



**TOWN OF NORTH HAMPTON, NEW HAMPSHIRE
SELECT BOARD**

MINUTES

REGULAR MEETING - WEDNESDAY SEPTEMBER 24, 2008 – 7PM

1. Call to Order & Call of the Roll

Chair Creighton called the public portion of the meeting to order at 7:20 PM

Members present: Chair Emily Creighton; Selectman Craig Salomon, Selectman Mike Coutu.

Staff Present: Administrative Assistant Janet Facella

2. Non Public Session - 6:15 Executive Conference Room 2nd Floor

2.1 RSA 91-A: 3 II

Selectman Salomon made motion to come out of non-public session, seconded by Selectman Coutu. Motion carries 3-0.

Selectman Salomon made motion to seal the minutes of the non-public meeting, seconded by Selectman Coutu. Motion carries 3-0.

3. Consent Calendar – None

4. New Business

4.1 Friends of Centennial Hall Request

Jerry Murphy presented the Select Board with a picture of the proposed carved wooden sign that the Friends of Centennial would like to erect at Centennial Hall. Mr. Murphy stated that he had spoken with Red Mabey and because the sign would be on town property, permission would have to be granted by the Select Board. Mr. Murphy also stated that Centennial Hall has a 99-year lease agreement with the Town on that property. Selectman Salomon stated that according to the sign ordinance, if the sign is conforming then Red can issue the permit, and they would not need to go before the Planning Board. Selectman Coutu asked if the sign would be illuminated, and Mr. Murphy responded in the affirmative. Mr. Murphy told the Select Board that Timberline Signs in North Hampton would be constructing the sign.

Selectman Coutu made motion to approve the installation of a sign on

North Hampton owned property to the front of Centennial Hall on property leased by the Town to Centennial Hall under a lease entered into in July of 2003 that the Town of North Hampton grant the permission to the Friends of Centennial Hall Inc. for that installation. Seconded by Chair Creighton. Vote 2-0-1. Selectman Salomon explained he would abstain due to the fact that he was a prior member of the Board at Centennial Hall.

4.2 Refinancing Citizens Bank Bond

Chair Creighton spoke about the importance of this next topic on the agenda, with all of the talk about 700 billion-dollar bailout discussions currently. Chair Creighton stated that Selectman Coutu has been extremely fundamental with his expertise in the finance area. As we move into the budget season we are all very aware of the economic strain on everyone and that we all will be affected. Chair Creighton explained that the Town Administrator, Steve Fournier, has put together a memo regarding refinancing of the \$750,000 bond. Selectman Coutu stated that the genesis of this issue rose because the 10-year bond should have been originally issued for 30 years. Selectman Coutu stated that since the Town purchased land, a 30-year financing would have been entirely appropriate. One of the benefits of refinancing this bond includes reducing the town's annual principal and interest payment and thus reducing the property tax impact.

Selectman Coutu also stated that since the Town has already begun paying back the 10-year bond, we could now only refinance the outstanding principal of \$611,391 for 27 years. Selectman Coutu explained that if we continue to keep the bond in a 10-year note with Citizens Bank, at 4.5% we would be paying \$186,024 in interest over the life of the bond of which \$49,335 has been paid to date. Selectman Coutu went on the state that including the outstanding principal of \$611,390.92 a total of \$748,080 remains to be paid on the Citizen's bond.

Selectman Coutu explained that if we were to refinance the bond this fall with the New Hampshire Municipal Bond Bank for a term of 30 years (actually the remaining 27 years) we would be looking at a slight increase in the interest rate at 4.7%. However, we would be reducing our principal greatly. The current principal amortization under the Citizen's bond is \$75,000 annually. Under the proposed refinancing this December, there would be no principal payment due until fiscal year 2010 which requires a principal payment of \$26,390.20, followed by the next 10 years at \$25,000 and the following 17 years at \$20,000. The impact on the annual property tax rate would be reduced. The Citizen's bond property tax impact, on a weighted average basis, is approximately 11.6 cents.

