm Manager on an annual basis. For the last 3 years they have shared this space, allowing for both university-based research, and county-based food production. We recommend this partnership continue as is, as it has tremendous impact and benefit to our county residents and operating farm businesses.
- If the county decides to suspend farming activities, the county does own the tunnel structure. The electrical equipment (end wall fan & louver) was purchased and is owned by UNH Extension.
- Inmate labor
 - 7,500 hours, or 3.5 full time equivalents is attributed to inmate labor on the complex per year. This number cannot be broken down by department. The 3.5 FTE reflects tasks in BOTH the farm & Department of Public Works. As new programs are developed for inmates within the jail and labor becomes limited, the County should consider how to replace the 3.5 FTE provided by inmate labor.

Budget related findings:

Government related accounting is highly complex, as many departments and activities are included in the annual budget. We recommend an annual audit using the **Generally Accepted Government Auditing Standards (GAGAS)**. The Certified Public Accounting Firm, hired to do the annual audit should provide guidance on budget related issues. Implementation of the following list will result in a more accurate budgets for the different departments. We recommend the auditing CPA provide additional guidance and input on these areas:

- Metering of buildings
 - Not all departments on the complex are metered individually. In some cases, one department may be covering the electric costs of another department since there are not individual meters. With individual metering, the Commissioner's would be able to determine the cost of each division of the Public Works Department. The value of obtaining this information would need to be weighed against the costs of installing the meters.
- Insurance costs
 - Similar to metering of buildings, the cost of insurance is not always broken out by department. To achieve a more accurate budget, insurance costs should be broken out by department, and reflect the cost of insuring all related buildings and equipment.

- Not all equipment is listed under the county insurance policy. A full review of all equipment should be done to be assured all equipment is covered under the insurance policy.
- Capital Reserve
 - We recommend the reinstatement of a capital reserve. Running the county without a sound capital reserve fund is dangerous business considering that the DPW activities must be carried out on a daily basis. Equipment does not last forever, has a known lifespan, and will need to be replaced in order to keep the county functioning. If an emergency at the complex arises, a supplemental budget will need to be raised, costing the taxpayer more money in the end.
- Depreciation of Equipment
 - Guidance on depreciation should be provided by a CPA using the **Generally Accepted Government Auditing Standards (GAGAS)**.
 - We recommend all equipment be depreciated over its useful life, and not be expensed in the year it was acquired, as advised by a CPA.

Summary of Financial Impacts of County Farm Operations on the Carroll County Budget, Based on FY 2015 and FY 2016 Data

Based upon our review of the farm operation, eliminating hay production and wood processing on the Carroll County Farm will cost taxpayers money unless alternative revenue sources are provided.

Over the two year time frame (FY 2015 and FY 2016), county farm activities including hay production, wood processing, and blueberry/vegetable production generated \$27,723.94 in profit (with an additional \$5,920.80 worth of blueberries and garden vegetables donated to the MVC [Mountain View Community] and local food pantries based on wholesale prices).

In addition to the profit generated, these activities also covered their own operating costs and offset approximately \$47,942.46 in personnel costs for the DPW over the two-year time frame.

COMBINED FARM ACTIVITIES FY 2015 and FY 2016

	Farm Total 2015	Farm Total 2016	Two Year Totals
EXPENSES			
Personnel Costs	\$26,864.97	\$21,077.49	\$47,942.46
Operating Expenses	\$47,961.46	\$22,809.89	\$70,771.35
Total Expenses	\$74,826.43	\$43,887.38	\$118,713.81
REVENUES			
Hay Sales	\$25,505.00	\$37,637.00	\$63,142.00
Wood Sales	\$41,022.50	\$39,565.50	\$80,588.00
Vegetable and Blueberry Sales	\$2,013.75	\$694.00	\$2,707.75
Farm Revenues	\$68,541.25	\$77,896.50	\$146,437.75
PROFIT/LOSS	(\$6,285.18)	\$34,009.12	\$27,723.94
Timber Sale	\$10,978.97	\$1,700.45	\$12,679.42
Wholesale value of vegetable and blueberry donations to MVC and local food pantries	\$5,920.80		\$5,920.80
Total Revenues	\$85,441.02	\$79,596.95	\$165,037.97
PROFIT/LOSS	\$10,614.59	\$35,709.57	\$46,324.16

Personnel costs include salaries, benefits and withholdings attributed to this activity.

