

The Claremont City Council held a meeting on Wednesday, December 7, 2011, in the Council Chambers of City Hall.

The meeting was called to order by Mayor Cutts at 5:35 p.m.

Members of the Council present were:

Ward II Councilor Keith Raymond
Ward I Councilor Victor Bergeron
Ward III Councilor Nicholas Koloski
Assistant Mayor Andrew Austin
Mayor Deborah Cutts
At-Large Councilor Adam Burke
At-Large Councilor Kyle Messier
At-Large Councilor Thomas Burnham

Absent:

At-Large Councilor Christopher Lewis (excused)

Also present was:

Guy Santagate, City Manager

NON-PUBLIC SESSION, RSA 91-A:3,II(a) – PERSONNEL – TO BE HELD IN CITY HALL COUNCIL CHAMBERS

At 5:35 p.m. a motion to enter into non –public session under RSA 91-A:3, II Personnel Matter was made by Councilor Raymond and seconded by Councilor Burke. Roll call resulted in a unanimous yes.

A motion to exit non-public was made by Council Raymond and seconded by Councilor Burke at 6:10 p.m. Roll call resulted in a unanimous yes.

A motion was made by Councilor Bergeron and seconded by Assistant Mayor Austin to seal the minutes of December 7, 2011, until such a time that the purpose of sealing no longer exists and at the discretion of City Manager Santagate. Roll call resulted in a unanimous yes.

A motion to adjourn the meeting was made by Councilor Bergeron and seconded by Councilor Messier. All in favor resulted in a yes from all members present. A request for any against resulted in none. The meeting adjourned at 6:16 p.m.

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The Claremont City Council held a meeting on Wednesday, December 7, 2011, in the John Goodrich Room, Sugar River Valley Regional Technical Center, 111 South Street, Claremont.

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

Members of the Council present were:

Ward I Councilor Victor Bergeron
Ward III Councilor Nicholas Koloski
Assistant Mayor Andrew Austin
Mayor Deborah Cutts
At-Large Councilor Kyle Messier
At-Large Councilor Thomas Burnham

Absent:

Ward II Councilor Keith Raymond
At-Large Councilor Adam Burke
At-Large Councilor Christopher Lewis

Also present were:

Guy Santagate, City Manager
Mary Walter, Finance Director
Senator Bob Odell
Representative David Bettencourt
Representative Kenneth Weyler
Representative John Cloutier
Representative Raymond Gagnon
Representative Paul LaCasse
Representative Charlene Lovett
Representative Joe Osgood
School Board Chair Richard Seaman
School Board Vice Chair David Putnam
School Board Member Brian Rapp
School Board Member Heather Irish
School Superintendent Middleton McGoodwin

CITIZEN'S FORUM

None

NEW BUSINESS

Meeting with State Officials to Discuss Mutual Concerns

Mayor Cutts read a statement from Jon Short asking the state to stop cutting mental health budgets.

Mr. Santagate said this meeting came about due to his inquiries to the State Representatives about downshifting from the state and cutting Revenue Sharing to the City. He read a news article written about statements made by New Hampshire Executive Councilor Ray Burton. Mr. Burton recognized that legislators have downshifted to cities and towns. Mr. Santagate said that fixing the problem isn't easy. Taxpayers bear the burden. To solve problems, we look for partnerships that work. Those partnerships have been dissipating with the state. The strain between the local government and the state appears to be irreparable. But, we are here because we believe that things are going in the wrong direction from the local perspective. Downshifting is a major concern to him. The legislature is fixing the budget in Concord, but causing grief in Claremont. There are different ways to downshift: increase expenses to the community or cut revenues from the community. The transfer of expenses goes onto the property tax, which is the main source of revenue around the state. If there is a cut in revenue or an increase in expenses, then there is an increase in the property taxes. The only other option is to not increase taxes, but to layoff employees. The property tax is the tax of choice in NH and the reason is so the state can downshift to us. Then we have to implement the increases and the Legislators are cushioned from the local community. The tax buffer is the reason we see downshifting.

