



**LACONIA CITY COUNCIL
SPECIAL MEETING
MAY 2, 2011
CITY HALL – CONFERENCE ROOM 200A
7:00 P.M.**

CALL TO ORDER:

Mayor Pro Tem Robert Hamel called the meeting to order at the above date and time.

SALUTE TO THE FLAG:

Mayor Pro Tem Hamel led the Salute to the Flag.

ROLL CALL:

City Clerk Reynolds called the roll with the following Councilors present: Councilor Doyle, Lahey, Lipman, Baer and Bolduc. Also present City Manager Eileen Cabanel.

Present Delegation members: Representatives (Rep.) Alida Millham, Frank Tilton, Don Flanders, Harry Accornero and Robert Luther. Also present Senator James Forsythe.

DISCUSSION:

Mayor Pro Tem Hamel began by taking a moment to recognize the immense success of the United States this week with the mission that took place over the last two days.

Beginning the session, Mayor Pro Tem Hamel opened the session by asking the Representatives and Senator to give the Council an update on the progress being made at the State level.

Senator Forsythe reported that they have been looking at the cuts made in the House of Representatives (House) and added some back in that would affect the downshifting to the communities; this has created a \$200 million gap that now needs to be filled. One proposal is more privatization of the Prison system because this is one of the departments that didn't receive any funding cuts.

Mayor Pro Tem Hamel asked if there were any updates on other Bills that crossed over, such as the Tax Cap bill. Senator Forsythe advised that he does not have a status on this bill. Rep. Tilton advised it will be heard by Committee this week.

Councilor Lipman asked if the Huot Center was still in the plan for the Capital side of the budget. Rep. Tilton advised that the Senate Capital Budget Committee has been holding meetings for presentations

by all of the Departments making requests. On May 5 they will be holding a Public Hearing and that will be the first time anyone will have an opportunity to speak in regards to the requests; a vote could be made as soon as that afternoon. Rep. Tilton further commented that the House has passed funding for the Laconia Prison Property to include \$300,000 in roof repairs and \$300,000 for the second phase of the environmental study, noting that Councilor Lahey also has information from a Finance Committee Hearing.

City Manager Cabanel asked if the Main Street Bridge project has been appropriated yet. Rep. Tilton advised it has and that there is a meeting next Tuesday with the Department of Transportation (DOT) and they will be getting an update as to what they will be able to do. Funding in this area has been cut severely. Rep. Tilton will advise the City of the outcome of this meeting.

Councilor Baer commented on the report that there has been a reduction in projected revenue for April, and the affect that will inevitably have on some of the restorations of services, such as those offered by the Department of Health and Human Services (DHHS). Councilor Baer asked where they plan to make up the loss in revenue, particularly how it will affect the DHHS. Senator Forsythe advised that the projected revenue in the Governor's budget is 4% higher and the House has much more conservative projections that are more closely aligned with the actual. Rep. Tilton advised that the numbers projected affect the current fiscal year. City Manager Cabanel clarified that Councilor Baer is asking how the State is going to make up for the loss of revenue which will inevitably be carried into the next fiscal year. Senator Forsythe explained that they are still trying to reach the same General Fund target and there is no answer for where it will be made up at this time.

Councilor Lipman asked if the House estimate of revenue is comfortable. Senator Forsythe commented that they are very comfortable with the House estimate and it is clear now that the Governor's estimate is not a good tool to use.

Councilor Baer asked for information in regards to retirement. Senator Forsythe advised that the Senate has taken the House bill and taken everything out of it and placed it in a Study Committee on Collective Bargaining so they can work out all of the concerns and make sure it is adequate. On the House side, they have taken the Senate Bill and removed everything from it and replaced it with the House language. What this will do is force a Committee of Conference so they can take the best parts of both plans and put them together to come up with a comparable solution. City Manager Cabanel asked if there is any inclination on how this is going to proceed. Senator Forsythe stated they are not sure at this time, and it may depend on the revenues at that time which would force a more aggressive approach.