* Note: Timber sale revenue is shown but not included in the figures to recognize other economic activities occurring on the County property.

To derive a comprehensive accounting of the costs of the farm operation, personnel costs were assigned to each of the farm-related activities. In April of 2016, DPW employees began documenting how much of their time was spent on DPW activities and farm activities including hay production and wood processing. Using this information (and estimating the % time for the 1st quarter), for FY 2016, the 2 DPW employees spent approximately 6.45% of their time on wood processing, 6.85% on hay production, and 86.7% was spent on DPW functions.

In FY 2015, there were 2.6 employees involved in farm-related activities. Percentages from 2016 were applied to 2015 and resulted in a time and effort distribution of 83.8% DPW, 8.75% wood processing, 6.7% hay production, and 0.75% garden/blueberries.

In addition to farm related activities, public works personnel are responsible for grounds maintenance; including lawn mowing, plowing, and shoveling sidewalks. They are responsible for the water department including: water testing, treatment, monitoring, state reporting requirements, meter reading, and customer service for 40 customers in Ossipee Village.

The sewer department is also the responsibility of the public works personnel. Those responsibilities include treatment plant and leach field monitoring, testing required by the state, and septic pumping of both sewage and grease tanks. The State of NH requires that these employees be licensed for both the wastewater and the drinking water departments. Employees must attend educational programs to maintain their certifications.

The DPW personnel are on call in case of generator failure, roof leaks, and any other unexpected emergencies that may take place.

At a minimum, two employees are needed to cover the various DPW responsibilities on the complex.

Based on the two years of data we evaluated, eliminating farm activities will cost the County \$27,723.94 in profits as well as \$47,942 in personnel costs that were offset by the revenue generated through these activities. **On an annual basis, farm operations reduce the cost of DPW operations by approximately \$37,833.20** ($27,723.94 + 47,942.00 = 75,666.40/2$).

Looking specifically at hay production, wood processing, and the blueberries/garden separately:

HAY PRODUCTION

	Hay 2015	Hay 2016	Two Year Total Hay
EXPENSES			
Personnel Costs	\$11,110.82	\$10,855.51	\$21,966.33
Operating expenses	\$9,982.57	\$9,175.98	\$19,158.55
Total expenses	\$21,093.39	\$20,031.49	\$41,124.88
REVENUES			
Total Hay Revenue	\$25,505.00	\$37,637.00	\$63,142.00
PROFIT/LOSS	\$4,411.61	\$17,605.51	\$22,017.12

Personnel costs include salaries, benefits and withholdings attributed to this activity.
In FY 2015 5,412 bales of hay were sold and in FY 2016 7,319 bales were sold.

Between 2015 and 2016 hay production generated \$22,017.12 in revenue above expenses.
In addition, \$21,966.33 in DPW personnel costs were covered by this activity.

If hay production activities are discontinued at the farm the County will need to generate \$21,991.73 annually (\$ 43,983.45/2) in alternative revenue sources or increase taxes to generate the same amount of revenue and cost recovery for DPW expenses.

WOOD PRODUCTION

	Wood 2015	Wood 2016	Two Year Total Wood
EXPENSES			
Personnel Costs	\$14,510.40	\$10,221.98	\$24,732.38
Operating Expenses	\$34,521.78	\$13,323.51	\$47,845.29
Total Expenses	\$49,032.18	\$23,545.49	\$72,577.67
REVENUES			
Wood Sales	\$41,022.50	\$39,565.50	\$80,588.00
Farm Revenues	\$41,022.50	\$39,565.50	\$80,588.00
PROFIT/LOSS	(\$8,009.68)	\$16,020.01	\$8,010.33
Timber Sale	\$10,978.97	\$1,700.45	\$12,679.42
Total Revenues	\$52,001.47	\$41,265.95	\$93,267.42
PROFIT/LOSS	\$2,969.29	\$17,720.46	\$20,689.75

Personnel costs include salaries, benefits and withholdings attributed to this activity.