He talked about the effect on Claremont and that loss of Shared Revenue is structural.

	2009	2010	2011	2012	Totals
Shared Revenue	\$ 470,620	\$ 470,620	\$ 470,620	\$ 470,620	\$1,882,480
District Court Rent	\$ 25,000	\$ 52,000	\$ 26,000		\$ 103,000
Highway Block Grant				\$30,000	\$ 30,000
Retirement– Addl Expense for the City	\$25,767	\$50,406	\$39,754	\$70,884	\$186,811
	Total over the past 4 years				\$2,202,291

Mr. Santagate talked about the Retirement History.

1967 – State of NH created the New Hampshire Retirement System

Mr. Santagate said the NH retirement system was created in 1967 and 10 years later it was in trouble, so police, fire and teachers were asked to join and the state would pay 35%.

1977 – Contribution was fixed at 65% from the local government for Police, Fire and Teachers with 35% paid by the State

2009/10 – Legislature reduced the state's share to 30%

2010/11 – State's share further reduced to 25%

2011/12 – Zero (0%) contribution to the Retirement System

Employees had to increase their contributions by 2%. The state now has zero responsibility to the retirement system. That decision is now in the courts and there is a possibility of an increase for either employees or the City. He talked about the vesting program change and the increased retirement age for police and fire.

The state put aside \$3.5 million (one time pot of money) to make municipalities whole for retirement for one year. However, Claremont's share was \$10,652.

Mr. Santagate said he asked the state to restore the money and if they do, we would be able to rehire some people that were laid off. He asked what else is on the chopping block (i.e. we take in \$1.5 million in motor vehicle excise tax). Cuts to the state health and welfare budget will send our welfare budget out of sight as well as cuts to the fuel assistance. By state law we have to help anyone in Claremont, even if they are not residents. He asked if the state revolving loan fund (water and sewer) will be cut. We ought to do more long range planning, but it is tough to do. On the school side, we desperately need a new high school in Claremont. We lost the bond vote and now school building aid has been cut. He asked the local reps when, or if, that will be restored; if not, then what happens in the school system. A lot of the funds that the state has go out to schools. The Claremont lawsuit put a cloud over the city in Concord. He is glad they sued the state. The state is sovereign and the City of Claremont is a creature of the state. He talked about the notion that there are two levels of service in government; we are part of the state. He asked if the legislature institutes a Constitutional amendment if it will exempt the state from any responsibility toward education as they have with the pension system. He asked if the legislators present supported that Constitutional amendment. If so, we will continue with the graying of NH. This state is the 6th oldest state in the country (tied with Florida). Students graduate from NH and then leave because they can't get a good paying job nor can they afford the housing. A retirement community is an expensive community because there is no workforce and it cannot support an industrial or commercial base. Mr. Santagate said we need people above him to fix that. If the Constitutional amendment goes forward and the leadership is in that corner, those funds will be gone and we will be in deep trouble. He was hoping for a commitment to

education, because where the schools go, the City goes. There are two major issues when he talks to businesses: one is the schools and the other is a skilled workforce (City is working with the Sugar River Valley Regional Technical Center and the River Valley Community College). He is hoping to get an answer, whether it is yes or no.