Mayor Pro Tem Hamel commented that his understanding is that with the proposals for retirement the State is discussing taking the amount used for last year and applying that for the first year of the biennium and not the second. Senator Forsythe advised that what came out of the House reflected the employees making up the 25% that is currently funded by the State; the formula used for this does not match even with 10% of the State funding being added in, which is \$4.6 million. The NH Retirement System has also informed the State that they cannot start collecting the higher contribution amount until January 2012. As far as the Senate is concerned, the goal has been to get back to the 25% and it is going to be very difficult. The municipalities can expect to see an increase anywhere between 1% and 25%; Senator Forsythe suggested looking more toward 10% if it is broken up into the two years of the biennium. Councilor Lipman noted that this would be an increase of \$400,000 for the City alone, not including the School, and asked what degree of uncertainty Senator Forsythe would predict. Senator Forsythe again suggested planning for 10%.

City Manager Cabanel advised that this increase in retirement will be devastating to the municipalities and cause hundreds of lay-offs around the State. From the position of not wanting to raise any taxes, what the Senate and House are doing will affect the taxpayers in a big way. Senator Forsythe stated that he understands that any downshifting at all will increase taxes and asked the City to keep in mind that the Governor's budget showed a big cut in Catastrophic Aid and School Building Aid and that has been restored. City Manager Cabanel explained that she simply wants the Delegation to hear what the impacts will be on municipalities.

Councilor Lipman asked if there have been concessions made in regards to health insurance. Senator Forsythe advised that it has been factored into the budget that \$50 million will be saved in the collective bargaining agreement and that is what is being planned for.

Councilor Lipman asked what probability there is for Building Aid to stay in the budget. Senator Forsythe stated there is a high probability because they want to continue to fund current projects. Councilor Lipman commented that he has heard that on the Senate side that there was some struggle in terms of the priorities between Technical Schools and kindergarten. Rep. Tilton stated he has not heard this information, further commenting that some Building Aid specifically for kindergarten was removed and there is conversations as to if it can be restored in another line.

Councilor Baer asked if asked if the closure of Department of Motor Vehicle (DMV) substations or the DHHS offices will have an impact on this demographical area. Senator Forsythe stated he is not aware of this proposal. Mayor Pro Tem Hamel advised that they were going to close the DMV Substation at the Belknap Mall a few years ago and local municipalities lobbied against it and it remained open. Senator Forsythe will follow up on this topic. Rep. Millham addressed this concern stating that in regards to DHHS; it is her understanding that they would like to combine the Laconia and Concord offices into one location but leave some staff in the area with other local organizations. Senator Forsythe will look into this.

Councilor Lipman asked how the County Nursing Home funding is being handles. Senator Forsythe advised that it was in the House budget with a 2% increase. Rep. Millham advised that the County budget has allowed for some flexibility to the percentage.

City Manager Cabanel wanted to clarify that the City is not trying to be self indulged with their requests; the items they are addressing are not just wishes. The City is very interested in the down shifting to municipalities, the Laconia Prison Property, and anything that would affect the budget, including social service agencies. Senator Forsythe stated that there may be a reasonable explanation for the plan to close certain facilities and we may just not know what that explanation is yet, but he will look into it.

In regards to the Laconia Prison Property, Senator Forsythe explained that there was a Finance Committee Hearing that Councilor Lahey attended and advocated the desires of the City. The basic objective is get the property off of the books as quickly as possible and before there is a change in the Legislature because someone else may have an entirely different plan in mind. Senator Forsythe did express that there was concern that the City may be interested in pieces of the property and not the whole and the idea was raised to transfer the property to the City and they could do with it as they please. Councilor Baer stated the City would have to pay for the environmental issues if that were to happen. Senator Forsythe explained that the State is looking at the value of the property and the funds that need to be expended for clean up the property.

Councilor Lahey explained that this issue revolves primarily around the environmental issues. An interested third party, such as the City, would have the ability to apply for funding for the clean-up of the property whereas the State would not be able to because they would be considered the polluter; this would reflect as a savings of the cost for the environmental concerns on the States behalf. This would not be the case if it was being purchased by a private party. Councilor Lahey commended the Finance Committee on their willingness to listen to his thoughts and concerns. Senator Forsythe commented that when the Committee learned the City was having an appraisal done on certain sections, they were interested in the other sections being done as well. City Manager Cabanel explained that it isn't possible at this point because the other sections contain the buildings which have the environmental issues. Councilor Lahey explained that in talking with Russ Thibeault, who will be conducting the appraisal, and he will be doing the right side of the property and that will give a good base for the left side as well and then it is a matter of deducting the buildings to come up with a fair appraisal.

