

The Claremont City Council held a meeting on Wednesday, February 25, 2009, in the Council Chambers of City Hall.

The meeting was called to order by Mayor Cutts at 6:30 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 III Councilor Jeffrey Goff

Absent:

Ward I Councilor Christopher Lewis

Also present were:

Guy Santagate, City Manager
Jane Taylor, City Solicitor

NEW BUSINESS

Mayor Cutts announced Rich Gingras, local boxer, would be in Connecticut competing in *The Contender*. She wished him good luck.

Governor Lynch's Proposed Budget Effect on City of Claremont and Public Comment

Mr. Santagate said on February 12th that the Governor revealed his budget. The state's fiscal year is July 1 through June 30. Claremont is on a calendar year. We are already 2/12 through this year's spending which is above the level the Governor's proposed budget will permit. Before we can respond, we will be well through three months. He's not asking the Council to do anything tonight. This is just an update on actions he is prepared to take.

Mr. Santagate showed a PowerPoint presentation about the Governor's budget impact on Claremont.

- Governor's Budget Impact on Claremont.

- This budget suspends revenue sharing, rooms and meals distributions, and reduces the state's contribution to retirement costs from 35 to 30 percent, level-funding it with this biennium.
- Claremont's 2009 Budget Adopted by City Council November 25, 2008
 - Budget is effective January 1, 2009
 - Other Revenue \$5,783,220 (includes Shared Revenues and Rooms & Meals Tax)
 - Property Tax \$9,703,507
 - Total Expenditures \$15,486,727
 - Total Assessed Valuation \$727,941,929
 - 2009 Tax Rate \$13.3301
 - February 12, 2009, Governor announces state budget which reduces revenues to the City and significantly increases expenses to the City
- Shared Revenues/Meals & Rooms Tax from Historic Perspective. Major Revenue Reductions from State
 - Level-funded 2009 (same as 2008)
 - Shared Revenues 2009 expected \$470,626
 - Meals & Rooms Tax 2009 expected \$576,683.23
- Shared Revenues, Meals & Room Tax Eliminated by Governor's Budget
 - Total Lost Revenue \$578,981
- Money Owed to County and Schools. Claremont is required to continue payments to the schools and county. Under the Governor's budget, the City no longer receives offsetting revenue.
 - The county and school portion of Shared Revenues and Meals/Rooms Tax is still due to both entities. This was not a budgeted expense through the City's tax rate since revenue from the state was anticipated.
 - Shared Revenues \$148,828.00
 - Meals & Rooms Tax \$319,500.23
 - Increased Obligated Expense \$468,328.23
- Governor's budget reduces the state's match to NH Retirement System
 - The City is responsible for an increase of \$62,613 in pension expenses
 - Loss of courthouse revenue (\$53,000) not included
- State Downshifting Cost to the City
 - Since 2001, the City has picked up \$500,000 in pension costs
 - \$1,109,922 short fall – not anticipated in the 2009 City budget. Property tax is the preferred tax in NH. State continues to downshift costs to local government.
- Negative Impact of State Budget on the City of Claremont
 - Reduction of Shared Revenue/Meals & Rooms Tax \$1,047,309
 - Additional Pension Contributions \$62,613
 - Total negative impact on the City of Claremont \$1,109,922

- Leaves us no choice but to increase property taxes or reduce expenses
- Option One. Appropriate additional funds and increase the local property tax burden caused by Governor's budget proposal
 - 2009 net amount proposed \$9,703,929
 - Add shortfall in revenue from state due to Governor's proposed budget \$1,109,922
 - New amount to be raised from property tax \$10,813,851
 - New estimated 2009 tax rate \$14.86
 - Prior estimated 2009 tax rate \$13.33
 - Increase in tax rate \$1.53
 - 14.9% increase over last year's rate and an 11.5% increase over what the City budgeted
 - The additional burden on homeowner with a \$150,000 home is \$229.50 per year. To Mr. Santagate this is unacceptable.
- Option Two. Would require reaching agreement with Merit Plan and labor unions, (all management and labor) to:
 - All employees will take two furloughed days each month beginning in March
 - City Hall and appropriate-related buildings will be closed on the 1st and 3rd Friday of each month. This would save some of the funds cut from the budget.
 - Police, Fire and other necessary 24/7 personnel would be on flex furlough with the Directors responsible to satisfy the two day a month requirement.
 - Make other budget reductions which are necessary and appropriate to close the gap caused by the loss of anticipated revenue from the state
 - This will keep services at an acceptable level. It allows people to keep their jobs. This seems doable with some pain.
- Option Two
 - Revenue losses to make up \$1,109,922
 - Labor concessions saved by furloughs (\$450,000)
 - Electricity/heat/fuel savings (\$60,000)
 - Additional expense cuts to be made in the budget (\$599,922)
 - If these cuts are implemented, the projected tax rate should remain the same as when the budget was passed last November. We believe we are capable of handling this.
- Option Three
 - If we don't receive agreement for Option Two from all parties, we will have to implement layoffs in all areas which would be broad, deep and painful. Mr. Santagate wants to avoid this at all costs. He is hoping to get to Option Two until things change.

