

<p style="text-align:center">TOWN COUNCIL BUDGET/WORKSHOP MEETING December 01, 2011</p>

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.

BUDGET WORKSHOP – Budget Presentation - Town Manager Dave Caron reviewed a memo dated 11/30/11 regarding items requested at the 11/28/11 budget workshop.

Adjustments Necessary to Implement a Flat Tax Rate Budget for FY13 - This item included a lengthy analysis and anticipated that a flat tax rate budget would result in at least 4 layoffs from police, fire, highway, and library departments.

Composition of Department Expense and Machinery and Equipment Line Items – This was a listing of department expenses.

Transferring Sewer Debt to Sewer Fund – Preference in the past has been to include all debt service in one location for comparison purposes but it could be budgeted in the sewer fund. There would be a corresponding reduction dollar-for-dollar in the estimated revenue transfer from the sewer resulting in no net impact on the tax rate.

Feasibility of Establishing Capital Reserve Fund for Road Maintenance – RSA 35:1 II allows the establishment of a fund for the construction/re-construction acquisition of a type of capital improvement, therefore it is permissible.

Contingent Warrant Articles – S. Hickey has done some work with the DRA. A few years ago DRA looked at a contingent warrant to be reactive to the state budget crisis and at that time DRA did not allow a contingent warrant article. Since then DRA have notified us they will allow contingent warrant articles, with very specific language.

Converting Certain Town Vehicles to Hybrid – Staff is still working on this. It was cost ineffective a few years ago. Town Manager Caron said he will have that information for the next meeting.

Impact of Roads During Transitional Funding Period – Staff reviewed funds bonded but have not expended against the IRS arbitrage regulations. The IRS stipulates the expenditure of 10% of the proceeds within 6 months at issuance; 45% at 12 months; 75% within 18 months and 100% within 24 months. It appears that we could delay spending some proceeds in the amount of \$900K in FY13 which would not be a critical difference because a lot of the money which is available now will be spent at the end of FY12 or the beginning of FY13. About \$250K could also be deferred to FY14.

Alternate Budget Scenarios – With the FY13 Default Budget as an anchor, budget adds and deletes from default higher and lower in the amount of \$200K is presented. In the analysis provided in the memo there are no funds for additional overtime and additional staffing in the fire department.

Identification of Budget Categories Which are Either Contractual or Habitually Underfunded - Regular salaries and part-time salaries the amount those figures increased/decreased for existing staff is controlled by Collective Bargaining Agreements (CBA's), the number of employees working for the Town is not. 6 out of 175 – 180 town employees are not in a collective bargaining unit.

Councilor Green asked if the impact of roads during transitional funding periods could the \$900K be spread into the FY14 budget – Town Manager Caron responded Town cannot due to the requirement by the IRS to spend a certain amount of money by certain dates after the issuance of the bonds. Councilor Farrell said the Town Manager's budget is about \$600K over default. The last 5 years we have been running at less than 1% increase while the rest of the world has been running at a 30% increase in operating costs. If we kept up with economic costs we would be looking at something less. Can we move forward and make up for the past where we have been moving money around to establish a low tax rate. Town Manager Caron said the \$200K will allow us to fund some of those items that have been neglected in the past; it does not include Fire Department (FD) overtime. It depends on how the Council decides to manage this issue, which may require that the allocation be re-prioritized or remain as a separate warrant article. Councilor Farrell said had we been operating under the old form of government we would have looked at things differently. The default is 2.37% over last year. Councilor Farrell asked the Councilors if we can sell a budget that is 3% over the default budget and be a little more realistic with what it costs to run the town, and help the taxpayers understand at the polls that we have to make things right this year. Councilor Freda asked how much is being spent in overtime for the Londonderry Police Department (LPD) for FY12. LPD Capt. Jerry Dussault said they are currently on track to spend 10K less than last year. Councilor Freda said between there was about a \$180K spread in the FY11 actual and budgeted. In FY12 we again budgeted \$330K and we are actually on track for that again, we under budgeted by about \$170K. In reality part of the spread of \$500K in the default isn't that what is in the FY 13, you are under budgeting various accounts. If they had been budgeted correctly in the past years the gap would be less. Councilor Dolan asked what catch up amounts are there in the Capital Reserve fund this year. Town Manager Caron responded the auditors closed out a South Londonderry Sewer Extension project which was raised by the taxpayers in the 90's. We've recommended taking those monies and putting them in the Capital Reserve Fund. We have completed a 10 year analysis and looking at our current level of equipment replacement the Town needs an additional \$400K - \$500K by year ten. Councilor Dolan asked how much more are we putting into Capital Reserve

this year than we did in FY12. Town Manager Caron responded the Town appropriated \$360K this year last year it was \$325, an increase of \$35K. We hope from this year forward to build on the \$360K and try to increase that by \$50K every year. We have \$105K in the fund balance and \$255K raised by taxation which is an increase of \$35K from last fiscal year.

