

Council Meeting

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The Claremont City Council held a meeting on Tuesday, April 5, 2011, in the John Goodrich Room of the Sugar River Valley Regional Technical Center on 111 South Street.

The meeting was called to order by Mayor Cutts at 6:30 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 Thomas Burnham

Absent:

At-Large Councilor Adam Burke - excused
At-Large Councilor Christopher Lewis - excused
At-Large Councilor Kyle Messier - excused

Also present were:

Senator Bob Odell
Representative John Cloutier
Representative Raymond Gagnon
Representative Paul LaCasse
Representative Charlene Lovett
Representative Joe Osgood
Guy Santagate, City Manager

Mayor Cutts invited public comment.

Brian Rapp, Ward 2, said he is a School Board member, but was speaking on his own behalf. He was concerned with the state budget, and some Bills that will affect the schools, i.e. re-lowering the drop-out age, getting rid of compulsory education, removing the requirement for kindergarten. With these things, you can say goodbye to our highly-trained workforce. The Claremont Decision was voted to be reversed; it is a backward step. It will leave our schools at the whim of legislators. The Claremont Decision was to make sure schools were funded adequately. With this, we may not get the money we need and deserve. It will cost the people of Claremont a lot. In reference to HB 474, Right-to-Work, states with the lowest income are Right-to-Work states. The Labor Commissioner has met with over 2,000 business owners and not one has lobbied for Right-to-Work to pass. States with Right-to-Work have more worker injuries and worker deaths because the standards for safety are lower. Changes are being made that will affect the City, i.e. Revenue Sharing and retirement. The costs of these changes will be passed down to cities and towns. He doesn't believe there is as big a problem with the

retirement system as we are being led to believe. It is on a 30-year plan to be fixed. The proposed changes won't fix any budget issues. It is a 2% income tax on public employees who will make a mass exodus. In Claremont, there are 5-6 people (in the Fire Department) that are eligible to retire and they are all management. Other employees will leave for higher paying jobs as well. The department may be decimated. This is a cost shift from the state to the cities and towns. To pay for this will require cuts to services. He said he had previously asked Senator Odell where he stood on collective bargaining upon the expiration of a contract. Employees would then become at-will employees under HB2. HB580 has that same provision.

Mr. Bergeron said this was not a forum for unions to vent their frustrations. If Mr. Rapp wants to talk about things that affect the City, that is fine, but stay away from union stuff. This is a forum to discuss the budget and to try to forestall lay-offs. Mr. Rapp said the downshifting will affect the City's budget.

Bernie Folta, Ward 3, passed out an extract from New Hampshire Magazine, "The Ultimate Tax Haven"; he put a label on it, "perceptions" with information that Berlin has the highest taxes of \$31.70 and Claremont's tax rate is \$31.34. The second extract was from Picket Fence Preview which showed Claremont had the highest tax rate on the list. He presented these as a matter of perceptions. His phone number is 542-3233 if anyone wants a copy. He noted there were 11 people, 2 news reporters and 2 news photographers in the audience.

Mayor Cutts closed the public hearing.

NEW BUSINESS

Meeting to Discuss Issues Which Affect Both the City of Claremont and the State of New Hampshire

Rep. Osgood commented on CACR 12, Constitutional Amendment, which has passed the House and has moved to the Senate. He said they are not changing the Constitution. They are giving the public the opportunity to change the Constitution if they want to. His opinion is that the only people getting rich in this are the lawyers; you need to take the Court out of this; vote the person in that you want to control your school funding and let the legislature fund the schools. He said the Republican Party is committed to targeted aid which will be more beneficial to Claremont than prior systems. CACR 12 is only a piece of the pie.

Rep. Gagnon said the school amendment issue will be taken up by the voters in the next election. He disagrees with Rep. Osgood. That election cycle is the proper venue to bring it up. He talked about the overview of the budget that he handed out. The focus should be on how to craft a strategy to best help Claremont, because what is written is not going to help Claremont.

