

The Claremont City Council held a Budget meeting on Wednesday, November 7, 2007, in the Council Chambers of City Hall.

Members of the Council present were:

Michael Prozzo, Jr.
Deborah Cutts
Mayor Scott Pope
Andrew Austin
William Regan, III
Ralph Swift

Absent:

Heather (Bopp) Irish (Resigned 11-7-07)
Assistant Mayor Christopher Irish (Resigned 11-7-07)
William Corey (Resigned 11-7-07)

Also present were:

Guy Santagate, City Manager
Mary Walter, Finance Director

The meeting was called to order by Mayor Pope at 6:30 p.m.

Mayor Pope read three letters of resignation from Assistant Mayor Christopher Irish, Councilor Heather (Bopp) Irish, Ward III, and Councilor William Corey, Ward I. Mayor Pope said these will have to be posted as a vote of the Council in a posted meeting. He hoped to fill the vacant seats at the November 14th meeting with elected Councilors including Ward I, David Roark; Ward III, Richard Dietz; Assistant Mayor, Deborah Cutts (currently an At-Large Councilor); and then the At-Large seat, Thomas (Toby) Batchelder (he had the most At-Large votes).

Mr. Prozzo stated he would not be here for the next three meetings due to vacation. He said it is the responsibility of the current Council to run the City until their terms are up. He questioned the choosing of the At-Large Councilor. He asked, since he will be gone for the next three weeks, if he should be replaced also. Mayor Pope said no.

Mayor Pope believes when Councilors are elected, they will vote on two budgets and they may not work with the second one they vote on. Councilors should stay until the end of their terms. These are personal decisions that were made tonight. The way he suggested those seats is because it is a clean way of doing it.

Ms. Cutts agreed with Mr. Prozzo and was taken aback by the actions taken tonight. She believes the budget is one of the Council's most important responsibilities. The budget process is not an easy thing to do. They have labored through it for an entire year. She doesn't think it is

fair to put the new Councilors in to vote on these budgets. She believes a quorum is five and recommended continuing with business as usual.

Mr. Austin agreed with Ms. Cutts. He noted the new Councilors can be involved and make notes, just not vote as a Councilor. They can speak at the public hearing. There has been a lot of work done on the budget in the last year and the new Councilors have not had the opportunity to be a part of that.

Mr. Regan said new Councilors can learn a lot by watching the process. He would like to stay with the status quo because this budget reflects what they have done in the last couple of years. He agreed with Mr. Austin; they can participate. He will not be leaving his seat five meetings early; it is a two-year term and he is obligated to serve. Most importantly, they have been working together as a team and this budget is something the current Council has talked about for a year. Since there is a quorum, he would like to continue.

Mayor Pope read from the Charter about vacancies. The bottom line is that an appointment has to be made before the second regular meeting after the resignations, which is December 12th. He does not feel comfortable without having a Council of nine people to vote on the budget.

Mr. Santagate noted the Council has until December 1st to adopt the budget.

Mr. Prozzo confirmed appointments need to be made before the December 12th (second regular meeting after the resignations) meeting. He would like to go with the Council that we have.

Mayor Pope rhetorically asked what a quorum is and do you only count active members. He said he will ask Jane Taylor, City Solicitor, to check on that. Mr. Swift was concerned that all five of the remaining Councilors remain healthy during the budget process. He asked if there were a fall-back plan in the event of one or two absences.

Mayor Pope asked if the Council wanted this on the agenda for next month or to continue forward.

A motion was made by Ms. Cutts and seconded by Mr. Austin to continue business as usual with the members present who have decided to serve out their civic responsibilities and their elected duties.

Motion carried 5-1 with Mayor Pope voting no.

BUDGETS

Budget Overview

Mr. Santagate noted that in the spring one thing on people's minds were taxes. So he proposed to level-fund the 2008 budget. That is to keep the same tax rate of \$12.94 and to spend the exact amount of dollars raised from property taxes in 2008 as we expended in 2007. He felt he wanted

to give the taxpayers a breather so that the enormous amount of economic development that is queued up and coming to Claremont could take root and catch up with the expense side of the ledger and help do one of two things. Choose to plow the money back into infrastructure or reduce taxes. During the budget process he looks for input from residents and incoming elected officials. Particularly he's looking for cuts or suggestions that the newly elected officials would take to him so he can get their thinking on what they would like to see cut. He requested the newly elected officials to put in writing what they would like to see reduced. The key word is austerity. He said it's a tough word, but we can handle it. He looks forward to that process. If someone has a better idea on where to cut taxes, he looks forward to it. He noted the schools have been working diligently to partner with the City on a lot of fronts. We know they are a separate entity. They have a fall back provision that allows the default budget to overrule the voters. That process is entirely separate from the City. The City's budget is in the Council's hands. The schools have made it clear that they want to work with the City. He said Mr. Putnam told him about his enormous success with strategic planning. Mr. Santagate said he is sure that part of that strategic planning is level-funding the school budget. The school budget is bigger than the City's. We look forward to working with the schools and if Mr. Putnam's plan with strategic planning is as good as he has stated, it will include level-funding the school budget going forward. He said we can have joint meetings to give input on both sides and it ought to take place sooner rather than later.