In FY 2015 over 70 cords of firewood and 7,050 bags of campfire wood were sold.

In FY 2016 4+ cords of firewood and 11,445 bags of campfire wood were sold.

Over this two-year period, wood production activities show a profit of \$8,010.33. Personnel costs were assigned to this activity based on the hours worked, and wood production offset \$24,732.38 in personnel costs for the public works department.

On an annual basis, wood production offsets an average of \$16,371.36 in County costs (\$32,742.71/2).

VEGETABLES AND BLUEBERRIES

	Blueberries & Vegetables 2015	Blueberries & Vegetables 2016	Two Year Blueberries & Vegetables
EXPENSES			
Personnel Costs	\$1,243.75	\$0.00	\$1,243.75
Operating Expenses	\$3,457.11	\$310.40	\$3,767.51
Total expenses	\$4,700.86	\$310.40	\$5,011.26
REVENUES			
Sales of vegetables & blueberries	\$2,013.75	\$694.00	\$2,707.75
Farm Revenues	\$2,013.75	\$694.00	\$2,707.75
PROFIT/LOSS	(\$2,687.11)	\$383.60	(\$2,303.51)
Donated value of produce & blueberries to MVC and food pantries	\$5,920.80		\$5,920.80
Total Revenues	\$7,934.55	\$694.00	\$8,628.55
PROFIT/LOSS	\$3,233.69	\$383.60	\$3,617.29

Personnel costs include salaries, benefits and withholdings attributed to this activity.

In FY 2015 the County Farm produced 1,545 pints of blueberries. 594 pints were sold to local vendors and 951 pints were provided to the MVC. Over 2,300 lbs of vegetables were produced with 320 lbs sold to local vendors and 2,006 provided to the MVC or donated to area food pantries.

In FY 2016 approximately 173.5 quarts of blueberries were sold on a Pick Your Own basis.

Looking at actual revenues (dollars exchanging hands) in FY 2015, the vegetables and blueberries lost money. Costs exceeded revenues by \$ 2,687.11. However, if you include the wholesale value of the food provided to the MVC and local food pantries, then this activity generated \$3,233 in value in FY 2015.

The food donated to the nursing home can lower the food costs for the nursing home, but it does not show as a revenue for the farm on any budget.

In 2015, the House of Corrections (HOC) started a program for freezing and vacuum sealing vegetables from the garden for the nursing home.

Addendum to Financial Summary

At the 1/30/2017 DPW Subcommittee meeting, Committee members questioned the Farm Committee decision not to include the Maintenance Coordinator I's time in the analysis for FY 2015. The Farm Committee did not include this employee's salary and benefit costs in the analysis because his activities were focused on water, sewer and DPW functions.

Adding in this employee's salary and benefits and applying the 16.2% for farm related activities would increase the FY 2015 farm related expenses by 9,166.47 ($\$56,583.12 \times 0.162 = \$9,166.47$).

This employee also worked in the first quarter of FY 2016 and adding his salary and benefits for FY 2016 Farm related activities would increase the farm expenses by 1,481.42 ($22,791.09 \times 0.065$).

The Subcommittee also questioned the Farm Committee decision not to include the Inmate Supervisor's time in the analysis for FY 2016. The Farm Committee did not include this employee's salary and benefit costs in the analysis because his salary was covered through the House of Corrections budget.

Adding this employee's salary and benefits and applying his time percentages (71.44% DPW, 22.66% wood, and 5.90% hay) would increase FY 2016 farm related costs by: \$5,288.62

The Farm Committee's calculations for the two-year period show the Farm producing a profit of \$27,723.94. In addition, farm operations covered \$47,942.46 in personnel costs.

Incorporating in the Maintenance Coordinator I's time for FY 2015 and the first quarter of 2016 and adding in the Inmate Supervisor's time for FY 2016 results in the Farm showing a profit of \$11,787.43 as well as recovering \$63,878.97 in DPW personnel costs over the two-year period.