Selectman Coutu stated with the 30-year bond and again on a weighted average basis, the debt service impact on property taxes will be approximately 4 cents. Over the life of this bond, the town would be paying a total of \$991,607. If we include what has been paid to Citizen's to date to the total cost of the refinancing equates to \$1,188,391.

Selectman Coutu explained that there has been some discussion on whether to wait to refinance the Citizen's bond until the Spring of 2009 in order to consolidate temporary financing of North Hampton Forever conservation acquisitions and easements in a single long term bond issue in the interest of potential savings related to bond counsel and bond underwriting fees. Doing so would result in a savings of about \$9,000 of the \$19,500 cost of doing two bond issues.

However, Selectman Coutu stated that the NHMBB is estimating that the interest rate on the bond issued this spring will at an interest rate of 5.75%, more than a full percentage point higher than if the bond were refinanced this December. This higher interest rate would result in the payment of \$467,799 in interest expense versus \$380,216 under the December issuance, an \$87,583 which far outweighs the cost of doing two separate bond issues.

Selectman Salomon expressed his thanks for Selectman Coutu's comments and appreciates the work that Selectman Coutu has done. Selectman Salomon stated that the comparative of paying a higher debt service under the proposed refinanced bond versus a lower property tax rate. Selectman Salomon feels this needs to be discussed in the context of two other things. The first is the current economic climate. Selectman Salomon stated that it is uncertain, and given that and the fact that people seem to be struggling helps to decide. Selectman Salomon stated that he supports the argument of supporting the tax rate and going out longer. Selectman Salomon stated that the other piece of this is that the town recently paid professionals to do an assessment on fire and police facilities and sooner or later these issues have to be addressed. Selectman Salomon stated that the question now is how soon do we think those capital investments will realistically be on the drawing board. Selectman Salomon stated that we don't want to burden taxpayers with more and more capital projects, and if the economy continues to go the way it is today, it might not be supported. Chair Creighton agreed it is a big decision to make, when looking at the economy and other projects on the horizon, it certainly adds to the equation. Chair Creighton feels we should precede with refinancing the Citizen's bond which while it results in a larger debt service, also and perhaps more importantly provide some property tax relief to all taxpayers. Selectman Salomon stated that there is one other factor, which is that this analysis is based on the assumption that the current assessed valuation will remain constant. Selectman Salomon also noted that chances are we will be paying off bond in cheaper dollars the longer we go given current inflationary trends. Selectman Coutu gave those in attendance an example of a home in North Hampton that is assessed at \$300,000, with the current tax rate of \$16.82; the cost of the tax bill will be \$5,046. Selectman Coutu went on to explain that with the current Citizens bond that is included in our tax rate of approximately .1156 cents, it is costing approximately \$242.76 over the remaining 7-year life remaining under the current bond or about \$35 per year. He then explained that if the Town were to refinance for 27 yrs in December of this year, the taxpayers would save about 8 cents (11.56 cents weighted average under the Citizen's. vs. 03.96 cents weighted average under the proposed refinancing). The proposed refinancing would cost about \$12 per year a savings of about \$23 per year again when measured over the 7-year remaining life of the Citizen's bond. Selectman Coutu stated that the deadline for the application to the Municipal Bond

Bank is October 3.

Motion by Selectman Salomon to instruct the Town Administrator to proceed to make application at the Municipal Bond Bank to refinance on 27-year basis. Assuming the interest rate is as projected. Seconded by Chair Creighton. All in favor motion carries 3-0.

4.3 Town Collateralization

Chair Creighton stated that Selectman Coutu has put together a stellar report that is 27 pages long and is in line with what is going on in protecting our assets. Chair Creighton stated that this all started when NHPDIP sent a memo was sent to the Town Treasurer, Penny Holbert.