Mr. Santagate thanked the Council, Senator Odell and the State Representatives for coming to this meeting. Sometimes perceptions are not reality. In reference to the tax rate, you need to look at the bill, not just the tax rate and when you do, you see that Claremont is in the middle of the state. The tax bill consists of taxes for the municipality, schools and county. The taxpayer is

affected by all three entities. Tonight we are talking about the municipal piece. We want to talk about some of the effects and experiences we have had with some of the cuts made during the last biennium and proposed tax issues and cost shifting that could possibly happen. Some of these are projections, because Claremont is on a calendar year and we have already spent 1/3 of the budget (January to March). If we can mitigate some of the cost shifting down to the City, we may be able to live with that without reducing some of the services at the local level. We are trying to identify the intended and unintended consequences of what that budget could mean.

Mr. Santagate showed a PowerPoint presentation, State Budget Proposal for 2012-2013.

- Downshifting
 - We are here tonight to talk with our delegation regarding our concerns about the potential downshifting of expenses and the municipal tax losses that Claremont has and would experience by actions taken in Concord
- Revenue Sharing
 - Revenue Sharing was a pledge by the state to replace, in part, municipal tax losses that resulted when the state “reformed” its tax system. The total amount lost to Claremont is \$470,626 each year. This “suspension” enacted in 2009 now seems to be permanent.
 - Total through the proposed biennium will be \$1,882,504 of funding that Claremont was expecting to receive.
- Retirement Contributions
 - The City of Claremont does not have a separate retirement system. This is a state operated retirement system and their rules apply to all members.
 - Prior to 2009 the state paid 35% of retirement costs toward police and fire employees as part of a long standing agreement.
 - In 2010 the state reduced their payment to 30% and to 25% in 2011.
 - The proposed budget reduces the state’s payment to zero.
 - Cities & towns have had to make up that difference.
 - Actuarial increases since 2009 coupled with the state’s reduction in payments have increased the City’s payments by \$788,000 for fire and police pensions alone.
 - Going forward it’s a loss of a minimum of \$236,200 each year for just fire and police.
- Meals & Rooms Tax Freeze
 - The proposed budget calls for a freeze on the amount the state pays to Claremont as its share of the rooms and meals tax. Without the freeze, we would likely experience higher payments each year.
 - If that freeze continues, it’s a loss of \$50,000 per year (\$100,000 per biennium).
- Revenue Losses Per Year
 - Revenue Sharing \$470,626
 - Freeze on Meals & Rooms \$50,000
 - State Retirement Share Cuts \$236,200
 - Highway Block Grant \$56,250
 - Total \$813,076 (losses per year going forward)

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- Cumulative Losses Over the Past & Proposed State Budget
 - Revenue sharing \$1,882,504
 - Freeze on Meals & Rooms \$200,000
 - Retirement Increased Cost \$788,000 (employer based on actuarial increases since 2008 and state reductions)
 - Highway Block Grant (one biennium) \$112,500
 - Total \$2,983,004
 - We have not grown the government; we have 14 less FTE than 10 years ago
- What Positions were Vacant/Eliminated in 2009 When We Had \$540,000 to Make Up
 - Eliminated Positions
 - Highway Superintendent (1)
 - Boards & Commissions Coordinator (1)
 - GCC Secretary (1)
 - DPW Administrative Clerk (1)
 - Vacant Positions
 - Firefighter (1)
 - Police Officer (2)
 - Legal/Grant Coordinator (1) (since been eliminated)
 - Chief Assessor (1) (since eliminated one position in Assessing)
- His number one goal is to avoid layoffs
- Effect of State's Budget on Claremont
 - We will be halfway through our budget year when the full impact of the state's proposed cuts take effect on July 1, 2011
 - While we have instituted a freeze on positions that open up, we will have our own increased expenses to deal with, without considering downshifting
- In Summary
 - The City has done its share to deal with the difficult economy and implemented cost cutting measures where possible. Any further downshifting will affect our local property taxes and/or services.

The economy picking up could help by increasing revenues.

Sen. Odell said there is so much misunderstanding about what the plan is. There is a \$300 million gap between the Governor's revenues and the House's revenues. However, the Governor did propose that we zero out the state's contribution to local retirement, but the House put it back in. In addition, the state of NH's retirement system is \$4.7 billion underwater. If SB 3 does not pass, the retirement cost per firefighter will go up to 44% and for police it will be 36%. They have asked employees to contribute an additional 2% to retirement. They are changing the composition of the retirement system. They will level out the amount of the benefits so that the police cannot "bulk up" in the final few years before retirement. The 25% that the state subsidizes to communities will stay in place. He is hoping the House goes along with SB3.