Rep. David Bettencourt, House Majority Leader, said many of the issues that have been raised are issues that the state has been tackling for many years. It is important to understand that he has never heard anybody at the State House have a disparaging word for Claremont. The City is looked at with the utmost respect. He is a 2007 graduate of the University of NH and he agreed that we need to do more to keep young people in the state. This legislative session they reformed reasonable compensation. Now is not the time for studies; it is the time for action. The state is in bad financial state. He talked about additional revenue such as expanded gaming which has met with mixed enthusiasm. He talked about sales or income tax, but said that as long as he is in leadership of this legislature, they will not go down that path. He defined downshifting not as reduction in aid, but as putting the burden of state expenses onto local communities. It is not asking towns to manage their budgets and make difficult decisions as the state has to. He used an example of downshifting as the stock and trade tax (collected by local municipalities) that was replaced by the business profits tax (BPT) which is collected and administered by the state. To compensate, the state agreed to hold the cities and towns harmless, by relocating money lost, which became known as Revenue Sharing. He said Revenue Sharing for years has been set at a \$25 million rate per year. Payments to cities and towns were suspended in a previous budget and state spending increased by that amount. That is an example of downshifting. He said what is not downshifting is the Rooms and Meals Tax that was raised from 8% to 9%. The municipalities should have received the additional funds, but the state needed the money and froze the Revenue Sharing. The municipalities got the same amount as the prior year. They did not share in the increase resulting from the tax increase. Failed expectations are not downshifting.

Rep. Kenneth Weyler, Chairman of the Finance Committee, said he came into office with a challenge. 7% of the previous budget was from stimulus funds which were going away. After the election, there was a Party change, in the NH House and Senate, from Democratic to Republican. Most of the comments when they were running for office were that they would not raise taxes. Downshifting and revenue were challenges. Revenue is expected to be flat to declining. The state had to cut the budget 11%. He talked about the Governor wanting to shift \$154 million to cities and towns. He talked about cuts to mental health, giving \$154 million in school building aid, and the retirement program. There are only two people paying in for every one person receiving benefits. Group 2 retirement age is changing from 45 to 50 years over the next three years. He talked about the state contribution that went from \$108 million in 2007 to \$262 million in 2011. Before the adjustment, teachers paid 5% and district and state paid 14%; police paid 9.3% and the employer paid 25.5%; fire paid 9.3% and employer paid 30.9%; these numbers were not sustainable. Now they are not going to give employees the money, but they are not going to cause employees to pay more. They will try to make it even to what it was the year before. The revised amounts to be paid by employers as of July 1, 2012, will be: Group 1 employees 8.48%, medical subsidy 0.32% = 8.8%; teachers 8.99%, medical subsidy 2.31% = 11.30%; Group 2 police 15.98%, medical subsidy 3.97% = 19.95% (down from 25.5%); fire

18.92%, medical subsidy 3.97% = 22.89% (down from 30.9%). The savings should make up for what the state used to pay. The retirement system needs a lot of work. They now use the last 5 years of salaries versus the last 3 to calculate retirement pay. Within 20-30 years this should be balanced. New people won't get as good a deal. This is a defined benefit system versus most employers have a defined contribution system. Going forward state employees will pay more for medical coverage. He suggested we may have to do the same for City employees. He supports a Constitutional amendment for funding schools. The state is sending \$14 million to Claremont schools as well as money for school breakfasts and lunches and catastrophic and building aid. If the Constitutional amendment is passed, it is not intended to get the state out of funding the schools; it is to get the courts to stop telling us what to do. School budgets are the main driver of property taxes. The number of students went down and some places are still hiring more people. That is unsustainable. The state got rid of the \$30 surcharge for transportation. To make up for it, he would like to eliminate ethanol from gasoline (it doesn't get taxed) and reduce our gasoline tax which would equal about \$25 million a year. He talked about the Medicaid enhancement tax of \$26 million that has to be paid in the next budget. There won't be any extra money. His party promised not to raise taxes. Claremont is an important city on the west side of the state. He said going forward we won't pay anymore than in the previous year.