Councilor Dolan said if we take \$300K-\$400K out of the recommended budget to get down to a default plus \$200K he is looking for ways to do that. Councilor Dolan asked if we could reduce the overlay and if we did does that carry over from year to year. Town Manager Caron said it depends on what the Assessor has for abatement requests – we may carry some funds for a number of years, we might return it to the fund balance at the end of the year if there are not going to be any significant abatements. Councilor Dolan asked if the police overtime number is from all sources of overtime – the Town Manager responded that does not include details or airport – they are both self-funded. Councilor Farrell said we have 10 years to save money for a new ladder truck which will probably cost \$2M.

Councilor Freda referred to the FY13 re-allocation default budget it listed one of the cut items was police overtime by \$105K and public work's cleaning & maintenance cut by \$105K. Councilor Farrell asked LPD Capt Hart what happens if his overtime gets cut. Chief Hart responded things don't get done – specifically staffing would be cut. There would be less outside training, less police at Old Home Days, minimum community service. Councilor Farrell asked if we continue this practice are we not using the best judgment for safety for our employees. Chief Hart responded it is the most minimum of standards. Councilor Farrell clarified that we are paying time and a half for overtime; if we hired more staff does it cost more to hire a new officer. Town Manager Caron responded in certain cases it costs more to hire a new employee, and the Town loses scheduling flexibility. It is more efficient for us to allocate more money for overtime and assign existing people where we need them as opposed to hiring additional people. Councilor Dolan said if we work toward a default plus budget he has concerns. If we reach some consensus to hire additional safety personnel then deliver a budget that requires lay-offs in the fire department that poses a budget dilemma. What are the consequences of head count if we went the \$200K above default? Town Manager Caron responded there would be no impact to personnel, not including the question of hiring fire fighters. If the Council adopted a flat tax which is \$200K below default we would lose 4 staffing positions. Councilor Freda said in addition the police overtime would be underfunded – the Town Manager responded that was correct. Councilor Dolan said we are not determining the budget because state law determines the default budget through the Department of Revenue Administration (DRA) and we make a recommendation to the community what we believe it is going to take to run the town. The taxpayers at the deliberative can change it and at the ballot box it can be changed. Chairman O'Keefe said we have held the line for the last 2 years to keep as flat a rate we could do and some things have suffered. It was done to try helping to stabilize prices in the down economy. We have underfunded some things as a result of this. We have a citizen's petition for the Land Use Change Tax (LUC); he strongly believes it should go back to the General Fund. We should look at how much money is needed in that fund right now. He explained that the Cable Fund money is the right of way fee collected on behalf of the town from Comcast. It is not a special fund for the cable only. He went on to say that Londonderry has one of the best cable studios in the state. That money is another source of revenue for the town. Councilor Farrell said we can't do anything with the LUC because it is a petition. Chairman O'Keefe said the LUC petition does not go far enough. Councilor Farrell said we can't use it in this budget. Town Manager Caron said you can designate where our share of the LUC tax goes

