**LACONIA CITY COUNCIL**
**BUDGET MEETING**
**MAY 9, 2011**
**CITY HALL – CONFERENCE ROOM 200A**
**6:00 P.M.**

**CALL TO ORDER:**

Mayor Seymour called the meeting to order at the above date and time.

**ASSESSING:**

City Assessor Jon Duhamel addressed the Council. Assessor Duhamel reviewed the State of New Hampshire Department of Revenue Administration Revaluation Report and the USPAP Compliance Report. The City has met all standards that were expected to meet with the Revaluation Report; with the USPAP Compliance Report, the City will be studied again in 2013 and will be in full compliance because of the completion of the revaluation in 2010.

Assessor Duhamel advised that the department is not asking for any additional funding this year and will maintain the same level of service throughout the budget year.

Finance Director Reynolds commented that under the Salary Adjustment line, it was incorrectly funded and will be reduced by $5,695. This was presented with the potential cuts presented by the City Manager.

An explanation and discussion of the Salary Adjustment line took place relative to each department. Finance Director Reynolds explained that the Salary Adjustment line is used for non-union employees that are at the maximum "step" for their pay grade that have received a merit increase. Many of these employees are department heads that have been with the City for many years and would not otherwise receive an increase through the City Compensation Plan. With the City Council stating that they do not want anyone to make less money than the prior year, but not receive an increase, this line item will need to be funded.

Councilor Lipman asked for explanation of the Maintenance Agreement and Outside Service Contract funding. Assessor Duhamel explained that the Maintenance Agreement funds the Vision software used by the Department and the Outside Service Contract covers the cost of third party appraisals if the need arises due to an appeal of abatement to Superior Court or Board of Tax and Land Appeals.

**WATER:**

Superintendent Seth Nuttelman and Chairman of the Board of Water Commissioners Richard Breton addressed the Council.

Superintendent Nuttelman expressed that this year's proposed budget is level funded. There is an anticipated decrease in income due to the decrease in the volume sale of water because of consumer conservation and the economy. The budget as presented does include the factoring of "step" increases and Cost of Living Adjustments (COLA) in the Labor line under expenses because there are ongoing negotiations relative to the collective bargaining agreements and they felt it was better to be prepared.

City Manager Cabanel asked what the percentage change is for step increases in the labor contract. Superintendent Nuttelman expressed that his thought is that in the beginning the steps increase at a rate of 5% but as the employment time increase the percentage drops to approximately 1.5-2%.

Superintendent Nuttelman continued that the step increases contribute to $6,808 with the COLA contributing $15,375, for a total in the Labor line of approximately $22,200. In regards to insurance, there is an estimated increase of 11%; there is also a projected increase to retirement of 34%.

Councilor Lipman requested the breakdown of employee contributions to the insurance. Superintendent Nuttelman commented that the plan was to increase the contribution last year, but in light of the employees not receiving COLA or step increases they were not asked to contribute for the additional cost. This year the employee contribution will be 2.78% with an overall increase of 15% budgeted. Councilor Lipman countered that with other neighboring states having a much higher contribution rate; it should be considered to increase the employee contribution to a more substantial number. Superintendent Nuttelman explained that the increase to 10% over the next three to four years is planned. It was also noted that the copayments and deductibles for the employees adds a substantial amount to the employees contributions because they have a lower rated insurance plan; the 2.78% only includes what is paid toward the premium and does not include any other contributions from copayments or deductibles. The actual copayment and deductible amounts are not known off hand and Superintendent Nuttelman will get this information.

Included in this budget is a contingency of $38,000 for any incidental needs that may arise. It was also noted that there are $350,000 in Capital Projects being carried; a breakdown of all items was reviewed.

Councilor Lipman noted to the Council that there needs to be a realistic look at the costs for insurance throughout the departments within the City for a comparison.

**PUBLIC WORKS**

Public Works Director Paul Moynihan addressed the Council. Director Moynihan advised he will be referencing various areas of the budget, including Public Works, Sanitary Sewer, Solid Waste and Motorcycle Week, which are all part of the Public Works Department.

Beginning with the Public Works general budget, which covers the general maintenance of the City streets, Director Moynihan reviewed the items that have been decreased by the City Manager this year. These items include Highway Maintenance, Street Sweeping, Tree Work and Drain Maintenance.

Director Moynihan noted that there was a request of $7,500 for Traffic Control Components that was not funded by the City Manager's proposed budget. The purpose of this request was to fund necessary repairs or replacement to the electronic components at intersections. At the intersection of Court and Main Street there is now an automatic cycle and is no longer functioning to change on a needed basis; this is one item that would have been partially funded by this line. There is also a problem at the Belknap Mill pedestrian crossing. At the current time there is a need of approximately $40,000 to replace equipment at these two locations only; they are still looking for a way to fund these projects within the current budget year.

