

The Claremont City Council held a budget meeting on Wednesday, November 5, 2008, in the Council Chambers of City Hall.

The meeting was called to order by Mayor Cutts at 6:31 p.m.

Members of the Council present were:

At-Large Councilor Thomas (Toby) Batchelder, III
At-Large Councilor Robert Picard
At-Large Councilor Keith Raymond
Assistant Mayor Andrew Austin
Mayor Deborah Cutts
Ward II Councilor Paul LaCasse
At-Large Councilor Kyle Messier
Ward I Councilor Christopher Lewis
Ward III Councilor Jeffrey Goff

Also present were:

Guy Santagate, City Manager
Jane Taylor, City Solicitor
Mary Walter, Finance Director

WITHHOLDING OF SULLIVAN COUNTY TAX PAYMENT

Mayor Cutts recognized Mr. Goff who asked to address the Council.

Mr. Goff stated that other than a preliminary meeting with the Mayor and City Manager, he had not had this discussion with any other Councilor. The question is what we can do to raise the level of debate for the deficit and to talk about solutions. Three things have been proposed and publicized. Key thing missing is a sense of urgency. There was an erroneous media report that stated the Council had made these statements. He is not speaking on behalf of the Council, only himself. He has been floating some ideas to the public. He is guardedly optimistic that there is a renewed sense of urgency to address some things in the County. There is a renewed hope that the spirit of the delegation will change. He has received calls suggesting the change in leadership of the delegation will create a new focus on the budget. He doesn't want to lose sight that as the County goes, so goes Claremont. We are dependent on services provided by the County. If the County's deficit continues, it will have an impact on the vitality of our region. He knows of industries that decided not to move to Claremont because of the deficit.

Mr. Goff showed a pie chart as part of a PowerPoint presentation. Claremont's share is 17% (\$2.2 million) of the County tax bill. 21% (\$467,707) of our share goes to deficit reduction and interest caused by the deficit. The County deficit is now \$3.9 million and is growing. His concern is the strategy of paying \$1 million a year on the deficit and hoping the nursing home

provides the revenue. County taxes on a \$150,000 home will be \$450 per year to the County: human services \$112.50; Department of Corrections \$81; nursing home \$121.50; other services \$40.50; deficit reduction/interest \$94.50. If the City doesn't pay its taxes, we will pay a 10% penalty; compare that to the deficit payment we already make. There is no law requiring the County to have a nursing home. He asked for alternative looks. Genesis was in charge 2004, 2005, 2006, there was \$1 million surplus the first year; \$220,000 loss the second year; \$40,000 surplus the last year. There has not been a surplus since. The three things he would propose are: 1) A full study of alternatives. For this budget year the County is already in a deficit of \$75,000. They have \$2.1 million in receivables. 2) Hire a CFO (Chief Financial Officer). 3) Take politics out of budget process. He asked for Councilors' input.

Mr. Austin asked about Mr. Goff's item number 3. Mr. Goff said Department heads work with the County Administrator; the Administrator presents the budget to the Commissioners; Commissioners work on it then present to the Delegation; Delegation deliberates then has ultimate authority to pass the budget.

Mr. Picard said Council has no legal right to withhold tax money. There will be additional legal fees.

A motion was made by Mr. Picard and seconded by Mr. LaCasse to table this permanently and to get on with City business.

Roll Call Vote to Table: Motion failed 3-6 with Mr. Raymond, Mr. Austin, Ms. Messier, Mr. Lewis, Mr. Goff and Mayor Cutts voting no.

Mr. Lewis said part of being a City Councilor is looking at larger issues. We need to communicate with those that make up the other parts of our City tax bill. It is evident there has been poor management of the County budget. It is our duty to bring it to the table and to help them with solutions. He agreed with the three things suggested by Mr. Goff.

Mr. LaCasse said the Delegation was elected to take care of the County budget, if we don't like it, then vote them out. Mr. Goff agreed. We have to be sensitive that City budget and County budget are paid out of same wallet. Mr. Goff wants to have more collaboration and communication.

Mayor Cutts will extend an invitation to the Commissioners for a joint meeting in December. We are looking to collaborate more and have open discussions with that group.