to a specific fund or complete a two step process whereby whatever you collect in one fiscal year goes into the fund balance and is re-appropriated the next year. Councilor Farrell said we could not use it in this budget. He also said we could recommend a new resolution to take more money from cable. Town Manager Caron said right now we have a resolution that is effective until 6/30/12 it can be changed effective immediately going forward. Under the default budget it is not considered revenue. Budget member L. Whittemore said her understanding of the current status of these funds is that the voters have designated the use of these monies. She has a concern that this Council is overriding the will of the people as currently stated. Does Council have the right to override the will of the people? Chairman O'Keefe responded we are not overriding the will of the people. We are asking if this Council wants to bring forward an article before the people and let the people decide. L. Whittemore said there has been a history that taxpayers are designating those funds for a specific person. The issue should be brought before the taxpayers. Budget member Rich Dillon said he went to a school board meeting and it was brought up that their library media is funding operating supplies for parts of the cable. Basically we are paying taxes to the school department who is paying the cable department for operating supplies for LEO-21 We are collecting franchise fees and it is going to a general fund. We are paying double; tax wise as well as paying for a franchise fees if we use cable. Councilor Farrell said R. Dillon is correct the discussion was why expend more money. Chairman O'Keefe asked where that charge came from. Councilor Farrell said the school buys things to support the needs they they have in the station versus getting the money from the cable department. The Town Manager explained the cable fund pays for the operation of the cable studio. If there is any surplus equipment the school district is asked if they need it and annually the Council has passed a resolution to transfer \$7,500 from the cable funds to the school district for their AV needs for the station. He said he does not remember being asked for additional funding from the school district. Budget Chairman T. Joncas said he brought it up at the meeting and the reason they got concerned the way it was presented was it had a \$21K line item of which a sub-amount was used for supplies directly related to the cable center. We are paying for it with fees on the Comcast side and as a minor fee on the school side. Councilor Green said there are 5 stations altogether. LEO-21 is self-funded, it is 100% the schools channel, it has nothing to do with cable access other than it is run out of there. Any supplies needed are an expense from the school. Councilor Dolan asked S. Hickey what is the tax impact on warrant article #4 which is the proposed operating budget \$26,698,867. Town Manager Caron said the District maintains a radio station that is separate from the cable station but he will look into it. Councilor Green said he looks at the franchise fee as a separate bill from the town tax. The tax from cable should be used for cable. He wants services the way they are and he wants safety. Chairman O'Keefe said the fee is paying for the right-of-way (ROW) for the lines. Town Manager Caron explained it is a fee for the ROW; for the last 3 years we presented a budget that had some support for the general fund from the franchise fee. It is a policy decision there is absolutely no legal requirements for any federal overviews, state or local that requires that money to go into cable funds. D. Grover has negotiated an equipment fee that has to be expended for cable equipment. The rest of the fees can go into the general fund. Budget member R. Dillon asked how long is the contract for, Town Manager said it is a 7 or 8 year contract. Chairman O'Keefe asked how many communities have a studio of our caliber and what do they do with their monies. Town Manager Caron said the larger communities have their own, the smaller ones share. Allocation of franchise fees to support a studio ranges from 100% of fees to 0%; it is a local policy decision. Budget member L. Whittemore asked if those communities that don't use the franchise fees to underwrite their cable studios what form of funding do they use to pay for that studio. The Town Manager responded he could research that but it was his understanding that those who do have a cable

studio funded the studio to a much smaller degree. Budget member Chris Melcher asked if the cable division has an undesignated fund balance for them, the Town Manager responded the balance is over a half a million dollars. C. Melcher asked where the money was coming from to put in the undesignated fund balance. The Town Manager responded if the franchise revenue fees are greater than the approved budget; any surplus remains in the fund. C. Melcher said whatever they don't need should go into the general fund. S. Hickey reported the tax rate on \$26,698,867 is \$4.63. The total annual tax impact on a \$300K home is \$1,400. Councilor Freda said it would be an increase of \$36.00 on a \$300K home. Paul DiMarco, 30 Holstein Ave. said cable is a source of income to the town. He asked the Councilors to keep in mind that taxpayers are level funded as well. Mike Brown, 4 Carousel Ct. talked about the good work done over the past several years with lean budgets. People voted down increases at Town Meeting. He suggested that services/programs should be reviewed every year. The goal is to reduce the budget to default and below default. It will have an impact in services and he is willing to adjust to that; people will adjust to lack of services. Martin Surgis, 17 Wimbledon Dr. said he supports the LUC tax being given to the town; we can slow down the Open Space. He said he doesn't know why there is an increase in overtime in both the police and fire. Why is overtime increasing in the fire department after requesting more employees. The town overall has done a good job with the money they have. He said the school takes 2/3 of our taxes and spends it on the school system. The town side has issues but all the money goes on the school side which hurts the town side. We are begging for dollars on the town side and he does not see that happening on the school side. He said personally he is level funded. He would like to see a discussion about 2/3 being funded to the school and 1/3 to town that is where the real problem is. Dan Bouchard, O'Connell Dr. said he does not agree cable should be used to offset the budget. He said the reason is that he pays Comcast a tax for the cable studio. The businesses in town don't have cable and don't pay the taxes. His taxes on the Comcast bill are going to offset their tax bill. He said he would rather see it go to the school side to help offset that. He further stated that everyone is going to vote for the lowest number budget. It is a bottom line budget. He said he doesn't want to see services reduced, just tighten the belt more. Reed Clark, Stonehenge Rd. said a lot of the elderly would like safety. Other people can't afford higher taxes. He said he sees both sides and it is up to Council to see which side is important. **Councilor Dolan made a motion to further reduce the budget from the Town Manager proposed budget of \$26,991,732 to \$26,698,867 which is a reduction of the Town Manager's request. Councilor Farrell seconded the motion for discussion.** Councilor Green asked how that figure was arrived at. Councilor Dolan said the default budget is \$26,398,867. He explained it splits the difference between the default budget and the Town Manager's recommended budget. It is about a \$600K difference. Councilor Dolan said he would prefer to stay at level funding and let the specific departmental cuts be made by staff. It would require the Town Manager and staff to cut an additional \$300K so we can come back and discuss what the impact would be. We could have that in discussion with the public. It is an additional 9 cents per thousand on a \$300K home. It is \$300K below the Town Manager and \$300K above the default budget. Councilor Farrell said people should come in and tell us what they want. We are educating ourselves and the public on this new form of government. A flat line will mean there will be lay-offs in police, fire and public works. Councilor Green said we would like to keep services where they are now. Councilor Freda asked how much are we taking out of the undesignated fund balance this year, Town Manager Caron responded \$783K, which fluctuates annually based upon capital needs and available funds. Chairman O'Keefe said we either come up with more money, or start cutting staff. Councilor Freda asked if the default proposal does not include additional funding for any road repairs. Town Manager Caron responded the default maintains the cleaning/maintenance of