Mr. Santagate said the City had not increased water and sewer rates since 1999 in any effective way. There was a small increase last year in the water rates in order to receive grant funds in the

water enterprise system. Because the economic environment has changed, we don't think taxpayers can add any more stress to their budgets. The Administration proposes pulling those increases from the agenda at the next Council meeting and not raising water and sewer rates this year.

On March 12th the Finance Committee of the Legislature will come to River Valley Community College to hold a public hearing on the budget. He will attend to express our feelings.

Mayor Cutts applauded Mr. Santagate's unwillingness to consider a tax rate increase. Mr. Santagate said he is here to hear opinions. Option Two is the best option where everyone will take a 9-10% pay cut.

Mr. Austin asked about the Stimulus Package counteracting this. Mr. Santagate said he went to a meeting about the Stimulus Package. We think we have a chance to get 1-2 projects. The Stimulus money is for projects, not for the operating budget.

Mr. Picard asked about the money that is going to the schools. Mr. Santagate said that has gone on for years and was offset by money coming from the state. We will have to continue to pay that out without the offset money coming from the state. Mr. Picard asked about having discussions with the schools for them to share the burden. Mr. Santagate said he talked to John Napsey, School Board Chairman, who said he understands. The Governor is increasing contributions to education. There are nine communities where the school and city budgets are combined, but Claremont schools and the City are separate legal entities. When cities get hit with reductions with revenues shifted to fund education, he is afraid this will pit one group against the other (school versus city).

Mr. Goff asked how many City employees we have. Ms. Walter said 103 full-time and 165 full- and part-time. Mr. Santagate said the part-timers are mostly in the parks and are summer help. Mr. Goff said the Governor's budget is not yet finalized. There is not a thing we can do in Claremont to decide this. It is decided in Concord. It is frustrating to watch. He wants to know, in the next 60 days, who is the voice in Concord to represent an increasingly harsh burden for these 165 families to meet. He asked what the Delegation's (three Representatives in the audience) response is.

Mayor Cutts talked about *City Views*, a publication put out by Local Government Center (LGC), to follow-up on Mr. Goff's comment. The money in NH comes from property taxes. There was a story in the publication about a UNH (University of NH) voter poll about the Governor taking the [no tax] Pledge. The poll showed the voting public prefers a sales tax over a higher property tax 8 to 1; an income tax over a higher property tax 6 to 1; and only 3% favored increasing property taxes.

Representative Sandy Harris said she is on the Finance Committee along with Rep. Rodeschin from Newport. The Governor's budget now belongs to the House Finance Committee and they can make changes to it. Representatives from the House Finance Committee and the Ways and Means Committee are coming to Claremont March 12th, 6 p.m., at the River Valley Community

College for a public hearing. She said according to the Governor, cities and towns have more money than before due to the Stimulus Package. The budget goes from the Finance Committee, passes the House and then to the Senate. There are 4 or 5 chances to change the budget. They need input from municipalities.

Mr. LaCasse asked when the budget will be finalized. Ms. Harris said in June. House Finance will be through with it in April. Mr. LaCasse asked if the City will get any additional revenues. Ms. Harris said that is unknown.

Mr. Goff said balancing the budget in Concord passes the burden down to municipalities and he feels we have no voice in it. He asked Ms. Harris to remember that our five Representatives are Claremont citizens first and need to be the voice of Claremont. Ms. Harris said voters need to show up at the River Valley Community College on the 12th.