Rep. Gagnon said the unions have been open to negotiating as part of this process. He asked if Sen. Odell could explain the process.

Sen. Odell said the budget is a two-year process that begins on July 1 and goes through June 30, 2013. The Governor asked all department heads for budgets that are 5% less than current costs. Sen. Odell gave the timeline of the budget (Governor, House, Senate, Conference Committee, both (House and Senate) vote and then to the Governor).

Mr. Bergeron asked if everybody in the retirement system would pay the 2% increase. Sen. Odell said yes and that there is no benefit changes for retirees.

Mr. Burnham talked about adding to the final years of compensation in order to increase the retirement benefit and asked if that would be eliminated. Sen. Odell said it is being reduced in terms of what can be added to the final payout. They have extended time for adding in extra paid details. Sen. Odell said the other area that drew unbelievable anger was the "double dipping" by some people (retire from a position one day and then start over again the next day).

Rep. Gagnon noted the average state employee pension is \$11,000 or \$12,000 per year. The average teacher is in the low 20s. Fire and police do not collect social security. Sen. Odell said those numbers are the average over the lifetime of the system. The average pension benefit for someone retiring today is \$44,000. Mr. Bergeron said police and fire do get social security if they work other jobs.

Ms. Walter asked if there would be any exemptions to paying the extra 2% into retirement. Sen. Odell said all categories are included. There was a discussion about what group may be exempted from the 2% increase. Rep. LaCasse said the Average Final Compensation (AFC) is currently the average of the member's three highest-paid years of membership service, but will be increased to five years. Rep. Osgood said in reference to an earlier comment from Mr. Rapp that the 2% increase was to balance the budget, which couldn't be further from the truth. The retirement system is a stand-alone item. Rep. Gagnon talked about retirees paying for health benefits and available funding. Rep. LaCasse believes the amount retirees pay will go from zero to \$65, however medical benefits may change.

Police Chief Alex Scott said in reference to double dipping that it is the exception and not the rule. Chief Scott said that eliminating double dipping as proposed by the House would eliminate all part-time sheriffs, sheriff, part-time security staff at the courts and would eliminate the ability to hire an experienced person. He believes this is directed at one or two individuals. Most of those people are working because they can't survive on the pension alone. Some counties would lose 75% of their employees if this passes.

Mayor Cutts asked for a clarification if the intent was to prevent any retiree from coming back on the payroll after retirement. Sen. Odell said SB3, Pension Reform, has an accommodation in it recognizing that issue.

Mr. Osgood said Revenue Sharing was pulled from the budget in the last biennium. Over the last four-year period, the state budget went up 24%. To cover the increase, the state pulled Revenue Sharing from cities and towns. The state borrowed \$25 million from the university

system; the university system borrowed \$25 million for capital improvements. The \$25 million given to the state was saved money to do the capital improvements. Over a two-year period, the state of NH borrowed \$90 million to send cities and towns their building aid; before that, the building aid was paid from the budget. It is bad business. \$80 million of stimulus money that should have been in this budget was used in the last budget. \$160 million was given to the state for education; the first \$80 million was spent and the second \$80 million was used for the current budget. They want to fund building aid with the budget. The Governor tried to take 60% of that away; they put it back. This budget doesn't downshift Revenue Sharing; it went away in the last budget. Revenue Sharing was not put in this budget. They need to get the budget in order before they can give money away.

Rep. Cloutier said cutting the cigarette tax by 10 cents was a big mistake. When the revenue estimates are not up to date, he thinks that is a problem. This tax structure is terrible. We need fundamental tax reform in this state. He is worried about the budget effect on the towns he represents. He talked about the social problems that the cuts will cause. He doesn't see how this budget will help us. He sees higher property taxes coming. We need to look at other taxes (i.e. sales, income or expanded gambling).

Mr. Raymond said he is a businessman and he doesn't think a sales or income tax is the right way to go. Other states are in the same boat. It is a spending problem. Mr. Osgood said it is also a revenue problem. He was a co-sponsor of the reduction in the cigarette tax. Businesses need to make money. Ways and Means watches border sales closely. We attract people to NH because there is no sales tax. Walmart is in Claremont because there is no sales tax. Cigarettes have gone up over \$1 in the last year. Cigarettes are legal to purchase in NH, so we need to take care of the border sales. The LLC tax drove 2,000 companies out of the state. The gambling tax will chase border sales out of the state. Business profits tax and business enterprise tax generates more money (percentage wise) for NH than the VT sales tax and income tax does for VT. Rep. Gagnon said NH's system for raising revenues has been around for 150 years.