Ms. Messier said she agreed with everyone. She prefers to allow the Delegation that has been voted in to let us know what they would like to do moving forward and that the Council's job is to have a spotlight on the situation. A 21% deficit cannot be ignored. Gathering information would be her tactic. Mr. Batchelder agreed with Ms. Messier that the elected Delegation work to resolve this issue. He said if we keep communication open, we'll be okay. Mayor Cutts agreed with him.

Mr. Raymond explained his No vote to Mr. Picard's motion because he wants to continue the communication. We need to be aware, but he is not sure where we stand legally. The City of Claremont cannot afford this. We need to be watchdogs, not as Councilors, but as citizens of Claremont.

Ms. Messier asked when taxes are due to the County. Mr. Santagate said December 17th. If unpaid, they accrue interest from then on.

Mayor Cutts said her goal is to schedule a joint meeting in the first week of December. Mr. Goff said the new Delegation will be seated the second week in December.

Mayor Cutts invited State Representative-Elect Joe Osgood to speak. Mr. Osgood said the new Representatives take their seats the first week of December, so he asked the Council to give the process a chance to level out. He asked that the joint meeting not be directed to the Delegates, but to the Commissioners. The Commissioners run the County and the Delegates oversee the Commissioners. He suggested there will be a change. The system is broken and the County Commissioners realize someone is watching. He thinks it would be good to have an early dialogue to see what they expect to do. The County can run more efficiently. He is optimistic.

Mr. Goff is guardedly optimistic and is glad to put this on the back burner.

Mayor Cutts said she will take Mr. Osgood's recommendation.

Mr. LaCasse suggested moving the meeting further out because they are newly elected and they need to get their feet on the ground before we start micromanaging them. Mr. Goff said all of the Commissioners are returning. There are no new faces. Mayor Cutts does not desire to micromanage them. Early dialog is better than late. The goal is to meet with them twice, in December and a few months later.

Mayor Cutts asked for citizen comment. There was none.

BUDGET

Mayor Cutts reminded the Council they will only review items on this particular agenda. Council does not have line item approval on budget items. At the end of the evening, there will be a motion to tentatively accept the budgets presented. At the last meeting, there will be a motion to adopt the full budget. Council will take public comment on the budget at the final budget meeting on November 25th. Council will hear from Department Directors about their budgets for details, but it is the City Manager's budget.

Budget Overview

Mr. Santagate announced the four budget meetings: Tonight, November 12, 19, and 25, 2008.

He read the letter he sent to the Council. Our goal has been to keep the City's portion of the tax rate at no more than a 3% increase each year plus any new growth. During the past seven years, there has been one year, other than the revaluation year, where there has been increased value in the grand list. Increased costs to the retirement system have caused stress. The anticipated budget is \$15,489,727, a 2.4% increase over the 2008 budget. We face an anticipated decrease in revenues. We do not inflate anticipated revenue. We face increased fixed costs (i.e. fuel, gasoline, electricity, sand and salt). To stay within the 3% increase, it is necessary to cut other expenses. The City's tax rate in 2007 and 2008 was \$12.94. The first half of the tax bill proposed tonight will be paid in June 2009 and then the last half will be paid in November 2009. The proposed increase is 39 cents (\$13.33) or 3%.

Mr. Santagate showed a PowerPoint of the 2009 proposed budget. This year departments were asked to keep their budgets to no more than a 3% increase over the 2008 original appropriation. We are in the process of negotiating with four collective bargaining units, so no budgeted increases have been included in the salary lines. When an agreement is reached, we will come back to the Council for approval. The contracts expire March 31, 2009.

Public Works has \$500,000 for road work. Out of that will come the construction of 110 parking spaces by the Visitors Center; 25 of those spaces will be open to the public. Construction is going on at the Sawtooth, where we are building a 257 space parking garage. It will help the Mill Project and the downtown area. A major concern is the amount of increased expenses in order to maintain the historical "sawteeth" that we were against. We will have an update at a future meeting. The good news is Bruce Temple, Public Works Director, and Mary Walter, Finance Director, have worked hard and we have come in on time and under budget on several City capital improvement projects including Winter Street. Because of that, we have sufficient money to pave all or most of Maple Avenue in 2009.