Mr. Santagate read a letter he sent to the Council along with the budget. The goal for the past six years has been to keep the City portion of the tax rate a no more than a 3% increase each years. This year, our stretch goal was to level-fund the budget and that goal has been achieved.

Mary Walter, Finance Director, showed a PowerPoint presentation on the 2008 Proposed Budget.

- Highlights of 2008 Budget
 - Level-fund City's portion of the tax rate
 - Increase amounts spent on sidewalks, signs & street markings, summer & winter maintenance and electricity
 - Funded downtown enforcement pilot program, hazardous waste pickup day and continuation of the master plan process
 - Remain member of Upper Valley Lake Sunapee Regional Planning Commission
 - Funded \$60,000 for Community/Social Agencies
 - Capital expenses include \$48,000 for a new fleet of police cars, \$35,000 for street projects and \$20,000 for fire alarm update for City Hall
 - Hire a full-time person to be split between legal and grant administration
- City Tax Rate 2007 (projected) - \$12.94
- Projected City Tax Rate 2008 - \$12.94
- Total Requested Budget for 2007 is \$15,202,256
- Less Debt Service & Capital/Lease Items \$2,237,439
- Total Available for Operating Expenses \$12,964,817
- Percentage of Budget Going to Capital/Debt/Lease 14.72%

Mr. Santagate noted the best kept secret is the amount of Capital items in the operating budget. Which means we can pay-as-you-go rather than borrow.

- Road Money Appropriated has gone from \$200,000 in 2001 to \$1 million in 2007 (including \$300,000 road bond). We are still at \$800,000 in 2008 and maintaining a healthy road program. We need to spend money on the infrastructure in order to bring in economic development which will help stabilize the tax rate as we go forward.
- Allocation of City Tax Bill on \$150,000 Home – Total Bill Including City, County and Schools = \$4,975;
 - City Tax Bill Portion = \$1,940.74;
 - 74% (net) or \$1429.10 is Fire/Police/Public Works (public safety services);
 - 13% or \$256.75 Culture & Recreation (including Library);
 - 9% or \$176.38 Planning & Development;
 - 4% or \$75.52 Welfare & Social Services;
 - and less than 1% or \$2.99 General & Administrative Services. Ms. Walter said the overlay is covered here which means if money is given back for abatements, the City pays the whole amount (schools and county receive their portion of the taxes paid, but do not pay anything toward abatements).
- Highlights of the 2008 Budget
 - Increased Funding In:
 - Sidewalks \$14,000
 - Drainage \$10,000
 - Signs/Markings \$20,000
 - Community/Social Services \$30,000
 - Savings Achieved In:
 - Roads \$212,000
 - Health Insurance \$170,000 (went from self-funded to conventional-funded)
 - Capital Elevator \$125,000 (used vacant position money)
 - Consulting Money \$27,000
 - Ambulance \$24,000 (25% decrease in rates)
 - Extended Lease - Fleet by 1 year \$15,000
- Also Included
 - Staffing
 - Added Paralegal/Grant Administration Position (split between Legal and Finance)
 - Continued Funding for Director of Planning & Development (may fill position; use the funds to create Assistant City Manager position; use to fill the gap for the SAFER (Staffing for Adequate Fire and Emergency Response) Grant funding; or eliminate position altogether). Mr. Santagate

said with this added position, we are still down 10-12 positions from 2001. He is open to discussing it. If the City receives the SAFER Grant we are required to fund it. It was not put in this budget, because we have not received that grant yet. If the Council desires not to fill those positions, the money can be used to reduce the tax rate. He noted these items are included in the level-funded budget.

Mr. Prozzo is in favor of adding the Paralegal/Grant Administration Position, because more grants can be gotten when you have people available to do that. He asked about funding for the SAFER Grant. Mr. Santagate said it is not funded in this budget, but if the funding was used to reduce the tax rate, for a Director of Planning & Development or for an Assistant City Manager and the SAFER position came through, he would recommend taking it from surplus in 2008 and then budget for it in 2009. If the money was not used from the Director of Planning & Development position, the option would be to use it for the SAFER position. If the grant comes through, we are committed to funding it. Mr. Prozzo noted that with all the changes that had been presented, the City was able to keep the rate at \$12.94 (same as for 2007). He confirmed no positions or services were cut and the downtown enforcement position is in the budget.