Sen. Bob Odell, Vice Chair of the Senate Finance Committee and Chair of the Ways & Means Committee, said the Governor briefed him on February 15th on the budget. There was a commitment to not reduce the adequacy grant to schools in NH. In the last fiscal year, Claremont received \$16.304 million; 91.65% of that was for education. The biggest part, \$14.393 million, goes into the adequacy grant. In the 2012/2013 all cities and towns will get the same amount of adequacy grant as was received in 2011. 40% of the general fund goes to communities. Last year the state bonded operating expenses and the money from the rooms and meals taxes was pledged to make those payments. There was a gap in the budget, so they chose to fund mental health and disabilities. The university system took a 50%, or \$50 million, cut. The hospitals have a \$50 million gap. There has been a change in how hospitals pay their taxes. Add to that the Medicaid enhancement tax mentioned by Rep. Weyler that has to be paid back. He talked about protecting the school adequacy funding for Claremont. He is a supporter of the Constitutional amendment.

Richard Seaman said in reference to education in Claremont that they try to get as much as they can from each dollar received from the state and local taxpayers. He talked about \$300,000 for out of district placement special education for needy student(s) that was not budgeted for, but funding had to be found to pay for it. We need to continue to educate the children; you can't put it on hold. The school superintendent is saying some things are not sustainable. Another area that is important is the building fund. The school needs support for the building fund. He made a request to not make education partisan.

Brian Rapp, Ward 2, echoed Mr. Seaman's comments. When there was change in the House, the same thing continued; funds are still being withheld. In reference to retirement costs for schools, about half a million had to be raised by the schools to cover those costs. He wondered, in reference to the pending lawsuit, what happens if the state loses. Cities and towns will have to make up the cost.

Rep. Bettencourt said local communities have the ability to make decisions for their own communities. He said in January that Rep. Weyler warned communities that cuts were imminent. He said it is important that if we are to emerge from these difficult times we have to share sacrifices. He agreed about these issues not being partisan. He agreed we have to work together when it is in the best interest of the people in NH. In reference to the Constitutional amendment, he shares Rep. Weyler's and Sen. Odell's points. His biggest objection is that they have to face the voters every term, but the Supreme Court judges do not. This hamstringing their ability to help needy communities. Three judges can make a decision about education funding that is binding across the state and he has a philosophical disagreement about that. He rejects the concept that we are seeking an adequate education, we want an outstanding education. In reference to retirement, people have a difference of opinion on this; change must happen. This state faces a \$3.7 to \$4.7 billion unfunded liability. Reform of the retirement system is critical to this state.

Rep. Weyler said in reference to retirement that the contribution reduction to 25% was supposed to be temporary, but they couldn't afford the \$15 million per year to bring it back to 35%, so they raised contributions from employees. We are in bottom 5 of the 50 states for rate of funding. Long term, they will catch up to where they were regarding the state's contribution so that the city will be held harmless. The schools were the most protected. He talked about catastrophic aid.

Brian Rapp is concerned about what happens to current employees if the state loses the court fight. Rep. Weyler said it will entail revamping the system again. This is going on all around the country. Rep. Bettencourt said they can't give specific answers because it is unknown which part the Courts will find unconstitutional. He has no doubt it will go to the Supreme Court. Mr. Rapp said the state pays nothing now, so it will fall back onto the municipalities. Mr. Rapp asked about a contingency plan. Rep. Weyler said any decisions that have to be made will not affect this budget. Mr. Rapp and Rep. Weyler talked about the retirement system. Rep. Weyler said with the changes that have been made, he is projecting no increase to the city's retirement contribution. Mr. Rapp asked about Shared Revenue that was not put back in. Rep. Weyler said it is competing with education, and health and human services. The state assumed the City did not make its budget expecting the money would come back.

Mr. Santagate said that the Governor had promised that the Shared Revenue would be restored July 1, 2011; \$160,000 was budgeted for that, but it didn't happen. Rep. Weyler said it was more important to put the money back into catastrophic and building aid. Mr. Santagate said in reference to education that the idea that the Constitutional amendment would do away with the aid and get to targeted aid; he asked if targeted aid was in effect when it went to the Supreme Court. He asked if the objective was to take the average spending per pupil in this state and to make sure that every community is spending at least the average per pupil. If the community spent above the base line, they would get nothing, but if they spent below the base line, they would receive state aid over time to bring them up to the average. He asked how that would be fair around the state. Rep. Weyler said that was forced by the Courts. They wanted to use a formula that would be more fair. Mr. Santagate talked about targeted aid going to communities

that need the aid. He would question the Constitutional amendment if there were no formula in place.