We have seen double and triple digit inflation in many expenses over the past five years. No new positions are in this budget. We continue to freeze some vacant positions.

PowerPoint Presentation:

Impact of Increases Over Time-1 Year Increase: Gas/Diesel \$137,725; Fuel Oil \$57,334; Electricity/Street Lighting \$29,915; Streets – Summer and Winter \$27,500; Retirement \$36,639; Health \$114,728 and Welfare – Direct Assistance \$29,000; bottom line \$429,841. The 3% budget increase is around \$300,000, so that makes it a challenge.

City Tax Rate 2007 \$12.94; City Tax Rate 2008 \$12.94, Projected City Tax Rate 2009 \$13.33, Increase in City Portion of Rate \$0.39=3%; Total Requested General Fund Budget for 2008 \$15,489,727; Less Debt Service & Capital/Lease Items \$2,236,772; Total Available for Operating Expenses \$13,252,955; Percentage of the total budget going to capital/debt/lease 14.44%.

Allocation of City Tax Bill on a \$150,000 home, Total Bill - \$4,935, City Tax Bill - \$1999.29. Of the money we keep, 72% goes to Fire, Police & Public Works, not

counting water & sewer; 13% Culture & Recreation; 8% Planning & Development; 4% Welfare & Social Services; 3% Administration/Elections/Assessing/General Services Maintenance/Long Term Debt.

Highlights of the 2009 Budget: Increased funding in: Gas/Diesel \$137,725; Fuel Oil \$57,334; Electricity/Street Lighting \$29,915; Streets – Summer and Winter \$27,500; Retirement \$36,639; Health \$114,728 and Welfare – Direct Assistance \$29,000. Savings achieved in: Elections \$11,000; Workers Comp \$60,111; Legal \$91,000; Tipping & Pulling Fees \$25,000; Ambulance \$6,000. At the same time the City continues to see decreases in our state revenues with Meals/Rooms down by \$45,000 and our Highway Block Grant down by \$10,000.

Mr. Santagate said long range plans are beginning to pay off. In 2010, money has been earmarked for a major reconstruction of Drapers Corner. North and Main Street will be reconfigured in 2012. Drapers Corner design work is almost complete. The 2009 budget is lean, but realistic and without affecting essential services.

Mayor Cutts questioned 3% plus growth. Mr. Santagate said new growth in the TIFD (Tax Incremental Finance District) stays in the TIFD, but for the general City, we take those funds and put them back into infrastructure repairs. For this budget, we took zero new growth. Although there is lots of building going on, the assessment date is whatever is completed April 1.

Ms. Messier clarified that a 3% increase in the budget equals \$300,000, but cost increases to staple items of the budget equals \$429,000; so the 3% is not moving us forward. Mr. Santagate said barring any unforeseen catastrophe, we'll be okay.

Mr. LaCasse asked what the customary bargaining units' increases are. Mr. Santagate said it varies. Mr. LaCasse asked if the extra growth can be used to offset wages. Ms. Walter said it depends on how much growth, but you can't appropriate money out of anticipated growth. Mr. Santagate added growth can be used in different ways; it is not restricted to a particular line item. That expenditure will come back to the Council for approval. By state law we can overspend the Welfare budget without Council approval, but we do make notification to the Council. Mr. LaCasse said he would like the bottom line to stay the same after negotiations. Mr. Santagate said we'll try.

Policy

Ms. Walter said this budget is up 5%, \$19,000. The majority is the retirement package approved by the Council for the City Manager. Council Requests includes outside counsel requested by the Council. She decreased the Property Maintenance (used to heat unused City buildings such as the old Pleasant Street Restaurant); took off line the Conference Center and the mill buildings. Mayor Cutts asked what is happening with the Pleasant Street restaurant. Ms. Walter said it is unknown at this time. She has tried to interest the Court. It is in the Downtown TIFD.

Mr. LaCasse asked about Membership Dues and Consulting Services. Ms. Walter said it is for consulting and advertising when searching for new directors. The City pays membership dues to NH Municipal Association, Claremont Chamber of Commerce, Local Government Center, Municode, NH Bar Association, etc.