Mr. Koloski asked about the local effects and potential layoffs. Mr. Santagate said he didn't want to project a number. The annual loss of \$800,000, including benefits, etc., would equal about 16 people. There are other ways to cut. We have taken some steps to mitigate that, so we wouldn't be looking at that number. We never cut back to the staffing level of 2001, because the tax rate was artificially low. We laid off 21 people in Claremont at that time. Including other cuts, we would be looking at 7-8 layoffs. We are doing what we can to keep things stable and steady. The real problem is we don't know where we are at. It is getting late for Claremont because we will be half way through our budget year when the decision is made. We want to make sure we have all the facts. Mr. Austin asked if we don't do the layoffs, but instead passed the increase on to the taxpayers what would the number be. Mr. Santagate said he didn't think it was an option. The schools are going up \$1.40. The City will go up 3% (first increase in four years). There may be a blend of layoffs and some further increases. He would rather see where the budget is going first. Rep. Lovett said \$813,000 is not the number to work with. She believes it is more like \$576,876, so she asked what that number means. Mr. Santagate estimated it would be two people per \$100,000 or 12 people. We did not grow the government in the good times. He thanked the City Staff that didn't use the excuse of lost employees for not

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getting the job done. He is concerned about the effect of the numbers. The sooner we find out, the better. We have already taken steps to freeze positions. To remain a full service City and keep the tax rate at a reasonable level, is a balancing act. Mayor Cutts stated that if we do not downshift to the taxpayers, do not layoff employees and we cut services, that it is likely that people may move to where those services are available and the people that are left behind will assume that downshifted cost. Mr. Santagate said it was determined early on that it would be a sin not to grow Claremont, because of our quality of life and our infrastructure can support growth. The recession hurt us, but we can keep steady and not decimate the departments. Rep. LaCasse said whatever we got last year is what we will get this year, however the Revenue Sharing increase won't happen. Mr. Santagate said we did not get any Revenue Sharing which is \$320,000 a year. We budgeted \$160,000 for January to July 1st and we will get zero because it has been eliminated. We will get rooms and meals at the 2009 level.

Mr. Burnham asked about slot machines in reference to new revenue. Rep. Osgood said a study was done and the social issues would cost more than the revenue it would generate. Mr. Bergeron said we are spending ourselves into bankruptcy. Everybody needs to "take a hit" to get out of the recession. More revenue is not the answer, less spending is the answer. Mayor Cutts said she doesn't think it can be one or the other. Spending needs to be brought under control and revenue needs to be looked at as well. She talked about the cigarette tax, the effects of smoking and those effects on the budget. Rep. Osgood said that all state department heads were told to cut their budgets by 10%. Health and Human Services was cut about \$350 million.

Rep. Gagnon had handed out a document entitled "Budget Reduction Lowlights for FY 2012/2013." Rep. Lovett asked where the figures came from. Rep. Gagnon said they were from the Democratic Representatives in those divisions. Rep. Lovett questioned what the Republican Representative numbers would be. She agreed they all need to work together.

Rep. Osgood said in this budget they are looking to give the people some money back. He talked about the \$30 surcharge for registrations and that in this budget they are looking to give the people some money back.

Bernie Folta, Ward 3, said that \$1 on the tax rate is equal to \$780,000 in the budget. He estimated that would equal the salaries of 15 employees, although he thought that salary amount was low if you included benefits. He suggested there needs to be other ways to look at this to avoid duplication. He mentioned a citizen's committee on governmental efficiency that was used in Vermont in the 1970s. He said changes were made as a result of that work. He talked about a new concept of smarter government: doing more, better, with less, for less, through increased technology. He talked about there being 25% waste in government that could be taken and not harm the government provided you invest in efficiency or drop duplication.

Brian Rapp, Ward 2, said the House budget cuts DRA (Department of Revenue Administration) by 30%, staff was reduced by 43%, and staff that targets corporations and the rich was reduced by 50%. Every \$1 spent for an audit brings in \$15. If revenues are up, they said they would restore funds that were cut. An amendment passed in the Finance Committee stated they will not use funds to restore cuts. Increase in revenue would be used to provide tax and fee relief if

revenue exceeds their estimates. Rep. Osgood said he was not sure that it was in the Bill that they could not spend the money.