A motion was made by Mr. Prozzo and seconded by Mr. Regan to tentatively adopt the main budget and move to the public hearing.

Expenditure Summary:

Policy and Administration

Policy	\$	367,325
City Administration		791,396
Elections & Registrations		18,400
Assessing		262,521
Municipal Complex		327,391
Planning & Development		846,702
General Services		827,202

Public Safety

Communications – 911	\$	353,957
Police Department		2,083,884
Fire Department		1,909,982

Health & Welfare

Welfare Department	\$	317,531
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Public Works

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Sanitation	\$ 211,623
Streets & Roads	3,838,456
Public Library	438,551
Debt Service	1,234,752
Public Service Enterprises	
Cemetery Department	217,195
Airport	99,104
Recreation & Parks	
Parks Department	417,892
Goodwin Community Center	578,393
Outside Agency Requests	60,000
TOTAL	\$ 15,122,598

Mr. Prozzo said the reason for the motion is there is no fat in the budget and it is level funded. In this budget, we are giving more service, doing more things and we did not lose any positions.

Mr. Austin asked about surplus. Mr. Santagate said there are funds in the budget for a paralegal/grant administrator. There is money for one of four things: Assistant City Manager, Planning and Development Director, SAFER Grant funding, or reduce the tax rate slightly.

Mr. Austin would like to free the City Manager to do bigger and better economic development, but does not want to take away from the SAFER Grant. Mr. Santagate said the SAFER Grant money will come from the Planning and Development budget or if that is used, it will come from surplus. It will not affect the tax rate.

Mr. Santagate said what is also in there is the \$90,000 we had to pick up for additional pension annuities required, but not funded, by the state. In addition, the Governor decided to allow children, at home or in college, to stay on their parents' health insurance until they are 26 years old instead of 19 years old as in the past.

Ms. Cutts endorsed Mr. Prozzo's suggestion. She, for the record, appreciates clarification about the SAFER Grant. She said she is non-negotiable on the additional firefighters. Mr. Santagate said neither are we. Ms. Cutts said if the grant does not go through, she expects to see Fire Chief Peter Chase next year requesting the positions be funded.

Ms. Cutts asked about Streets & Roads, Part Time, Department Request of \$5,000, but the Manager Proposed amount is \$30,000. Ms. Walter explained that \$5,000 is all Public Works

plans to use, but the Public Works Department has water, sewer, cemetery and highway workers. Depending upon where those people work, it gets back-charged to the other department. It has to be gross appropriated.

Mr. Regan noted there was a \$150,000 increase in the Planning & Development, Regular Pay, line item which leaves plenty of room for the planning and Development Director and the SAFER Grant. Also, at the Fire Department, there is \$56,000 in Overtime; some of that would be addressed by a full time employee, so there is some slack that Chief Chase might be able to give back. The Council does not have line item veto, but the bottom line is it is up to department head managers and how they spend their budgets; we have excellent department head managers.

Mr. Swift was comparing next year and this year's to-date expenses and does not see how those numbers will work. He questioned the ability to live with those numbers. Mr. Santagate said we are never comfortable. He thinks it is doable; it keeps the pressure on departments. We have never had a deficit since 2001. We have had to come back to the Council on the Welfare and Police budgets, but those are gross appropriated. He considers being within \$500,000 on a \$15 million budget as having done a good job. We will always be a tight-margin city. The Council gets a report every month from each of the departments. Some things he is concerned about are heating and lights, but we have been close to the target. We think this budget is doable. These are 14-month-ahead estimates. There is nothing that we see that is alarming.

Mr. Swift asked what a war credit is. Ms. Walter said that is where the expense of war veteran credit, elderly credit and disabled credit is included in Munismart. The overlay is also included. Mr. Santagate said the overlay account is used for abatements and is separate. We do not have to come to the Council for it. Ms. Walter said the service war credit is a best guess estimate.

Ms. Walter made reference to Planning & Development, Regular Pay. This year the Human Resources Coordinator has been under the Finance Department's budget, but the position was moved to Planning and Development, so next year it will be in that budget which explains part of the \$150,000 increase. Finance will be down due to the move. The money for Jerry Coogan, Planning Consultant, is still in Planning & Development, Regular Pay, but if there is no hire, the money will be transferred to Consulting Services.

Mr. Prozzo noted there is a lot in this budget and he believes it is a good budget. He has enjoyed working with the Council. He knows this staff did their best guess and will come back to the Council, if needed. He said the City is in great shape and is happy to support this budget.