Mr. Batchelder asked about the increase for Council Requests. Ms. Walter said there have been more requests for new Councilor training and there has been a lot more use of outside counsel by the Council and boards.

Mayor Cutts confirmed boards and commission requests are separate from Council requests. Ms. Walter said yes.

Mr. Raymond asked about Property Maintenance. Ms. Walter said it is not for City Hall, but other city-owned buildings.

A motion was made by Mr. Austin and seconded by Mr. Raymond to tentatively accept the Policy budget of \$386,843.00.

Roll Call Vote: Motion carried 9-0.

Finance (City Administration)

Ms. Walter said the major increase is for health insurance (employee changes); increased tax lien recordings due to the economy; increased equipment maintenance and repair for software and firewall. Budget is up 2.2% \$18,930. Mr. Santagate said of that, \$10,000 is health insurance.

Mr. Goff asked about the furniture and equipment strategy. Mr. Santagate said we can get by this year. Ms. Walter said as it gets closer to year end and costs are not as anticipated, we may use those funds.

Ms. Messier asked about Consulting Services going from \$2,500 to \$1,200. Ms. Walter said that it is used for finance or computer issues and because of the cut, we might have to do without or might have to ask for a change to the line item.

Mr. Lewis asked about the Communications increase. Ms. Walter said we have used it for security cameras. It generally gets used at year end.

Mr. LaCasse asked about Temporary/Seasonal Help. Ms. Walter said it is used by the City Clerk and Deputy Clerk during elections.

A motion was made by Mr. Austin and seconded by Ms. Messier to tentatively accept the Finance budget of \$878,234.00.

Roll Call Vote: Motion carried 9-0.

Mr. Batchelder would like hear more about the communications at the next meeting.

Elections

Ms. Walter said this is down almost 60% or \$11,000 due to only one election next year. We need less money because of the voting machines.

A motion was made by Mr. Batchelder and seconded by Mr. Picard to tentatively accept the Elections budget of \$7,400.00.

Mr. LaCasse asked about Temporary and Seasonal. Ms. Walter said it is for the Ward Clerks, Moderator and Ballot Clerks.

Roll Call Vote: Motion carried 9-0.

Maintenance (Municipal Complex)

Ms. Walter said she has one full-time and two part-time Maintenance employees (one for 30 hours and one for 20 hours). This budget covers City Hall, Opera House, police, district court and the atrium. It covers electricity for City Hall (average \$6,700/month) and we anticipate another increase of 9-10%. We are only asking for a 4% increase. We use 28,000 gallons of fuel oil here. We have a fixed price for fuel oil of \$3.65 (\$3.55 for this building because of the 7,000 gallon tank). Dead River supplies the oil. This budget is up \$31,000, 9.5% increase. Mr. Santagate said we joined a competitive energy group to bid the fuel contract.

Mr. Batchelder asked if there were vacancies. Ms. Walter said yes, one retired Friday. We have to fill the position. Without it, we cannot maintain the agreement with the Court.

Mr. Picard asked about fuel oil. Ms. Walter said it is \$3.55, tanker price, same number of gallons.

Mr. Raymond asked about Machines & Equipment. Ms. Walter said the fire alarm system was replaced in the 2008 line. There is still some stuff to do. We need a generator upgrade for City Hall. We broke down four times in the last year. It will cost \$18,000 to do it.

Mr. LaCasse asked about fuel savings. Mr. Santagate said last year we did the light conversion and that will save us money. As for fuel, we need help on what other cities are doing in that area. The assistant manager of Keene will send some material. Ms. Walter said City Hall has two old boilers and they are not efficient. We have been pricing boilers.

Mr. LaCasse talked about the City's generator problems and suggested generators that no longer meet medical building standards may be available cheaply. Ms. Walter said we have the generator; the cost is to connect it to all the areas of this building.

A motion was made by Mr. Raymond and seconded by Mr. Picard to tentatively accept the Maintenance (Municipal Complex) budget of \$358,607.00.

Roll Call Vote: Motion carried 9-0.

