

<p style="text-align:center"><b>TOWN COUNCIL BUDGET/WORKSHOP MEETING</b> <b>November 28, 2011</b></p>
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The Town Council meeting was held in the Moose Hill Council Chambers, Town Hall, 268B Mammoth Road, Londonderry.

**PRESENT: Town Council: Chairman Sean O’Keefe; Vice Chairperson, Joe Green; Councilors: Tom Dolan, John Farrell, Tom Freda; Town Manager Dave Caron; Assistant Town Manager – Finance & Administration, Sue Hickey; Executive Assistant, Margo Lapietro.**

**Budget Committee Members: Chairman Todd Joncas; Vice Chair Richard Dillon; Secretary Lisa Whittemore; John Curran, Dan Lekas, Chris Melcher and Tom Dalton.**

**CALL TO ORDER – PUBLIC SESSION**

**Chairman O’Keefe opened the meeting at 7:00 PM with the Pledge of Allegiance. This was followed by a moment of silence for the men and women fighting for our country.**

Chief William Hart of the Londonderry Police Department (LPD) recognized the retirement of Telecommunications Supervisor Cindy McCann. He informed Council she had 28 years of service, 24 of those as the Telecommunications Supervisor. Department of Safety Colonel Quinn sent her a congratulatory letter.

The new Telecommunications Supervisor is Bobby Jones who has over 20 yrs of service; his wife Barbara is the longest serving dispatcher in the state and works for LPD.

Sgt. Glenn April has been with the department for more than 20 yrs, and was recently appointed to the position of Sergeant.

Chief Hart said the three individuals introduced tonight have all had over 20 years of service to the town.

**BUDGET WORKSHOP – Budget Presentation** - Town Manager Dave Caron said at the last meeting there were a number of items that either the Council or Budget members requested additional information, which is summarized in a memo which was distributed to the Council and Budget Committee. The default budget department totals predominantly stayed with their respective departments; any amounts not needed by those departments were re-allocated in two areas: Gasoline expenses in General Government for an increase of \$72,400; and Police Department overtime for an increase of \$24,244. By using a FY13 default budget the budget will be reduced from the Town Manager’s recommend amount by \$592,865.00. The second part of that directive was to look at incorporating some road reconstruction funding into the operating budget as part of a transition from bonding road reconstruction to placing funds in the operating budget. He used a benchmark of \$200K; originally the request was \$250K which would have used \$48K of the undesignated fund balance; under the default budget credits are not given for increased revenues, only the expense side is under consideration.

Also included in the memo is a description of the types of expenses paid for through the management services line items. It should be noted that the operating budget does not contain a contingency account for any kind of management reserve. The memo listed 50 different examples of line items for those expenses.

The third section of the memo addresses the transition from road reconstruction funding from bonding to the operating budget. Examples were given to maintain Road reconstruction activities at the \$1M or 800K every year from tax support on roads, with the goal of maintaining a level tax rate impact for that source. If the town decides to transition this year and selected the \$1M level it would be about a 9 cent increase this year at an \$800K level then the tax rate would increase about 6 cents.

If the town continues to issue bonds for an additional 5 years the funds available for roads would be in the form of bonds until 2017, then funding roads at the highest debt impact would be 37 cents in 2018. In 2019 the Town would have an additional \$157,900.00 available for roads, progresses to 2027 when approximately \$1.2M would be raised annually.

The Town will experience a period whereby a dramatically lower amount of funds would be available to reflect the transition from bond payment proceeds to property tax support for road reconstruction activities.

The last page of the memo lists the percentage increase requested by Department for FY13.

Councilor Freda said if the voters change where the allocation of the Land Use Tax (LUC) tax went and put it all in the General Fund it won't have any effect on the two choices because it is a revenue item, Town Manager Caron responded that was correct, it will decrease the tax rate but will not impact the expense side. Councilor Freda questioned with the re-allocation at \$26,398,867.00 does it include \$200K going to PW. Town Manager Caron said that it does not. On page 2 of the memo he identified a couple of different departments that would have to reduce the operating expenses below what we are looking at for FY12. The largest impact is the elimination of 2-3 staff positions. Councilor Freda said if everything is done as listed in the memo, there will be little or no difference between the default and the town budget.