Rep. Weyler talked about the formula and that schools should have done more to control spending.

Mr. Seaman said the Constitutional amendment was tied with politics. He would rather it stay with the Supreme Court. He talked about needing a definition for adequate versus excellent education. Claremont doesn't get as much attention as larger communities.

Rep. Bettencourt said we don't have a formula because we have not been allowed to put one in place. He talked about stability and communities taking the plans to the Courts. He talked about the accountability of reps having to face their communities each election cycle. The fundamental point was how to achieve excellence and that should be done by the schools.

Mr. Santagate talked about the history of receiver and donor towns. It pits one community against the other. Rep. Bettencourt doesn't support receiver and donor towns; this discussion is appropriate for legislators and local officials, not judges.

Ms. Irish said financial managers were told the reductions would be temporary. When communities feel they are not being heard, they go to court. People coming here for work need a good education for their children. We need a new school. If we don't find a way to think outside the box, we won't have kids here. Bringing jobs to the state is beneficial. We need to know how much worse it will get and how the state will help us so that we don't make assumptions.

Rep. Osgood talked about targeted aid and donor towns. The only way to stop towns from suing over targeted aid is to give the legislature the right to make the change. The Claremont lawsuit has been going for 18 years and nothing has been done.

Mr. Bergeron disagreed with the retirement process. Changes have been made, but the state always gave its fair share. By asking employees to pay more means the state is not paying its fair share. He asked for help with welfare benefits because we have no residency requirements. He talked about the RSAs (Revised Statutes Annotated) that have been frozen that would allow the City to go after towns that welfare recipients have come from for reimbursement of expenses and to go after responsible relatives for help. This is not fair to the citizens of Claremont. He doesn't want to deprive the poor. State law says we have to pay the costs to help the poor. He asked the reps to unfreeze those RSAs so the Welfare Director can go after the money. He also asked for help as it appears there is price fixing of gasoline in the City of Claremont.

Rep. Charlene Lovett said she initiated a conversation with Welfare Director Suzanne Carr and Sen. Odell and as a result, a Bill is being introduced to stop the freeze so the City can get the money back where possible. This almost missed the deadline so she asked citizens to talk to her directly to meet future deadlines.

Mr. Bergeron asked for help to be able to plan the 2012 budget. Rep. Weyler said the state has a two year budget that is projected to stay the same.

Rep. Paul LaCasse said he told the City that the \$160,000 was not coming. Mr. Santagate, however, said his information came from the Governor.

Mr. Burnham asked about finding additional revenues. Rep. Bettencourt said he supports responsible expanded gaming if properly regulated. Roadblocks have traditionally been in the House, but it appears to be changing. The Governor said he would veto expanded gaming. Rep. Bettencourt made the disclosure that his statements were made as a Representative, not the Majority Leader.

Sen. Odell said that the state has been working with reduced revenues, a reduced budget and lower expectations for the last 3-4 years and they are doing okay. There is no substitute for a robust economy. Looking over the history of revenue in NH, it is not unusual to see after a recession very substantial growth.

David Putnam said this community cannot afford this seesaw with the revenues. It is hurting good people. The schools have to cut educational programs, layoff people and hurt the future of our children. He said to plan for the future so we don't experience the seesaw is through revenue; and the property tax as a revenue is out of date.

Rep. Weyler said this revenue stream is less variable than states that rely on income taxes and sales taxes. Our variation runs 4-5%. Those that rely on graduated income tax saw their revenue fall 19%. He said the state masked the decline with stimulus funds and that is unacceptable.

Mayor Cutts opened the floor for public input.