General Services

Ms. Walter said these are fees and services that are used by all departments. We have cut costs in Legal due to closing out a lot of cases. She has not seen the budget for CCTV (Claremont Community Television), but has estimated \$120,000. We are in year two of the three-year ambulance contract which has a fourth year option. Every year it goes down. We level-funded the computer leases; we've been getting better prices. The budget is up \$47,000 mainly because of the Retirement Reserve. She is projecting one definite and two possible retirements this year. Any money not used will go into Retirement Reserve to fund our requirements for GASB (Governmental Accounting Standards Board).

Mr. Santagate said when he got here, he changed the policy for accumulated sick time and vacation time. We are down from \$750,000 to \$250,000 unfunded liability. The maximum carryover for sick time is 45 days and 10 days of vacation time. Ms. Walter said NH Retirement passed 125% rule (sick time), but people are trying to get NHMA (NH Municipal Association) to repeal it.

Mr. Picard asked about Legal Services. Ms. Walter said there are some areas we don't have expertise in such as planning and development. Ms. Taylor said she is a generalist and sometimes we would need assistance with environmental, human resources, etc. Ms. Walter said it would also be for expert testimony.

Mr. Picard asked about Legal Services – Solid Waste Issues. Ms. Walter said we are trying to keep significant costs separate.

Mr. Goff asked about Overlay. Ms. Walter said if we have to pay for an abatement, it all comes from the City's budget. This is just a guess. Mr. Goff asked about a contingency for legal services. Ms. Walter said the City would come to the Council when we see big things coming.

Mayor Cutts asked about War Service Credits. Ms. Walter said that is for veterans tax exemptions and credits.

Mr. LaCasse asked about overrunning the budget. Ms. Walter said the Charter allows us to move line items, but we cannot overspend the bottom line. Mr. LaCasse asked about the Umbrella account. Ms. Walter said that is property liability for a catastrophic event.

Mr. Batchelder asked about insurance carriers. Ms. Walter said property, liability and auto are with Primex. Workers Comp, unemployment and property liability are with Primex, but we are shopping around. Our health insurance is with Healthtrust.

A motion was made by Mr. Goff and seconded by Mr. Raymond to tentatively accept the General Services budget of \$875,002.00.

Roll Call Vote: Motion carried 8-1 with Mr. Picard voting no.

Mr. Picard voted No because he believes Legal Services – Solid Waste Issues should be reduced. He questioned whether legal fees are hidden. Ms. Walter said this is our best guess.

Mayor Cutts noted Bernie Folta was in the audience now, but was not earlier when she explained the public will be able to speak at the public hearing at the end of the month. He had expressed a desire to speak. She asked Attorney Taylor for clarification about not having public input until the public hearing at the end of the month. Mayor Cutts is concerned about setting a precedent by letting him speak outside the public hearing. Ms. Taylor said it is the Council's prerogative. The budget is a resolution and at the end of the presentations, there will be a public hearing.

Mayor Cutts noted the public can speak to individual Councilors at any time. Mayor Cutts asked if allowing the public to speak tonight and then not allowing it at the next meeting would set a precedent. Ms. Taylor said it could. She said since the Council had already taken tentative votes, they would have to go through reconsideration to re-open the discussion on a specific budget. Mayor Cutts said it would only be from this point forward.

Mayor Cutts put it before the Council to allow public input for the rest of the budget process.

There was discussion about allowing citizens to speak at each agenda/budget item. Mr. Picard thought Mr. Folta should be able to have input on previous items and on items going forward as long as he stayed on topic. Mayor Cutts said this was to allow input going forward. Mr. Austin said to approve this would mean cancelling this meeting and starting all over again. Ms. Messier said the budgets are only tentatively accepted until after the public hearing and then it is decided to adopt or not. Mr. LaCasse thought only being allowed to speak for five minutes at the end of the process was not enough time; citizens should be able to speak on each agenda/budget item.

At 9:15 a.m., Mr. LaCasse made a motion to adjourn. No second. Motion failed.

Discussion continued about letting the public speak during the budget process. Mr. Goff said Mr. Folta is a very active participant at Council meetings. As a compromise, he suggested Mr. Folta be allowed to speak this one time. He didn't believe it would set a precedent.