Councilor Green had 43 line items listed in his memo that showed increases; the Council and Town Manager discussed a number of the items, their funding sources and impact upon the tax rate

Budget Chair Todd Joncas asked if we continued bonding the road reconstruction bond what the debt impact will be on roads. Town Manager Caron said if the Town continues to fund through bonding there is about a 3-4 cent impact every year when you add a \$1M bond to debt service. That is only reduced by a fraction annually due to lower interest costs on a declining principal balance. T. Joncas asked if the town can survive and how much damage can happen to the roads during this gap in time. He said he wants to wean ourselves off of the bonds but does not want to jeopardize the roads. Town Manager Caron said staff can complete additional cost benefit analysis but it's a value judgment by the taxpayers. Before the Town began the bonding cycle the Town raised about \$500K per year in the operating budget. Councilor Freda said if we stopped today wouldn't it be a 5 year gap to where more of our money is going to road repairs. Town Manager Caron said at the \$1M level the Town would be back to current levels by 2019,

at the \$800K level the year would be about 2020. Budget Chair T. Joncas said he wants to minimize the tax impact and be sure we can get over the hump but not wait too long. Councilor Farrell said J. Czyzowski showed a slide of what a 30 year cycle on roads is and what it would cost us if we waited each year. Historically we didn't do anything with the roads. Public Works showed a slide in great detail of what can happen to the roads if they are not kept up. If he gets the money in the operating budget then that is fine but if he gets no money he would rather have the opportunity to convince the taxpayers that he would save them \$30-\$40M over a 20 year period if he maintains the roads over that period of time versus ignoring the roads over 7-9 years and not have the opportunity to pave over the roads but have to reconstruct every road. That is the same argument he has made the last 5 years. Councilor Freda is telling the voters this is what you are going to pay if you keep going down this path. The bond costs have been paid each year with \$26,000 in bonding costs. Councilor Freda stated that if the PW Director had \$1M allocated for road repair and out of that road repair budget it would include his debt service, then you would see it go down. After 5 years he would get more money towards road repairs, he would get \$150K a year after five years. J. Czyzowski said the assumption of \$1M is a sufficient amount of money to maintain the roads is a bad assumption. He said he really needs \$2M to shim and overlay all the roads on a 12 year cycle. Councilor Green asked how we transition away from the bonds. J. Czyzowski said he needs \$1M for a 12 year cycle just to shim and overlay; just to maintain the roads. Councilor Freda asked him if we said you can have a \$1M bond each year and you take out the interest would you take it and how many years do we go out until we stop the bonds. J. Czyzowski said other towns take out a bond for 20-30 years they don't go year to year. Councilor Freda suggested funding repairs out of the operating budget and not paying interest on a bond. J. Czyzowski said they used to take the funds for roads out of the operating budget but it was taken out of the budget which was why he had to go to bonds. Councilor Dolan said they used to fund road maintenance out of the operating budget for \$2M. They used to draw out of that line item when they needed money. There was a structural change in the 03-04 budgets that reduced the tax obligation and got \$1M in road repairs. Chairman O'Keefe said it is tempting to take that money and move it somewhere else. Budget Member Tom Dalton stated that 10% of the budget is just going to debt service. Town Manager Caron stated that our debt service has been consistent over the last 4-5 years. Councilor Farrell said the bond question has to be answered. Town Manager Caron said he would need a decision tonight or on Thursday if we need a bond hearing. He said he would schedule it for 12/28 to decide if the Town wished to place a bond before the voters. Councilor Farrell said he would rather go to the voters with a \$1M bond. Budget member Chris Melcher asked how much of a percent was needed for it to pass. Town Manager Caron responded it needed 60% for passage. Councilors Dolan and Green said to put the language on the ballot. Councilor Freda questioned if we could fund a separate road maintenance trust fund – the Town Manager responded he will confirm. Chairman O'Keefe said to let J. Czyzowski go forward with the \$1M bond and start the process of setting up a fund. Councilor Green said whatever is put in the trust is used for roads only.

Mike Brown, 5 Carousel Court identified himself as a 21 year resident and former member of the Budget and Town Council. He said he is here to influence the outcome. He listed his views and preferences:

Last year was a defining moment in a positive year – the budget was dramatically lower than in prior years. This led to no increase in the tax bill. The consensus last year was reached to deliver a flat tax rate for FY12. That goal was accomplished and passed at the town meeting.

