

HAMPTON BUDGET COMMITTEE
MINUTES
December 5, 2006

Budget Committee Members Present

Mary-Louise Woolsey, Chairman
Michael Plouffe, Vice-Chairman
William Lally, Selectman Representative
Gary Kubik, Precinct Representative
Rosemary Lamers, School Board Representative
Russ Bernstein
Rusty Bridle
Pat Collins
Maury Friedman
Dick Hansen
Eileen Latimer (7:15)
Jack Lessard
Richard Nichols
Michael Pierce
Norman Silberdick

Chairman Woolsey called the meeting to order at 7:00 p.m. She said that this was the final work session for the Operating Budget for the Town of Hampton for the year 2007.

The Pledge of Allegiance was said.

Chairman Woolsey introduced the members of the Committee.

Approval of Minutes – November 21, 2006

Moved by Mr. Lessard, seconded by Mr. Pierce, to approve the Minutes of November 21, 2006 as amended.

Vote: 12 yes, 0 no, 2 abstentions (Collins, Friedman). Motion passed.

Corrections to the Minutes are as follows:

Page 4, last paragraph – The date for the Precinct budget and public hearing should be February 20, 2007.

Chairman Woolsey welcomed department heads and Selectmen Moore and Russell. She thanked Mike Schwotzer for his draft report on the proposed figure for the default budget.

Chairman Woolsey said that last year was a shakedown year for this Committee to get the Committee back to its statutory responsibilities. This year there has been good participation and good ideas. She said it is the job of the Committee to make every effort to stabilize the tax rates. Chairman Woolsey said that even if the tax rate stabilization is successful, there are still big bills coming up in the future. The debt service is crushing and this must be worked down. She asked the voters to make every effort to attend the Deliberative Session to be held on February 2, 2007.

Chairman Woolsey passed out a proposed motion and asked if anyone would care to move the motion.

Moved by Mr. Hansen, seconded by Mr. Pierce, to recommend the following:

THAT NO PAY RAISES OTHER THAN STANDARD PROMOTION AND STEP INCREASES BE GRANTED TO NON-CBA PERSONNEL IN 2007, INCLUDING ANY INCREASE IN THE SELECTMEN'S STIPEND

Mr. Lessard and Mr. Kubik said they agree with this motion. Mr. Lally said he would not vote to recommend or not recommend this. He said he felt it might be penalizing someone who deserves a pay raise.

Mr. Friedman said he was against the motion. Mr. Nichols said he was in agreement with the motion. Mr. Collins said he agreed with Mr. Lally and did not like singling out employees who are not part of the collective bargaining agreements. Mr. Silberdick said he was in favor of the motion but would ask the Selectmen to look a little further. Other expenses may have to also be cut. Mr. Bernstein said he was concerned that this might cut incentive on the part of the employees. Mr. Lally said employees should be encouraged to come forth with money saving ideas and possibly some sort of bonus could be set up for this. Mr. Friedman said he was concerned about prioritization. The bigger items should be looked at first. Ms. Latimer said that many people in the private sector have not been receiving raises and have had to be more creative with their money. However, whatever the number is in the final budget, if the departments maintain themselves through the year, and have room at the end of their budget, she sees no reason why what is left over cannot be pooled and distributed at the end. She said personnel cannot be dealt with like a default budget. The increase would not be budget, but would have to be funded at the end of the year.

Vote: 8 yes, 7 no (Bernstein, Bridle, Collins, Friedman, Lally, Lamers, Latimer). Motion passed.

Chairman Woolsey then set forth two other possible motions, one to remove the proposed Data Collector position, and one to establish a Capital Reserve Fund for the purpose of accomplishing the required remeasure/relist revaluation of the Town.

Bob Estey, Assessing Officer, said that he felt there would be more accuracy with an in-house data collector, but that it is now too late in any case to meet the 2008 deadline. It will be necessary to work toward the 2013 deadline, in which case a company will have to be hired in 2011 to begin work if there is no in-house data collector.

Chairman Woolsey said she felt strongly that the Town should start to put money aside each year in a Capital Reserve Fund for the reval. She said it is important to plan for the future so that the taxpayers don't get hit with a big bill for this purpose a few years down the road.

Mr. Bridle asked which would be cheaper, the in-house collector or the outside company. Mr. Estes said it would be comparable money-wise, but that he felt there would be more accuracy with an in-house person.

Mr. Lally said it is important that all voters know that this setting aside of money must be done every year.