Bernie Folta, Ward 3, said that he tries to move things forward in a contemporary direction and one way is with the concept of smarter government (doing more, better, with less, for less). He talked about an initiative called e-court, the judiciary branch is hoping to have going by 2014, means doing things electronically. He would like to see a citizens' commission on the effectiveness of state government; he sees opportunities to eliminate duplication and waste. It should not include elected officials, i.e. no administrators or bureaucrats. He would like to see the same thing on the local level for the same purpose of a smarter government.

Marie Lozito, Ward 1, said she has to live within her budget and she hopes we all live within our means.

James Neilsen, Ward 1, said that he has heard people take the "No Tax Pledge," but if there are no taxes, where will you get revenue. He talked about relying on the property tax and the effect on senior citizens. He asked about income tax refunds and the room & meal tax. He suggested having a sales tax. People will modify their spending based on their income. If we had a broadbased tax, it would offer some relief off the property tax.

Dan Truesdell, Ward 2, said the property tax is an inadequate term, it is a real estate tax. He talked about donor and receiver terms. He talked about spending \$120,000 to educate a Claremont kid and if that kid moves away, what is the benefit to Claremont. It is a global world and to think about local control is arcane. He talked about adequate versus excellent education; 40% is paid by the state, but adequate costs more than 40%. He would like to see the state recognize its responsibility to educate all the kids. It is frustrating to see the requirements from the state that have to be met that are not being paid for. It behooves the state to educate all of us together.

Pat Kenney, lives in Charlestown, but works in Claremont, said budget cuts have consequences. It doesn't make sense to cut revenue.

Pat Lozito, Ward 1, said he comes from New York where they pay more taxes. More taxes will mean more spending. NH has an advantage because there is no sales or income tax. In reference to education, he asked what the parents' responsibilities are to contribute to their children's education. It is in the interest of the state to have educated people, but there should be value for the money spent.

Mary Walter, lives in Goshen and is the City of Claremont Finance Director, talked about unsustainable and thanked the Reps for admitting that the state has downshifted. She talked about the adequacy funding for schools and that the Claremont lawsuit deadline, where the state was forced to fund it, was in the last biennium, but it had not been fully funded before that. In reference to the 1% difference in Meals & Rooms not being downshifting she reminded that we should be getting 40% or \$55 million and we are currently at 26%. She said what we lost in Shared Revenues was much higher than targeted aid. She suggested the state has balanced its last four bienniums by using one-time revenues (i.e. Medicaid loophole, tobacco tax and stimulus money). She is glad they are trying to balance the budget, but not on our backs. When the state cuts health and human services programs, the people will come to the Welfare office in the City. When the state talks about bonding current projects, she sees us being affected more. She asked what else can be taken from us.

Mr. Santagate said NH has the second highest property tax in the country, second only to New Jersey, but we are the 47th least taxed (including income, sales and property taxes). He talked about property values leveling off and that will affect the TIFD (Tax Increment Finance Districts). He is puzzled about the state not looking for federal government earmarks. For every dollar we send to Washington, we get 71 cents back. Other states get \$1.23 back. It doesn't make sense. He suggested a follow-up talk with Senator Odell about some of Ms. Walter's concerns. An early heads-up would help; he would like to find a way to cut out surprises. Senator Odell agreed.

School Superintendent Middleton McGoodwin said he was not surprised by what was said. He is from Massachusetts. This reinforces the direction that the Claremont school board needs to go. Decisions for restructuring will be based on the needs of the children, not adults.

Rep. John Cloutier said he came to listen and that the local officials have a tougher job than the state officials because they are on the front lines. He will continue fighting for the citizens of Claremont.

CONSULTATION WITH LEGAL COUNSEL

None

ADJOURNMENT

At 9:28 p.m., a motion was made by Mr. Bergeron and seconded by Ms. Messier to adjourn.

Voice Vote: Motion carried 6-0.

Respectfully Submitted,

Dorée M. Russell
Clerk to the Council