He said the same circumstances exist tonight; the proposed budget is well above the default. He said he would like a flat tax rate for the same reasons done last year. He said the proposed school budget is about \$400K below default; we should work towards that and hopefully below that. Councilor Green asked if the Town Manager could give the reasons for things going up, possibly list them. He responded he can provide a written analysis of what it will take to get to a flat tax rate but he warned the police, fire and highway will be impacted in a major way. Budget member Dan Lekas said everyone is going to vote for the lower number, it is possible that everything will be lessened. He stated he is not sure how much he is willing to give up paying less. Councilor Freda said in the past we have not adequately funded accounts. The Town Manager responded it has been consistent year to year, if we go flat there will be lay offs. Councilor Dolan said ever since 2007 we have been in an emergency status, he said he has not been a fan of the trend to take from the maintenance fund to fund other line items. Now we need to fund them to get caught up. We can't be in a perpetual emergency fund, we need to plan ahead. This is going to require a spike on the tax money; he is not in favor of taking the money from other funds.

Councilor Farrell said the default is 2.3%, it is the single largest increase in 5-6 years. We have two choices: come in with a default budget, or come in with a budget that is realistic to run the town and tell the people that these are the services you are going to give up. Town Manager Caron said we are looking to reduce the expenditure side by about \$600 - \$650K which is about 8 people. Councilor Farrell said we are then putting a warrant out to hire 4 firefighters which will make us look silly. We are at a crossroad, if the people want to spend more money that is their decision; we have created a form of government that lets them do that. Councilor Dolan said the deliberative session will be lots of adds and minuses to the budget. Our ability to predict to what is on the ballot is hard to do at this point. Councilor Freda said we should tell the taxpayer something will have to go away and let them know what will happen when that goes. Town Manager Caron said he needs a preliminary number by the first public hearing by this Thursday the latest and he will also need to know bonding by next Thursday. Councilor Dolan said we should give the Town Manager a number on Thursday but it is a preliminary number, he said he would like to hear more from the public. It is a starting point; it is by no means the figure that will be presented at the deliberative session. Chairman O'Keefe said he understands the Town Manager is going to look at a flat budget, the Town Manager responded yes. Reed Clark, Stonehenge said it is the police, fire and highways that are needed. How much can we take out and run the town you should think about what happens in the future. Manage the town for the future, slow down. Budget Chairman T. Joncas expressed concern with the Budget Committee coming up with a recommendation by Thursday. Councilor Dolan told him not to feel compelled with a recommendation on Thursday. He explained we just need their recommendation prior to the printing of the Warrant, so you have time. Town Manager Caron said the Warrant will be signed by the Council on 1/16/12, so any time before now and that point we need to post the Deliberative Session; it will be posted on 1/17/12. Discussion ensued about meetings and deadline dates. Town Manager Caron said we can adjust items after the second hearing, you can't add new items because it violates the DRA's adequate notice requirement. Budget member T. Dalton asked about the increases in the budget that were due to contractual obligations. Town Manager Caron responded it is essentially the FY12 default budget, which is personnel and operational contracts such as solid waste collection. He said his budget includes about \$592K in items that are not contractually mandated but with discussion with department managers believe that is the level the Town ought to be funding to provide the current level of services which may have been reduced over the last 2-3 budget cycles.

Budget Chairman T. Joncas asked if we came to a conclusion about funding for the roads. Town Manager Caron said he will discuss with J. Czyzowski, some of that will be a value judgment. Councilor Dolan asked if the flat budget will be laid out by Thursday. Town Manager Caron said it will be laid out but not in entirely with specific terms. He said he will give a sense of the money we will have to reduce from the current budget and staffing levels, it will be just a general impact. Councilor Dolan said for the Thursday meeting we will essentially have 3 numbers to look at: the recommended budget, the default budget and a flat tax budget. Budget member L. Whittemore clarified that we will have a legal opinion on contingent warrant articles in case of a failure of a bond by Thursday. Town Manager Caron responded we will have legal opinion from our attorney. She said when she was on the school board they used contingent articles all the time; she is curious why they are now considered “suspect”. Town Manager Caron responded that the Town has received conflicting guidance on this matter, as it is not defined by state law but interpreted by state agencies. L. Whittemore said if there are not allowing contingent articles they are taking away some latitude by the voters. Contingent articles allow the voters to make a decision on whether or not to fund the bond.

**Councilor Farrell made a motion to adjourn at 9:30PM, second, Councilor Dolan. Council’s vote was 5-0-0.**

<b>Notes and Tapes by:</b>	<b><u>Margo Lapietro</u></b>	<b>Date: <u>11/28/11</u></b>
<b>Minutes Typed by:</b>	<b><u>Margo Lapietro</u></b>	<b>Date: <u>12/07/11</u></b>
<b>Approved;</b>	<b><u>Town Council</u></b>	<b>Date: <u>12/19/11</u></b>