Methodology for determining Financial Impacts of the County Farm Operations on the Carroll County Budget

Description of the Resource

Originally established in 1852, the Carroll County Farm has 894 acres of land within its responsibility. About 90 acres are managed for hay production. An 84-by-26 foot unheated high tunnel and 1,100 high bush blueberries plants are also managed under the farm.

Up until 2016, a 1-acre vegetable garden was operated on the farm. Vegetables and blueberries have been produced for use at the Mountain View Community nursing home and Carroll County Department of Corrections and for sale to the public. Extra vegetables and berries were donated to local food banks.

The high tunnel (plastic covered, unheated greenhouse) was built through financial support from the Carroll County Conservation District and the USDA-Natural Resources Conservation Service (NRCS). The intent of the high tunnel was to expand the capacity of applied research at the County Farm and enhance outreach to northern NH growers. Several research trials have been conducted.

The remaining land is being sustainably managed under a long-term forest management plan.



The Carroll County Farm also partners with the UNH Cooperative Extension to provide different agricultural education opportunities for the public.

Farm Products

Product	2015	2016
Hay Sales	Gross income: \$25,505 5,412 bales were sold (5,129 bales were produced this year, some sold were from last year)	Gross income: \$ 37,637.00 7,319 bales were sold 7,779 bales of hay were produced this year
Wood Sales	Gross income: \$ 41,022.5 Cordwood 70.32 cords @ \$20,485 Campfire wood 7,050 bags @ \$20,537.50	Gross income: \$39,565.50 Cordwood and scrapwood 4+ cords @ \$1,500 Campfire wood 11,445 bags @ \$38,065.50

Blueberries	1545 pints 594 of these pints were sold @ \$2.50/pint while the remaining pints went to Mountain Valley Nursing Home	173.5 quarts were sold @ \$4.00/quart Pick Your Own generating \$694
Vegetables to nursing home and jail, food pantries	2,326 lbs of produce Including: 323 lbs of beans 379 lbs of cucumbers 148 lbs of melons 47 lbs of peppers 515 lbs of summer squash 247 lbs of tomatos 667 lbs of zucchini	Some left over seeds and donated seeds were planted. Vegetables produced were donated to nursing home and food pantries, but the amount did not warrant measuring.

Department of Public Works Personnel and Responsibilities

The management of the County Farm falls under the County Department of Public Works. In the past, farm related expenses and revenues have been comingled with the expenses of the Public Works Department. The Committee worked to separate the Farm expenses from the DPW expenses.

There are currently two employees dedicated to the Department of Public Works (including the Farm). This is down from 3.6 employees in 2015. One employee was terminated, and one part-time employee, responsible for supervising inmates working on the county property, is now paid by the Carroll County House of Corrections.

Public works personnel are responsible for grounds maintenance; including lawn mowing, plowing, and shoveling sidewalks. They are responsible for the water department, including water testing, treatments, monitoring, state reporting requirements, meter reading, and customer service for 40 customers in Ossipee Village.

The sewer department is also the responsibility of the public works personnel. Those responsibilities include treatment plant and leach field monitoring, testing required by the state, and septic pumping of both sewage and grease tanks. The State of NH requires that these employees be licensed for both the wastewater and the drinking water departments. Employees must attend educational programs to maintain their certifications.

The DPW personnel are on call in case of generator failure, roof leaks, and any other unexpected emergencies that may take place.

Inmates serving sentences at the Carroll County House of Corrections work on the county property under supervision. This supervision is provided by a part-time HOC employee.

What is the financial impact of running the county farm operation on the taxpayers?

The Carroll County Farm Advisory Committee looked at Farm and DPW expenses for FY 2015 and FY 2016 to try to identify expenses related to farm operations including hay production, wood processing and blueberries/garden management.

In FY 2015, this Farm Budget was divided into four separate budgets including: Farm expenses, the DPW expenses (which is also referred to as Outside Maintenance), the Water Works, and the Sewer System expenses.

The Farm Committee looked at all four of these budgets to extract out farm-related expenses. Some DPW charges were assigned (or coded) to the Farm while some farm-related expenses (particularly personnel) were spread out between the different department budgets (Farm, DPW, Water Works and Sewer).