Selectman Coutu started his overview say that he will make relatively few statements, as this issue is extraordinarily complex. The relevant RSA 41:29 that relates to this issue is out of date. The level of problems that are being dealt with in the United States in the financial sector have never been this difficult since the Great Depression. Selectman Coutu stated he wants to be sure the town's assets are fully protected. Selectman Coutu explained that the NHPDIP is a public trust set up by the state to allow cities, towns and villages to put their public funds into a trust managed by investment professionals. Separate from the NHPDIP option, RSA 41:29 permits municipalities to deposit public funds in federally insured banks and requires such banks make available collateral to secure those deposits. Municipalities enjoy a benefit under RSA 41:29 that is not available to individuals. Selectman Coutu stated the benefit of collateralization is that public funds on deposit with federally insured banks excess of the FDIC insurance limit would be protected even if the bank failed. The FDIC was created as a government agency in 1933 to provide depositors insurance protection against failed federally insured banks. FDIC limits for municipalities doing business with an in-state bank are \$100,000 for time and savings deposits and another \$100,000 for demand deposits. (These limits do not aggregate.) Selectman Coutu stated that if the Town puts a million dollars in Bank x and it failed we would only have \$100,000 in FDIC insured protection but the remaining \$900,000 would be at risk and not likely repaid unless collateralized. The Town needs to assure that all of its public funds are fully protected. The research conducted in preparing the Collateralization Report found that the documentation which provides collateral rights to the Town to be incomplete. Consequently, if a bank with which the Town currently maintains deposits failed, the public funds would not be fully protected. There are legal issues one needs to achieve if the Town is to have a first priority lien with respect to collateral pledged to secure Town deposits. Additionally, even if the documentation relating to securing the collateral was done perfectly correct as a matter of law, the failure to also meet certain FDIC regulatory requirements could result in a valid, legal and enforceable collateral right being set aside. In the S& L debacle of the 1980's there were many lending transactions done which were not authorized or properly approved. This has resulted in FDIC requirements surrounding the proper authorization and approval of transactions banks enter into. Thus, to ensure that public funds are fully protected, the Town must assure that its right to collateral

satisfy the requirements for secured transactions and that proper authorization and approval of the depository institution meets the regulatory requirements of the FDIC. Only then can the Town be assured that its deposits are fully protected including in the situation where a bank with which it has placed public funds fails.

Selectman Coutu made a recommendation to form a Collateralization Commission to include Penny Holbert, the Town Treasurer, Steve Fournier and himself. Additionally, he recommended that the Commission retain legal counsel competent in the practice of secured transactions and securities. He also recommended that the Town only do business with in-state federally insured banks given the potentially higher level of FDIC insured limits. Selectman Coutu further recommended that the new investment policy, which will be presented to the Select Board shortly, establish minimum credit standards for acceptable depository banks using credit rating criteria provided by one or more national rating agencies.

Selectman Coutu's additionally recommended that the Town consider an alternative approach to using pledged securities as collateral. That approach would involve using a letter of credit issued by a bank of unquestioned credit quality. A letter of credit is very common banking practice, which has been around for hundreds of years. One of the local banks offers a letter of credit program to secure public funds on deposit in excess of the FDIC. The letter of credit is issued by the Federal Home Loan Bank of Pittsburgh, one of 12 banks, which form the Federal Home Loan Bank system, a government sponsored enterprise.

Chairman Creighton asked why the Town couldn't simply buy US government or US government agency securities directly rather than banks using such securities as collateral for public funds. Selectman Coutu explained that under the provisions of RSA 41:9, municipalities are not permitted to do business with broker-dealers, the Federal Reserve Bank or the US Treasury who act as agents with respect to the sale of such securities. RSA 41:29 requires municipalities to make deposits with federally insured banks or NHPDIP either of which can purchase US government or US government agency securities.

Selectman Coutu's also recommends that the Town restrict depository arrangements to those banks that use a third-party custodian. Custodial arrangement particular in cases involving industry wider respected custodians like Bank of New York act as our agent to assure the proper documentation and procedures to assure our collateral rights.