Moved by Mr. Pierce, seconded by Mr. Silberdick, to recommend the following:

THAT THE BOARD OF SELECTMEN RECONSIDER THE OPTION OF PRESENTING TO THE VOTERS IN MARCH '07 A SPECIAL MONEY ARTICLE FOR THE ESTABLISHMENT OF A CAPITAL RESERVE FUND UNDER RSA 35:1 III, WITH AN INITIAL REQUEST FOR AUTHORIZATION TO START THE FUND WITH \$250,000, FOR THE PURPOSE OF ACCOMPLISHING THE REQUIRED REMEASURE/RELIST REVALUATION OF THE TOWN OF HAMPTON. CAPITAL RESERVE FUNDS ARE ALLOWED TO ACCRUE AND RETAIN THE INTEREST THEY GENERATE. THE ESTABLISHMENT OF THIS FUND WILL NOT ADD TO THE EXISTING DEBT SERVICE. THIS FUND IS INTENDED TO BE AN ONGOING SOURCE OF REVENUE FOR THE SOLE PURPOSE OF PAYING FOR REVALUATIONS OF THE TOWN, WHICH ARE MANDATED BY THE STATE OF NEW HAMPSHIRE TO TAKE PLACE EVERY 5 YEARS. THE DEADLINE FOR THE FIRST REVALUATION OF HAMPTON IS 2008. THIS WILL REQUIRE A COMMITMENT BY THIS BOARD OF SELECTMEN AND BUDGET COMMITTEE, AND THEIR SUCCESSORS, TO SET ASIDE AN AMOUNT OF MONEY EACH YEAR TO ENHANCE THE FUND. IF A CAPITAL RESERVE FUND IS SET IN PLACE FOR THIS PURPOSE, IT WILL PRECLUDE THE BURDEN OF PAYMENT FOR THE ENTIRE REVALUATION PROCESS BEING PLACED UPON TAXPAYERS IN A SINGLE YEAR

Vote: 14 yes, 0 no, 1 abstention (Friedman). Motion passed.

Moved by Mr. Pierce, seconded by Mr. Silberdick, to recommend the following:

THAT THE SELECTMEN REMOVE THE PROPOSED FULL-TIME PERMANENT DATA COLLECTOR POSITION FROM THE 2007 BUDGET REQUEST

Vote: 14 yes, 1 no (Friedman). Motion passed.

Chairman Woolsey went over the recommendations that have been made to the Board of Selectmen by the Budget Committee. They are as follows:

- 1. That the Board of Selectmen reconsider the refinancing of the Police Station loan and any other bond issue that is eligible for refinancing over a longer time frame – to be determined at least 15 years after the “no call”.**
- 2. Establishment of a Capital Reserve Fund for accomplishing the remeasure/relist revaluation of the Town of Hampton (see motion above).**

3. **That the Selectmen remove the proposed full-time permanent Data Collector position from the 2007 budget request.**
4. **That the Tax Collector should be given the tools – (cash register) printer, etc. – needed to perform her job.**
5. **That the Board of Selectmen strongly consider allowing Chief Sullivan the ability to hire additional part-time special officers – up to 20 positions.**
6. **That the Conservation Commission recommended budget for 2007 be kept intact.**
7. **That the Board of Selectmen should give serious thought to implementing the Conservation Coordinator position (part-time), with the contingency that they look into fee structure for cost recovery.**
8. **That the Board of Selectmen review with DPW Director Hangen his recommendations regarding commercial trash collection, and take them into consideration with the intent to resolve the issue by the time the 2008 budget request figures are presented.**
9. **That the Budget Committee is concerned about the number of copiers in the Town offices.**
10. **That the Fire Department budget be approved complete with the recommendation to restore the four (firefighter) positions that were taken out of the department in 2005.**
11. **That no pay raises other than standard promotion and step increases be granted to non-CBA personnel in 2007, including any increase in the Selectmen's stipend.**

These recommendations, which the Board of Selectmen has requested, are not required of the Municipal Budget Committee under RSA 32, and the Committee concurs that such recommendations are advisory only and non-binding upon the Selectmen – who have sole statutory authority to expend the annual budget as they deem prudent, after the annual March vote.

The total Operating Budget for 2007 was then discussed.

Mr. Nichols said the budget as proposed by the Selectmen will put a burden on the taxpayers. He made further points as follows:

- The Operating Budget process began with the Selectmen giving the direction for a “Needs Oriented Budget”. I believe that direction encouraged increased spending after 3 default budgets.

- The philosophical drivers that produced an 8% budget increase, placed “level of service” and special interests over affordability. The proposed budget, if approved, would continue the trend of shifting a larger share of taxpayers’ income to town government.
- The 8% Operating Budget proposal should be over-ruled by the expressed needs of the taxpayer to keep property taxes down.
- Higher priority needs can be satisfied if the Selectmen seriously consider controversial policy related cost saving opportunities. For example: Combined Police/Fire dispatch, better control of overtime, which is up \$125,000 in Fire and Police alone, part-time Fire Fighters to help in dealing with the summer peaking of call demand, financing capital projects over a term more consistent with their useful life, competitive bidding of all large expenditures, fees for commercial trash pickup, negotiation and concessions in the collective bargaining process.
- The Operating Budget is 70% employee driven costs, primarily salary and benefits. Benefits account for over 40% of base salaries.
- If the unions do not agree to concessions and taxpayers continue the course of the past three years, layoffs and consideration of privatization are inevitable.
- I don’t believe that it is realistic or fair for the unions to expect to be able to isolate themselves from the impact of globalization on our jobs market, rising health care costs and the reduction in retirement benefits taking place in the private sector.
- The Haverill Police union recently agreed to increase their share of health insurance costs from 10% to 30%.
- Our employee compensation strategy should be to provide a package that is competitive enough with both the public and private sectors to attract qualified people. People that fill positions ultimately come from the same labor pool. I believe Hampton’s current employee compensation goes well beyond that.
- As an example consider the Fire Department’s compensation package in the 2003 contract negotiated by Mr. Barrington.
 - If the steps were to continue to increase at the same 3% rate in the contract currently under negotiation, a Firefighter that started in 2003 at \$35,321 would see his regular wages rise to \$51,263 by 2009. This is a 6.4% compounded annual increase over 6 years.
 - The health insurance benefit will cost the Town up to \$18,000 per employee in 2007.
 - A retirement contribution equal to 22% of earnings, combining the State and Town portions. Retirement benefits are controlled by the Legislature.