Mr. Regan said \$7,000 for Library Fuel Oil screams there is a need for a new heating system; he believes it should be one-quarter that amount. He asked how the \$170,000 was saved on Health Insurance. Ms. Walter said pressure for better pricing from outside groups coming into New Hampshire; significant savings on prescription drugs; and the risk pool from not being self funded. Our Worker's Comp is coming down because of the implementation of training employees about public safety issues. Our mod rate went from 1.4 (when she first got here) to .78 this past year. The industry average is .88.

Mayor Pope agrees with the idea of tentatively approving the main budget, but is worried about communication of the budget to the community. Ms. Walter said she can put the budget on the website.

Mayor Pope asked if the general idea was to cancel the budget discussion on November 14th and cancel the budget meeting on November 20th. Ms. Walter said we will revise the November 14th agenda. Ms. Cutts noted this is a tentative approval and if something happens, she has no problem voting against this budget on November 27th.

Mr. Prozzo said this is the same tax rate as 2007; no positions are being cut. He thinks it is an appropriate thing to do.

Motion carried 5-1 with Mayor Pope voting no.

Revenue

Revenue Summary

Taxes	\$ 45,130
Interest on Taxes	184,000
State of New Hampshire	963,501
Licenses/Permits/Fees	1,986,656
Departmental Income	1,856,161
Rent of City Property	69,225
Payments in Lieu of Taxes	462,600
Miscellaneous Revenue	320,200
From Capital Reserve	0
From Fund Balance	0
REVENUE TOTAL	<u>\$5,887,473</u>

Mr. Santagate said this is all the revenue except that raised on property tax.

A motion was made by Mr. Prozzo and seconded by Mr. Regan to tentatively approve the Revenue budget of \$5,887,473.00.

Mayor Pope asked for an explanation of Recycling Revenue – Transfer Station \$733. Ms. Walter said Bruce Temple, Public Works Director, has been hauling and making money on recyclable material (cans) and he wanted separate line item to track it. Mayor Pope said this has been going on for only a month and he hopes that amount gets better.

Motion carried 6-0.

TIFD (Tax Increment Finance District)-River Road

Ms. Walter said the proposed budget is \$580,345. There is a line item for a loan to the Downtown TIFD in case we do not have enough tax revenue. The picture of the mills and downtown area on April 1st will determine if there is enough money for the bond payment. Mr. Santagate said by state law, only what is complete as of April 1 is taxable. If there is not enough to pay bond in the Downtown TIFD, we are committed to not place it on the tax rate. There is money in the River Road TIFD and, if necessary, we'll borrow from the River Road TIFD to pay the first bond payment in the Downtown TIFD. We also came up with some unique financing, because the first tax bill in New Hampshire does not go out until June, we can take a TAN (Tax Anticipation Note) note. You borrow on January 1st with an interest rate of about 6-7% until the first tax bill goes out and then you pay it off. Since we have had surplus funds in the Water Enterprise system, we have been borrowing from Water Enterprise and paying ourselves back at 25 basis points (¼ point higher than what we borrowed at) and we save the expense of borrowing funds from a bank. The state said we can do it. We have saved \$100,000 to \$150,000 a year in interest expense in the last four years. To make it legal, we have to pay back with interest.

Ms. Walter said the budget for the Downtown TIFD is \$529,345 and that is the interest on the bond payment for 2008. Mr. Santagate said during that time you are generating interest expense (that we are paying back), but you are generating interest income from the bond principal. We must be careful of arbitrage and we balance that.

A motion was made by Mr. Prozzo and seconded by Mr. Austin to tentatively approve the River Road TIFD budget of \$580,345.

Motion carried 6-0.

A motion was made by Mr. Prozzo and seconded by Ms. Cutts to tentatively approve the Downtown TIFD budget of \$529,345.

Motion carried 6-0.

Water & Sewer

Ms. Walter said the Water Department budget was \$1,752,899. We will begin paying back the SRF (State Revolving Fund) funding this year. Mr. Swift said since we weren't anticipating looking at all of the budgets tonight, these budgets had not been properly noticed, so Mayor Pope said they will be handled on November 27th.

Mayor Pope noted November 14th would be the regularly monthly meeting; there would be no budget meeting on the 20th; and water & sewer budgets as well as the public hearing will be on the 27th.

Ms. Cutts asked about public comment about the budget on the 14th. Mr. Swift said the public can speak during the Citizens' Forum.

CONSULTATION WITH LEGAL COUNSEL

None

ADJOURNMENT

At 8:10 p.m., a motion was made by Mr. Prozzo and seconded by Mr. Regan to adjourn.

Motion carried 6-0.

Respectfully Submitted,

Dorée M. Russell
Clerk to the Council