In FY 2016 the budgets were consolidated into one DPW budget.

Personnel Costs

To derive a comprehensive accounting of the costs of the farm operation, personnel costs were assigned to each of the farm related activities.

In April of 2016, DPW employees began documenting how much of their time was spent on DPW activities and farm activities through the KRONOS system. This allowed us to identify how much employee time was allocated to DPW functions, and how much time was allocated to hay production and wood processing.

FY 2016

Using this information for FY 2016, the two DPW employees spent approximately 6.45% of their time on wood processing, 6.85% on hay production, and 86.7% was spent on DPW functions. First quarter time is not available since the KRONOS system was not yet implemented. We estimated first quarter time based on 2nd thru 4th quarter time. These percentages were derived as follows:

Records show that during the second and third quarters of the year, the two employees spent approximately 78.5% of their time on DPW functions, 8% on wood processing and 13.5% on hay production. In the fourth quarter, employees spent 96.75% of their time on DPW functions and 3.25 % of their time on wood processing. To be conservative, the Committee doubled the 3.25% time spent on wood processing in the fourth quarter and estimated that 6.5% of employee time was spent on wood in the first quarter.

An Inmate Supervisor working 60% time was responsible for supervising inmates while they worked on DPW and Farm activities. In FY 2015 the Inmate Supervisor was paid from the Farm/DPW Budget, so his salary was included in our analysis. In FY 2016, his salary was paid through the Carroll County House of Corrections so his salary was not included in the analysis.

The salary and benefits for the two DPW employees totaled \$158,691.43 in FY 2016. Using the percent time calculations above, FY 2016 personnel costs (including benefits and withholdings) related to hay production and wood processing totaled \$21,077.49.

(See Addendum at end of *Summary of Financial Impacts of County Farm Operations on the Carroll County Budget* for the impact of adding the HOC employee personnel costs into the analysis).

FY 2015

In FY 2015, there were 2.6 employees involved in farm-related activities. Percentages from 2016 were applied to 2015 and resulted in a time and effort distribution of 83.8% DPW, 8.75% wood processing, 6.7% hay production, and 0.75% garden/blueberries.

There were 3.6 employees responsible for Water, Sewer, DPW and Farm activities in FY 2015. According to the Finance Office, collectively, their salaries totaled \$155,034.72.

According to the Finance Office, in FY 2015 employees were assigned to accounts that they would be paid from in the payroll software.

According to the Maintenance Supervisor, the expectation was that the DPW Supervisor's salary would all come from DPW (Outside Maintenance), $\frac{3}{4}$ of the Maintenance Coordinator I's salary would come from Outside Maintenance and $\frac{1}{4}$ from the Water System. The Maintenance Coordinator II and Inmate Supervisor's salaries would be split between DPW (Outside Maintenance) and Farm 50%/50%. It appears that there was a different breakdown that is shown in the ACS system with \$48,735 under Farm (+1,116.92 overtime from water works), \$90,208 under DPW (Outside Maintenance (+ \$2,900 overtime)), and \$17,316 under Water Works. = \$160,275.92

Salaries for DPW Supervisor, Maintenance Coordinator 2 and Inmate Supervisor total \$107,497.50. This is the amount shown on the Farm Committee's FY 2015 spreadsheet. As a Committee, we used this salary number as it included employees who were identified as spending some of their time on farm-related activities.

Benefits and withholdings were also included based on this salary figure resulting in personnel costs of \$165,833.11.

The Committee applied the FY 2016 percentages of time to the 2015 salary numbers to estimate how much employee time was spent on hay, wood, and garden/blueberry operations. On an annual basis, these percentages were: 8.75% on wood, 6.7% on hay and 0.75% on the garden and blueberries (for a total of 16.2% of time on farm related activities). This amounted to personnel costs of \$14,510.40 for wood, \$11,110.82 for hay and \$1,243.75 for the garden.

Our derivation of the personnel costs related to the Farm is described above and totals \$26,864.97.

(See Addendum at end of *Summary of Financial Impacts of County Farm Operations on the Carroll County Budget* for the impact of adding the Maintenance Coordinator 2 personnel costs into the analysis).