\$395K and relies upon another bond for road repairs. Councilor Dolan said his motion equates to \$4.63 tax impact on the town operating budget which is an impact on a \$300K house of \$1,389.00. It is an increase of \$27.00 compared to the default budget of last year. Councilor Freda said we owe it to people to pay as we go and not dip into the town savings to pay for things. We should present a budget to that affect. He does not agree to achieving a flat tax rate by pulling money out of savings, but when you don't pay for current expenses with current revenues you are not doing a basic accounting function which is matching revenues with expenses. Our obligation is to present the true facts. Councilor Farrell said he agreed, deal with it now. Completely inform the public and let them make their choice. Councilor Dolan said it is a starting point for the public, it will get fine tuned. The Town Manager can determine where the cuts will be. **Council's vote on \$26,698,867.00 was 5-0-0.**

The Town Manager announced that the first public meeting on the budget will be 12/19/11, the bond hearing is 12/28 and 1/12 is the second public hearing which is 2 days after the deadline for receipt of petitioned warrant articles. Warrant articles are due 1/10/12. **Councilor Dolan made a motion to schedule a public hearing for bond articles on 12/28/11, second Councilor Freda. Council's vote was 5-0-0.**

Chairman O'Keefe said he wants to hear from the people that want the flat tax what services they are willing to give up. Dan Bouchard said the management staff has to do a better scheduling to eliminate overtime. Councilor Freda stated the Fire Chief said he would be \$10K under the actual expenditures not the budgeted expenditures which was \$170K over budget. Councilor Green explained the overtime was for vacation and sick time they have to be covered. D. Bouchard said we always found the extra money in the budget somewhere. He said the library cutting back hours is an option. He does not want to see police, fire and highway cut. Councilor Farrell asked the Town Manager for a trend analysis of overtime for the last 5 years. P. DiMarco said he agreed with D. Bouchard, certain services are important like public safety, road, some obligations are demanded by state law. He said asked what the trend of libraries into the future is. He said 20 years from now we might not have a large brick and mortar building with thousands of books it. Maybe some trend is coming up with libraries in the future. Councilor Farrell stated that a presentation from the library is scheduled on Monday about their digital plan going into the future. He said the school just shared a 35 page document on their plans for the digital future. He also said police, fire, public works and debt service makes up 71% of our budget for overtime for the last 5 years. M. Brown said the government should get out of the business of trying to do everything for everybody. He said he is willing to cut any service to keep taxes down. Chairman O'Keefe said we have to educate the public, this forces us to address the issues in a very public manner. R. Clark said he agreed with D. Bouchard to not cut police, fire and highway. The library of the future will be discussed and might be different than it is now. The library and cable are fair game. C. Melcher asked if they considered opening the library up to other towns to get revenues. Councilor Farrell said that would be a Library Trustee question. Rich Dillon asked if there were any anticipated spikes in retirement whereby we could put new hires on and reduce our liabilities. Town Manager Caron responded there would be a proportional reduction in salaries when the longer term employees retire and new hires are bought in. We are expecting another spike in rates in the FY14 retirement system. T. Joncas asked Capt. Hart if there are increases in criminal activity. Chief Hard responded there have been some changes over the last few years in burglary and violent crimes; day-to-day crimes have been static. He said they have had 27 burglaries this year, last year they had 10. T. Joncas said he wants to have a solid police, fire and highway and he wants to go to the library. What are

we willing to cut; he said he would not support a budget that makes cuts in the police, fire and highway. He supports the Town Manager's budget. D. Bouchard said years ago there was talk about the cable studio switching over to the school. He asked if there was any savings in doing that. Town Manager Caron responded with maintaining three positions the savings would be \$40K.

Town Manager Caron asked the Council if they wanted him to post just the operating budget or post the entire proposed warrant with all the articles for the public hearing. The consensus was to post all.

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

Notes and Tapes by: Margo Lapietro Date: 12/01/11

Minutes Typed by: Margo Lapietro Date: 12/12/11

Approved; Town Council Date: 12/19/11