Ms. Harris said a lot of people in Concord don't want to rely on property taxes, but they are bound by a lot of people who took the Pledge. The Governor got 70% of the vote and he took the Pledge. She intends to put in a Bill to look at any and all revenue sources. She doesn't feel it is fair to lump all members in as "Concord." They don't all feel the same way about taxes.

Ms. Harris said she had been trying to call Mayor Cutts, but had been using the wrong number. Now that she has the right phone number, she offered to talk to the Mayor each week to let her know where we are. Mayor Cutts noted that she has heard that citizens are not getting calls returned from City Councilors. If people don't hear from councilors, call the City Manager's office to complain and the Mayor will get the message.

Mary Walter asked if the state budget does not get passed on July 1, does a version of the Governor's budget go into effect. She talked about the school adequacy formula and that a lot of money has to be paid in because of the Claremont lawsuit and subsequent lawsuits, so that is why the schools are getting extra money. Unless the schools are going to share that money, we only have our budget to work with and we cannot overspend it. We can't wait six months to start making reductions; we have to work on them now.

Mr. Santagate said he can't recommend to the Council to sit back and relax. We have to take action. He said when he refers to Concord, it is like referring to Claremont. He has spent years in Concord working on the courthouse issue and offering solutions. With the actions we have taken, it is absurd to say we want to move the Court to Newport. He asked, in order to fund education, is it the plan to lay off police, fire, public works and other City employees. Unless the state raises revenues (which we have seen that they do not want to do), they would have to take money from the schools and give it to the City, but that won't happen. He hopes this will not divide the City and schools.

Representative Joe Osgood, Ward 2, member of the Ways and Means Committee, said NH, through business profits tax and business enterprise tax, takes in higher percentage of its income than Vermont takes in through income and sales taxes. Business enterprise tax is equal to an income tax and business profits tax is equal to a sales tax, so you can't have all of them. An

income tax was presented to them last week, but Ways and Means voted against it, because it is expensive to collect. It is collected directly from each individual. A business enterprise tax pays tax on payroll. It is done quarterly and can be cross-referenced through the IRS (Internal Revenue Service). It is the cheapest way to collect the same taxes. In 2008 \$618 million was taken in from businesses. He is concerned that the rooms and meals taxes we get will not coincide with what the Governor expects. He voted against HB (House Bill) 30 because the Governor took \$1.5 million out of the state retirement system to put in the general fund, \$2 million from fire standards and training, and \$2 million from police standards and training. That bill is only to correct this year's budget, not next year's. NH is overspending itself. It looks like in 2009 that the State of NH will take in \$476 million, not the \$615 million that was expected.

Rep. Harris said the Finance Committee voted unanimously for HB30 because everyone affected, except the court system, had dedicated funds they could live without and nothing would change. The only one against it was Justice Broderick, for the court system. Not having an income tax is like leaving \$273 million on the floor, because people who live in NH and work in Massachusetts, pay Mass. income tax. It is the same for Maine and Vermont. If NH collected income tax, they could not be double taxed. The other states can collect income tax from NH people because we do not have an income tax. It is not as clear as you might think.

Representative John Cloutier said because of our unique tax structure, property tax is the way to go. He cannot support this state budget because it will downshift everything to communities. He has never taken the Pledge. He favors an income tax because it is based on one's ability to pay. He is open to increased gambling. Our tax structure is the way a majority of people want it. At the March 10th School District meeting, there will be a non-binding resolution, if passed, that will call upon the Governor to stop taking the Pledge. He urged people to vote yes. He suggested suspending mandates if the state is suspending the revenue. The Governor wants to increase cigarette taxes, motor vehicle fees, and raise Rooms and Meals tax by $\frac{3}{4}$ % (even though he is cutting the distribution). The proposed closure of the Claremont court will have a big impact on police and schools. He said he is on the House Public Works and Highways Committee and he talked about NH DOT (Department of Transportation), raising the gas tax and its affect on Claremont roads.

Mr. Batchelder asked about the plan if unions don't agree to option two. Mr. Santagate said he would meet with department heads tonight and on Monday at 10 a.m. to see how to approach employees and the unions. He hopes to be ready by the end of March. April 1 is the target date to decide on the furlough option or the layoff option. Mr. Batchelder asked when the \$600,000 budget cuts would be made. Mr. Santagate said we would identify immediately what can be cut out and lived with, and what we can postpone during the economic downturn.