Operating Expenses

Operating Expenses related to the Farm were assigned as follows:

As described above in FY 2015, even though there were four separate budgets, some DPW expenses were charged to the Farm Budget. In FY 2016 Farm and DPW expenses were consolidated into one budget. The Maintenance Supervisor went through the ACS Farm/DPW Summary line by line to identify which costs related to the Farm and which costs related to DPW. The expenses that were related to the Farm were then assigned to Hay Production, Wood Processing, and Garden/Blueberries.

Costs were apportioned to the different farm and DPW functions as follows:

In the operating expense lines, Supplies/Services and Contracted Fees; Office Supplies; Dues/Licenses/Subscriptions; Postage; Vehicle/Equip Lease Purchase, Seeds, Fertilizer, Sand/Salt, Chemicals; Building Maintenance/Repair; Equipment Repair; and Purchase/Resale, expenses were evaluated line by line and allocated to the appropriate activity (DPW, wood, hay, garden/blueberries).

Operating costs including uniforms, electric, telephone, Ossipee town taxes are used for all DPW functions, these were divided between DPW, hay, wood and garden based on the percentages of time breakdown and described on the attached spreadsheet at the back of this report.

In FY 2015, all of the gasoline charges that appeared in the Farm Budget were assigned to the farm (Additional gasoline charges appeared in the DPW budget for public works activities) with 75% of gas charged to hay production and 25% to wood processing. In FY 2016, 86.7% of the Department-wide gasoline charges were assigned to DPW and 13.3% were assigned to the farm. Within the farm budget amount, 75% of gas used toward hay, 25% used toward wood.

Diesel charges were broken out between DPW, wood and hay by the Maintenance Supervisor. Diesel fuel is used for the backhoe tractor (which is used primarily for DPW work, although it is also used to load logs onto the wood processor), two farm tractors, and one delivery truck.

Heating costs were not included in this analysis. The Maintenance Garage is not separately metered, and these costs will not change if we discontinue farm operations. (Hay production is completed outside and wood processing occurs in a farm building that is heated with wood. Maintenance and repair of equipment would be the only activity requiring heat).

Worker's Compensation Insurance and Unemployment Taxes were not included in the analysis based on discussions with the Finance Office. These charges are paid as a unit cost for the County. While charges were assigned to different departments in FY 2015, these charges were not charged out to the various departments beginning in FY 2016. For DPW and Farm in FY 2015 total charges were \$ 4,850 worker's compensation and \$ 1,100 unemployment insurance. With the farm representing 16.2% of DPW activities, the total attributed to the farm would be \$785.70 for workers comp and \$178.20 for unemployment insurance.

Insurance costs were also not included in this analysis. According to the Finance Office, insurance is charged as a flat rate per year for categories including Worker's Compensation, Unemployment Compensation and Property and Liability, and beginning in FY 2016 amounts were not assigned to employees or departments.

Operating costs for FY 2015 for Farm Related Activities total \$47,961.46. Added to the farm related personnel costs of \$ 26,864.97, FY 2015 Farm Expenses were \$74,826.43.

Operating Costs for FY 2016 for Farm Related Activities total \$ 22,809.89. Added to the Farm Related personnel costs of \$ 21,077.49, FY 2016 Farm Expenses were \$43,887.38.

Much of the difference in expenses between 2015 and 2016 can be attributed to the purchase of 13 truckloads of truck length firewood to be processed into campfire wood with a cost of \$17,000. This wood will be seasoned, processed, and then sold with the income realized in a different fiscal year.

The Farm Committee did not include indirect costs into our analysis (see *Responses to Representative Avellini's Questions from 1/30/2017 DPW Subcommittee meeting* in Appendix for indirect cost items suggested by Representative Avellini). The farm committee did not include these indirect costs in our analysis, as they have not been included in the budget in the past. We leave the decision to add these overhead costs to the budget to the Commissioners and County Administrator. We would recommend any overhead costs charged to the farm, or DPW be fairly applied, and that if DPW is charged overhead, this should apply to all departments operating at the county.