- The current contract provides for up to 6 weeks vacation a year, 11 paid holidays and 15 sick days per year, as well as other personal days.
- Salary, health insurance and retirement benefits will add up to over \$80,000 by 2009 for the entry level Fireman that started in 2003. This does not include overtime.
- Is this Salary and Benefits package necessary to attract qualified people?
- The proposed budget included a notation of a cost of \$86,474 for 4 firefighters for 2007. A realistic estimate of the true cost of these positions by 2009 is closer to \$400,000. Information needs to be presented in a manner that allows a more informed decision.
- The \$75,000 town Hall Security System proposed by the Interim Town Manager and rejected by the Selectmen brought into question the interpretation of “need” when the concern was recently addressed with a \$1,100 system. All too often we go for Cadillacs when a Chevy will do.
- I’d like to compliment the Public Works Department for their fiscally conservative budget.
- There are high level issues that impact our tax rate that need to be better understood and addressed.
 - Operating Budget growth of 46% over the past 6 years overwhelming population growth of less than 4% and a roughly 6% growth in the tax base for the same period. Compounded inflation doesn’t begin to provide an explanation for the variance.
 - The impact of “Hampton as a tourist destination” and the apparent strategy of Town government proactively supporting rapid expansion at the beach. How will this issue impact Town expenditures in the future? Who are the winners and losers?
- Elected and appointed officials need to be more sensitive to “taxing people out of their properties”, bringing the conflicting interests of employees, development interests and taxpayers back into balance.
- I believe level funding of the 2007 Operating Budget is the right thing to do.
- The graph I passed out illustrates the historical impact of property taxes on net income, as well as projecting the long-term consequences of increases like the 2006 tax rate and 2007 budget proposals 10 years out.
 - If you’re lucky your income goes up by 3%
 - Inflation chews up most of your increase.

- Federal income and payroll taxes increase their share due to lack of indexing.
- Property taxes force you to sell your property.

Moved by Mr. Nichols, seconded by Mr. Hansen to recommend the following:

THAT THE OPERATING BUDGET FOR 2007 BE A LEVEL FUNDED BUDGET IN THE AMOUNT OF \$23,609,157.

Mr. Collins said that this is a difficult issue because no one knows what warrant articles there will be or what union issues there will be. Therefore, he agrees with this motion.

Mr. Pierce complimented Public Works for bringing in many money saving suggestions. He said it would be nice to see this throughout the entire Town operation.

Mr. Plouffe said he supports this motion. The taxpayers have sent a message. This is a way to control spending until debt service is under control.

Mr. Lally said that there are things that will not happen with this level funded budget that the Committee has recommended to the Selectmen.

Mr. Hansen said he agreed with Mr. Nichols. The taxpayers have made it clear that they can spend only so much. In light of that, the fact must be faced that it may be necessary to reduce some of the services provided by the Town.

Mr. Bridle said that it is important not to forget grants brought in by Fire and Police. You also have to consider the increase in utilities and the cost of oil. He said he felt level funding is burying your head in the sand.

Mr. Bernstein said he is not comfortable with this number. He said he would like to believe that the Department Heads know what they are doing.

Ms. Latimer said she was very disappointed that the Committee is working on a number without having utility costs. It is necessary to factor in costs that have risen substantially. It may be necessary to compensate for these costs by losing something else.

Chairman Woolsey said that from a historical perspective, by voting in a default budget for the last three years, the public has saved \$4 million in taxes. She also said that she wanted to make it very clear that she has the utmost respect for the Department Heads and employees of the Town.

Mr. Friedman said that policies and practices should be reviewed. There needs to be more efficiency.

Vote: 11 yes, 4 no (Bernstein, Bridle, Lally, Latimer). Motion passed.

Chairman Woolsey said that the next meeting will be held on Thursday, December 7, at 7:00 p.m. in the Selectmen's Meeting Room. At this time the School budget will be reviewed.

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Adjournment

There being no further business to come before the Committee, Mr. Lessard **moved**, seconded by Mr. Hansen, that the meeting be adjourned. The motion passed by unanimous vote.

The meeting was adjourned at 9:00 p.m.

Respectfully submitted,

Joan Rice
Secretary

Mary-Louise Woolsey, Chairman