Selectman Coutu stated that while he recognizes that the Select Board does not exercise authority over the Town Treasurer, the Library Trustees, the Cemetery Trustees or other Trustees, the amount collectively deposited by the Treasurer and the various trustees is well in excess of \$3 million on an average balance basis. Selectman Coutu suggested that trustee Margaret Brown be brought onto the committee as well a representative of the Library Trustees in order to work together in correcting whatever issues necessary to assure public funds are fully protected.

With respect to other financial initiatives, Selectman Couth suggested that a cash flow model be developed, as well as drafting a more sophisticated investment policy,

which expects to submit to the Select Board, by the next board meeting. Selectman Salomon recommended that the Board consider establishing a higher collateral margin requirement beyond the 100% provided in RSA 41:29.

Motion by Selectman Salomon to accept collateralization report dated 9/24/08 as prepared by Selectmen Coutu. Chair Creighton seconded. Chair Creighton thanked Selectman Coutu as a resident of North Hampton and chair of the Select Board. Motion carries 3-0.

Motion by Selectman Salomon to appoint a committee to implement the recommendations of the Collateralization Report including correcting documentation concerns, margin requirements and that the committee be constituted to include Town Administrator Steve Fournier, Selectman Coutu and Penny Holbert. Seconded by Chair Creighton Motion carries 3-0.

Selectman Coutu asked the Chair to extend invitation to Margaret Brown and a member of the Library Trustees to participate on the Committee.

4.4 Pine Road culvert

Chair Creighton stated that the Director of Public Works, John Hubbard is proposing to replace the culvert on Pine Road and will be doing the job in house with a cost of \$10,968.70 The original cost was thought to be \$30,000 and those funds were encumbered. Mr. Hubbard reexamined the project and has decided to do in house. Selectman Coutu stated that this speaks well of John Hubbard and that he delivered the project for 1/3 of the price quoted.

Selectman Coutu made motion to accept the replacement of the culvert on Pine Road for a cost not to exceed \$11,000. Seconded by Selectman Salomon. Motion carries 3-0.

4.5 Trustee of the Trust Funds reimbursement requests

Selectman Coutu made motion to make transfers to the trust funds enumerated in the amounts enumerated by Chair Creighton. Seconded by Selectman Salomon. Motion carries 3-0.

Selectman Coutu stated there are different views and accounting on the Capital Reserve Cable Funds between Laurel Pohl's figures and that of the Trustee of the Trust Funds and the treasurer Penny Holbert. Selectman Coutu stated his concerns about the swing in the math and would like Bob Landman, Laurel Pohl, Tom McCormick and himself to sit down and try to make sense of the mess.

4.6 Contribution North Hampton Fireman's Association

Chair Creighton stated that the ambulance power cot that was approved by the voter's last year is \$721.90 more than the amount of the warrant article. The North Hampton Fireman's Association has donated \$721.90 to cover the rest of the cost.

Selectman Salomon made motion to accept the contribution from the North Hampton Fireman's Association in the amount of \$721.90 to be applied to the purchase of the power cot. Seconded by Selectman Coutu. Motion carries 3-0.

5. Items Laid on the Table

5.1 Select Board Rules and Procedures

5.2 Minutes of NHTV Committee Meetings

Laurel Pohl stated to the Select Board that she had been through three boxes and hasn't found the meeting minutes of the Cable Committee. Ms. Pohl stated that she still had about 10 cd's to look at. Ms. Pohl stated she did find one copy of the February 2008 minutes. Ms. Pohl stated that she would complete the request for the minutes by the weekend. Ms. Pohl spoke about the need for a recording secretary. Bob Landman stated that he would go through his records to see if he has any of the minutes.