Councilor Baer commented on the proposed \$129 million in Medicaid cuts proposed per biennium in addition to an excise tax of over 30% being applied to hospitals and asked why this is being proposed and where it stands. Councilor Lipman noted that the Fiscal Note on HB 2 contains the Medicaid Enhancement Tax and would result in hospitals paying more in tax than they are receiving in Medicaid payments. Senator Forsythe stated that Senate sees this as a form of down shifting and it will end up being paid by the hospitals. Councilor Baer expressed that statistically New Hampshire has the third highest cost of medical care in the Country.

Councilor Lipman asked for the status of the Cigarette Tax. Senator Forsythe explained that it has been tabled in the Senate because they are not sure if it will generate additional revenue if the tax is cut. If it is not going to produce more revenue than it will stay tabled until the budget is sorted out.

Councilor Lipman asked for the status of the Gambling Tax and the Rooms and Meals Tax. Senator Forsythe commented that the Gambling Tax reduction has passed; the Rooms and Meals Tax has been tabled in the House. Councilor Lipman, taking into consideration the pledge that there will be no new taxes, asked if there has been any conclusion on other Taxes such as the Car Registration Surcharge. Senator Forsythe explained that the Car Registration Surcharge passed repeal on May 1; it is being considered to move it back to July 1 and giving a five cent reduction in the Gas Tax for that two month period.

Councilor Lipman asked for views in regards to Capital items that may be deferred. Senator Forsythe explained that he has not heard a lot on this topic, but they are taking the approach to not borrow.

City Manager Cabanel asked if they are looking to borrow for Building Aid. Senator Forsythe stated they are not, but there is approximately \$50 million in the budget to fund. Mayor Pro Tem Hamel confirmed that this is to fund current projects. Rep. Tilton advised that this would cover the Laconia Middle School, but the Huot Center is from different funding.

Councilor Baer commented on the cuts being made by the Department of Environmental Services (DES) that would eliminate funding for testing and inspection of waterways and beach protection. This is not a current issue being examined by NH Legislature, but it should go hand in hand with the issues associated with milfoil and treatment. Senator Forsythe assured that he is working on a bill with Senator Sanborn in regards to the issue of milfoil and the fines and fees that could be associated with the treatment.

Councilor Lipman asked if there is a timeline for passing the budget. Senator Forsythe explained that the Senate needs to have the budget done by the end of May; from there it will go to a Committee of Conference and then to the Governor.

Mayor Pro Tem Hamel asked for an update on SB 156 which would authorize automobile dealers to register motor vehicles. Senator Forsythe explained that it has passed the House by 10 votes and is expected to be signed by the Governor. In regards to the possibility of being a pilot town, City Manager Cabanel stated the City is still opposed to the bill and does not want to be in the testing process. Mayor Pro Tem Hamel asked for an effective date. Senator Forsythe explained it is a one year pilot that will begin in July.

Mayor Pro Tem Hamel asked if RSA 231:130-a Notice of Unpaid Fines (parking tickets), which was adopted by the City, has been taken into consideration with the vote to pass SB 156, which pertains to automobile dealers registering motor vehicles. Senator Forsythe stated that Senator Sanborn did not mention this but he will look into it and this is an important reason why Laconia needs to be involved in the Committee that will assist with this process. City Manager Cabanel noted that this is very effective. Rep. Tilton commented that he read in some of the literature that because they would have to come in person to renew; City Clerk Reynolds noted that this is possible but it is a longer time frame on collection than we have now.

Councilor Lipman asked if there is a scheduled target date for passage of the budget; he has heard that the target is June 14. Rep. Tilton confirmed that he believes this is the case. Senator Forsythe explained that it will go to Committee of Conference then to the Governor.

Councilor Baer thanked the Representatives from Laconia that supported the City's view on SB 156, as well as the vote to release the JUA funding.

City Manager Cabanel again emphasized how devastating down shifting, as it relates to NH Retirement System, will be to the City and the taxpayers.

Councilor Lipman moved to hold a Special Meeting on June 6 at 7:00 p.m. to meet with the delegation and discuss the progress of the State budget process. Seconded by Councilor Baer. **Motion passed unanimously.**

ADJOURNMENT:

Councilor Bolduc moved to adjourn at 7:50 p.m. Seconded by Councilor Lahey. **Motion passed unanimously.**

A True Record Attest:

Mary A. Reynolds
City Clerk