Sen. Odell said the House's position is that any monies that exceed the revenue estimate will be used for the rainy day fund. The Senate has a different opinion.

Tom Rock, Ward 2, said it seems one of the big budget problems is funding pensions. Every time the economy drops, we end up with a deficit in the pension funds, so the question is how to catch up. He thinks it is a good idea to change to a defined contribution. The union needs to be into it as much as taxpayers.

Sen. Odell said that for every \$1 in retirement benefit, 70% comes from investment gains. The state of NH underpaid from the employers side which helped create the underfunding. We had an assumed rate of return of 8.5% and everything over 11.5% went into a special account. That was for COLAs (cost of living allowance) and a particular health benefit.

Mr. Koloski talked about revenues and asked how cutting the arts or cultural resources will save money. That would result in a \$32 million loss in economic stimulus. Rep. Gagnon agreed with Mr. Koloski. Cultural tourism in NH is big. Mr. Koloski said he has personal experience in that area and he knows how much money the arts generated for the state. Rep. Osgood said he will contact a committee member and have him contact Mr. Koloski. He would rather see arts go away than health and human services. Mr. Koloski said he did not disagree with Rep. Osgood.

Rep. Cloutier said that NH is one of the most frugal of all the states. We need to all consider sacrificing. The lower income people are taking the brunt and he feels that the wealthy should take a bigger hit. NH is one of 10 wealthiest states in the nation. Mr. Bergeron agreed with Rep. Cloutier.

Jeff Thibodeau said he sent to 38 states 38 ways to cut the budget. He said to Rep. Cloutier that it is not up to the federal government to bail out the state. Out of the 38 states he has checked, NH is the furthest in the hole. You should treat all police, fire and City employees the same.

Peter Chase, Fire Chief, said that SB91 takes away from the City the ability to require residential fire sprinklers in any single and two-family dwelling. He asked the Reps to look into that. It is no benefit to anyone. One way to limit expansion of the fire department is to have better codes and safer buildings. Sen. Odell said he voted no on that as it is crazy for the state to tell towns and cities how to operate. Rep. Gagnon said it is going to the House now.

Mr. Bergeron said unfunded mandates from the state need to be looked at. Ms. Walter said that businesses get mad at the City because we have to enforce the rules that are sent down from the state.

Jeff Thibodeau made suggestions to read the Constitution and if it is not there, vote no; put people on salaries and don't pay overtime; he talked about medical care and Obama care.

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Rep. Cloutier said the auto surcharge is needed for the roads. There has been no increase in gas tax in nearly 20 years. Although it is not the best, he thought it was the right thing to do. He believes a gas tax would be much more fair to help pay for our roads. In this budget, they have agreed to eliminate the surcharge. He regrets widening I-93, but it is a priority. He is open to other ideas for roads. Tolls are the only thing he can think of. He thanked Council for inviting him.

Council thanked the Reps for the information; it was very informative. Mr. Bergeron said Council needs to be careful with decisions; wait to find out the budget and stop scaring the people. Mr. Koloski asked if there was an estimate of how much rooms and meals from this community is paid to the state.

Rep. Lovett said the budget is only halfway through the process. She encouraged people with questions or concerns to contact the Reps. and Senator.

Sen. Odell said March and April are good revenue months and they hope to be able to give good revenue estimates. With adequate revenue, they may be able to reduce cuts. In the House budget, the Unity exemption from the school building moratorium is still in the budget.

Rep. Gagnon and LaCasse thanked the Council for the invitation.

Rep. Osgood thanked Council for the invitation. He is on the Ways and Means Committee. They made the decision to vote for less. The economy is driven on the price of gasoline. They look at disposable income and how the state can get it. One way is with the rooms and meals tax. Gas is 60 cents a gallon more today than in January. Rooms and meals tax is down 10% for this month. The price of gas can kill this country.

Mr. Santagate said this meeting was helpful and thanked everyone for coming.

Mayor Cutts agreed. Thanks.

ADJOURNMENT

At 9:17 p.m., a motion was made by Mr. Bergeron and seconded by Mr. Raymond to adjourn.

Voice Vote: Motion carried 6-0.

Respectfully Submitted,

Dorée M. Russell
Clerk to the Council