5.3 Channel 22 Policies and Procedures

Laurel Pohl stated that she hasn't completed the draft of the policies and procedures, and she would like Selectman Salomon to review. Chair Creighton told Ms. Pohl that she needs to have the Cable Advisory Board look at the draft first, and then it should go to Selectman Salomon. Selectman Coutu asked whether Ms. Pohl began a draft to provide to Craig for review. Committee should approve first then to Craig (Emily) The Town is not a PEG and the Board needs to go back to community to tell them we are no longer a PEG we are an EGG. Ms. Pohl noted to the Select Board that she would highlight differences for PEG and EGG. Chair Creighton that the changes that have been made have been based on an EGG, and that later the committee can come back with the PEG part. Selectman Salomon stated that he thinks channel 22 doing a fantastic job

5.4 Fire and Police Radio Communication Issues

Chief Page briefed the Select Board of an earlier meeting that day of the Safety Committee. Chief Page stated to the Select Board that the Repeaters were paid by the Bureau of Emergency Management at a cost of \$14,000. Everything has been installed and most of the equipment is on the Rye water tower. Chief Page stated that there have been some problems with the computers causing feedback, and Motorola is currently working on this issue. Chief Page thanked Mr. Dennis Kokernak for his tremendous help in finding a carrier that has the best signal all over the town, although there are still a few issues on the east side. Chief Page stated that the interior/exterior antennas have worked all over town, however they are still experiencing many problems with radios. Chief Page stated that if this doesn't work, they might have to look at going to Hampton dispatch.

Chief Lambert expressed appreciation of the work performed by Chief Page. Chief

Lambert stated to the Select Board that there is an immediate need for dispatch system in the Fire Department as reported in the Fire Department analysis that was done by MRI. Chief Lambert stated that incident dispatch radios are uncovered for a period of time and needs to be addressed. Chair Creighton asked Chief Lambert what the Board needs to do to help remedy this. Chief Lambert stated that the study indicated having Hampton dispatch for North Hampton. Chief Lambert stated to the Board the Town of Hampton is open for discussion. Chief Lambert stated that an estimated cost for this would be \$35,000. Selectman Coutu asked if perhaps there could be a consolidation between police and fire issues with communications problems. Selectman Coutu asked the Chief to translate all of this into an action statement. Selectman Coutu asked if this is a manpower issue? Chief Lambert stated that currently central dispatch with police only do communications, and there is always someone there answering calls. Chair Creighton asked Chief Lambert if he would put together a summary of the things that need attention, and the options to look. Selectman Coutu asked that the Chief make his report in simple terms, and to list his concerns in "baby talk" so that the Board would understand exactly what is broken and what are the options. Chair Creighton asked that this item be placed on the items laid on the table.

6. Report of the Town Administrator

Tennis Courts: After speaking with Vermont Recreational regarding start time of the resurfacing of the tennis courts at Dearborn, they have suggested to begin the job first thing in the spring. For the resurfacing to be successful the temperatures need to be consistently in the 60's or 70's. The cold fall that we are experiencing, especially the cold temps at night, does not make for a good surface. They have scheduled us to be the first on the list for the spring and prior to June 30, 2009, which ends the fiscal year.

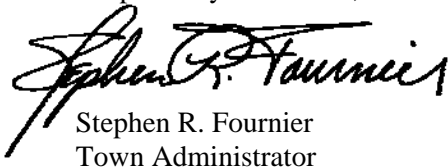
Mutual Aid Calls: Chair Creighton asked for a breakdown of the mutual aid calls that North Hampton Fire and Rescue provides to other departments. A breakdown is attached to this report.

Meeting with the Water Commissioners: I have tentatively scheduled the Select Board to meet with the Water Commissioners on October 15 to discuss the Water Rates proposed by Aquarion.

Out of Office:

September 20-24 ICMA Conference Richmond, VA.
October 8-13 Vacation

Respectfully Submitted,



Stephen R. Fournier
Town Administrator

Chair Creighton stated that she had asked for more information on the overtime costs for mutual aid calls for the Fire Department for years 2006-2008.

7. Minutes

7.1 Regular Meeting September 10, 2008

Chair Creighton stated that changes needed to be made, and would be added to the October 15, 2008 agenda.

8. Adjournment

Motion by Selectman Salomon to end the meeting. Seconded by Selectman Coutu. Motion carries 3-0.

Respectfully submitted,

Janet Facella