Mr. Picard asked about a hiring freeze, blue stoning instead of paving some parking lots and negotiating with the school. Mr. Santagate said we are committed to provide the parking spaces. If we don't, we'll create chaos in the downtown area. We work with the schools everyday. In reference to the hiring freeze, the Assessor's position is being filled by the same person that does economic development. Eventually we want to get an Assessor in to fill the position. If positions are opened, we won't fill them until we resolve these issues.

Bernie Folta, Ward 3, said the political reality is that most of the population is in southeastern NH. That's where the votes are. Claremont has five Representatives out of 400. Claremont doesn't have a lot clout. The tax bill has four parts: city, county, state education and school. Taxpayers get one bill. He asked if the county is going to pass down anything to the City. Claremont's tax bill is dependent on the tax rate and the property owner's assessment. Someone in Concord is saying Claremont's properties are underassessed (85%). That means there will be an increase. He asked what percentage of employees are unionized.

A motion was made by Mr. LaCasse and seconded by Mr. Picard to suspend the 5 minute rule.

Roll Call vote: Motion carried 8-0.

John Napsey, Ward 1, member of the School Board, said they are 2/3 through their fiscal budget. Retirement costs will be passed through to them also. They did not budget all of the anticipated state aid this year. The default budget is \$90,000 less than the main budget. They are listening and will be at whatever conversation that is needed for the budget. They will be waiting until June to find out what the state contribution will be to their budget.

Larry Converse, Ward 2, asked if the numbers from tonight will be available on the website and if they are for six months or a year. Ms. Walter will put the PowerPoint on the website. The revenue sharing and rooms & meals won't come to us until the end of the year. Highway Block Grant comes in quarterly payments, but that is not under consideration at this point.

Levi Sanders, Ward 1, said this is an outrageous budget. He asked how we deal with the underassessment of properties. He said Claremont is not "happening." Stevens High School is on the verge of losing its accreditation. He asked for the foreclosure rates in Claremont. He talked about property tax discounts for senior citizens. He said it is imperative to downsize and make Claremont smaller.

Dave, Ward 3, homeowner, has watched his taxes go up. He is not for the Stimulus Plan. He doesn't want layoffs. He's hoping to find work in Claremont (in the military now). He is willing to pay more taxes if it stopped someone from being laid off. He noted property taxes go up every year, but sees no increase in services. If this works and business comes to Claremont, we'll all be better off. He's hoping something can be done to make this work now.

Norman Lessard, Ward 2, concurred with Dave. He's not for higher taxes, but we should help fellow employees of this great City. It makes no sense to layoff employees. He'd be willing to pay more taxes to prevent layoffs.

Cynthia Howard, Ward 2, said she cannot afford more taxes. She favors budget cuts that will not eliminate workers (i.e. in Planning and Development cut supplies, equipment and downsize it). Cuts can be made in Parks (they are seasonal), cemeteries (they are seasonal), community services (i.e. why fund non-profits that are already receiving money from the City), Library

30%-50%, streamline administrative departments, share resources (i.e. office equipment and supplies), eliminate bonuses on salaried employees and expense accounts. We could reduce salaried employees by 20%. She favors a hiring freeze as well as a freeze on non-emergency spending. She also suggested shortening Council meetings from 6 hours to 2 hours. She suggested advertising electronically for those meetings. The best approach would be to reduce the budgets and not layoff workers.

Mr. Goff said Department heads are stretching their budgets and there is no excess. He has faith in their abilities. Claremont suffers from a reputation built over the last 15 years due to our neglect of our infrastructure, but we are turning that around. Foreclosures are not a function of the City government. For information on that, check with your local financial institutions.

Mr. Picard said this is the first time the state is taking \$1 million from the City and giving it to the school. He said it is important for Claremont citizens to recognize that and to let the State Representatives know that it is wrong.

ADJOURNMENT

At 8:48 p.m., a motion was made by Mr. Picard and seconded by Mr. LaCasse to adjourn.

Motion carried 8-0.

Respectfully Submitted,

Dorée M. Russell
Clerk to the Council