Councilor Hamel asked if the Director has considered shutting off some of the street lighting on the main areas of the City that are amply lit by other means, such as business signs. Director Moynihan advised that the Energy Committee has been involved and referred the question to Finance Director Reynolds. It was commented that the Police Department has been given the task of making a list of the street lights that could possibly be shut off and should be reporting back to the Energy Committee with a recommendation of each ward which will be shared with each Councilor for their consideration. Councilor Hamel noted that there is substantial opportunity in the area of Union Avenue.

Councilor Hamel asked if there has been any consideration of changing the street lights to LED lighting to save on cost, and if so has it been looked into getting a grant for the process. Director Moynihan advised that it is very costly initially to switch to LED lighting and that it has been done on the traffic lights. Finance Director Reynolds advised that there are no programs being offered at this time for switching to LED lighting.

Director Moynihan continued with the Solid Waste budget. Director Moynihan noted the largest increase is to the Concord Cooperative for the tipping fee of the waste; this fee has been increasing at a steady rate over the last few years. There have been cutbacks in the Transfer Station line to a manageable level. There will be a presentation during the regular meeting this evening in regards to a Pay as You Throw program which will reference this area of the budget.

In the Sanitary Sewer Fund, Director Moynihan advised that each year the Pump Station numbers are adjusted slightly each year, with the largest item being the Winnipesaukee River Basin Project (WRBP). If this budget is passed as presented, it will mean an increase to the sewer rates; there have also been projected increases over the next three years to these fees. Finance Director Reynolds noted that the projected increase for the first year is approximately 30%. Finance Director Reynolds reviewed the deficit in the budget for the revenue over the last few budget years because there has not been an increase in the rate but the cost of funding the WRBP has increased. There are costs associated with Capital Projects being sought for the WRBP that will be presented by Director Moynihan after a meeting with the other members of the WRBP.

Councilor Hamel asked what the projected total increase to the rates will be over the three year period. Finance Director Reynolds advised that over the next four to five years there is the potential of 100% increase based on the projects proposed by the WRBP for improvements to the system. Director Moynihan interjected that the original figure of $80 million that was published is highly inflated; the only project being proposed over the next four to five years is for UV Protectant. This project is being discussed throughout the communities that will be funding the projects.

Councilor Hamel asked if there is a plan to have this funded within a Reserve Fund. City Manager Cabanel advised that if they begin doing this now, it will increase rates by 150% because you will need to be saving money for future projects at the same time you are funding the current rates. At the beginning of the WRBP there was 95% federal funding for the project and the hope is that they will be able to apply for some form of fund for upgrades because it is a State wide benefit. A discussion followed regarding the other communities in the WRBP and the rates they pay.

Councilor Hamel asked if the increases are in anticipation of projects or if they are necessary. Director Moynihan again stated that the only project for the next four to five years is the UV Protectant and it will be used for this.

The Department of Public Works has a small portion of the Motorcycle Week budget; the Council had no questions or concerns with this area.

Director Moynihan reviewed the Capital Outlay requests, including Street Repairs, Fence/Guardrail Replacement and the Comprehensive Drainage Study.

Councilor Hamel asked if the Director has looked into the possibility of regionalizing the street repairs to lower the cost of mobilizing equipment from the contractors, and possibly partnering with neighboring communities to have cooperative bids for streets that cross over into other towns that may need to be repaired in there end as well. Director Moynihan acknowledged the cost of transporting the equipment from one job to the next, but also noted that there are so many streets that need to be done immediately and it is not reasonable in all occasions; this is not a new thought or consideration, it just has not been able to implement. With the neighboring towns, Director Moynihan is open to the idea but anticipates that it would be difficult to manage.

Councilor Lahey asked if there are any streets scheduled for repair that involve water. Director Moynihan replied that Oak Street and Belvidere Street do. There are no major sewer rebuilds this year as there have been in the past.

The Main Street Bridge is also being funded in this budget; $600,000 is being budgeted for this project and represents 20% of the total cost of the project and an additional $100,000 for traffic light coordination. The outlook for the State budget still includes this project and it is anticipated that it will go out to bid at the end of this year. The bridge will remain open for the duration of the project and it will take two years for the project to be complete. The additional cost to keep the bridge open is unknown at this time; the closing of the bridge would be for an entire year and is not feasible.

Director Moynihan explained the areas of the City that will benefit from the Comprehensive Drainage Study in the upcoming year. The Fence/Guardrail Replacements include North Street and will include a retaining wall.

Councilor Lipman asked what the progress is on the Oak Street intersection. Director Moynihan explained that they are looking to have it completed this fall unless an interesting proposal from the Engineer is proposing gathers validity. More information will be made available as it is known.

Director Moynihan commented that the issue of the traffic lights of Court and Main Street will need to be rectified; this translates as having to come up with $40,000.

City Manager Cabanel advised the Council that the latest proposal from the House and Senate eliminates the State contribution of retirement completely and that will mean eliminating employees; this should be thought about when they are considering funding additional projects.

Mayor Seymour closed the budget meeting at 7:26 p.m.

A True Record Attest:

Mary A. Reynolds
City Clerk