Mayor Cutts asked for a vote of the Council to allow Mr. Folta to speak this one time for this one evening.

Roll Call Vote: Carried 7-2 with Messrs. Picard and LaCasse voting no.

Bernie Folta, Ward 3, thanked the Council for the open discussion. He asked about dividing legal services as inside and outside. He asked how many other NH cities have solicitors. He

wondered what the proportion of inside legal services versus outside was and is Claremont's ratio on target.

Debt Service (Retirement)

Ms. Walter said Debt Service covers our bonds. It is down 2.67%, \$32,984. Money for TAN (Tax Anticipation Note) is a "wash" because offsetting money is in revenue. We have not gone out for a TAN in a number of years because we have built our Fund Balance; we have gotten a better bond rating from Moody's and we save money by borrowing from the Water and Sewer Enterprises at one-half percent over prime.

A motion was made by Mr. Batchelder and seconded by Mr. Picard to tentatively accept the Debt Service budget of \$1,201,768.00.

Roll Call Vote: Motion carried 9-0.

Revenue

Ms. Walter said Finance collects \$1.6 million in Motor Vehicle Plate fees; \$14,000 Dog Licenses; \$2,500 dog violations; \$25,000 Miscellaneous Clerk's Fees; back charge departments for services of Accounts Payable, Human Resources and Legal. Finance budget is \$878,000 and generates \$1.95 million in revenue. The Municipal Complex generates \$54,000 in revenue including the District Court Lease which offsets expenses of \$358,000. General Services brings in \$1.1 million on \$875,000 budget.

Mr. LaCasse asked why some line items were added to this budget. Ms. Walter there is grant revenue; transportation fee was added; and taxes. Mr. LaCasse asked about Real Estate Taxes – Current. Ms. Walter said that is not being raised. It is set by DRA (Department of Revenue Administration).

Mr. Raymond asked about Airport Gasoline. Ms. Walter said Council approved Fire Chief Chase to overspend that line item. At the end of the year, the fuel that is left will offset that as it is moved to inventory on hand.

Mr. Picard asked about Rent of City Property – Wheelabrator for \$375,000. Ms. Walter said that is a PILOT (Payment in Lieu of Taxes).

Mr. LaCasse asked about paying the state for marriage licenses. Ms. Walter said we have to pay a certain percentage.

Mr. Picard asked about Rents of City Property that show for info only. Ms. Walter said a previous Council approved the rents of these properties to be placed in an Airport Reserve to be used for matching funds for federal grants.

A motion was made by Mr. Goff and seconded by Mr. Raymond to tentatively accept the Revenue budget of \$5,783,220.00.

Roll Call Vote: Motion carried 9-0.

Mr. LaCasse asked if the next time there could be a public forum. Mayor Cutts said Council had voted on the process that would be followed for the rest of the budget sessions.

CONSULTATION WITH LEGAL COUNSEL

None

Mr. Picard asked for a list of the number of properties that are two years or more in arrears and the value for the next meeting.

Mr. LaCasse asked Ms. Taylor about legislation at the LGC (Local Government Center) about district court versus superior court. Ms. Taylor said she and other municipalities requested the committee she serves on to consider sponsoring legislation to clarify the process to appeal from a planning board decision. She is not involved in the drafting process. She did not attend the final vote meeting and did not have any information about it. Mr. LaCasse gave Mayor Cutts a document titled "Planning and Environmental Quality Recommended Policy Proposals 2009-2010 Legislative Policy Process." Ms. Taylor said the LGC has a process in developing its legislative agenda. Any town can submit requests for consideration to become part of their policy. That document is the policy recommendations, but she does not know what was finally adopted. Mayor Cutts said her experience with the LGC is they solicit feedback from leaders at the community level. She strongly discouraged approaching them as a Councilor, but Councilors can attend as a citizen. She gave the document back to Mr. LaCasse and encouraged him to follow that topic and share information with the Council.

ADJOURNMENT

At 9:39 p.m., a motion was made by Mr. Picard and seconded by Mr. Goff to adjourn.

Motion carried 9-0.

Respectfully Submitted,

Dorée M. Russell
Clerk to the Council