

TOWN COUNCIL MEETING
September 17, 2012

The Town Council meeting was held in the Moose Hill Council Chambers, Town Hall, 268B Mammoth Road, Londonderry, NH.

PRESENT: Chairman, John Farrell; Vice Chairman Tom Dolan; Councilors: Tom Freda, Jim Butler; Joe Green; Acting Town Manager, LPD Chief William R. Hart; Executive Assistant Margo Lapietro.

Call to Order

Chairman Farrell 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 both here and abroad and for first responders.

Public Comment

NH Retirement System – Senator Sharon Carson along with Marty Karlon, Public Information Officer from the State Retirement System were in attendance. Chairman Farrell explained that Councilor Freda has done extensive research in regards to the retirement system. He explained that we had folks from the House side at a previous Council meeting and they gave us information from their side which culminated in the fact that we basically had a broken system. They pointed to problems in the Senate; there were obstacles there that prevented a solution. Senator Carson proceeded to give a history of the system and explained that over the years the Senate has tackled the problem of the retirement system. She pointed out that Senate Bill 3 was an important piece of legislature that was passed that tried and did address some of the concerns we have all had. Those changes have been done and most of the law suits that resulted in passing the bill have been settled in our favor. A piece of legislation was passed last year, primarily one that dealt with an on-line calculator that was for communities to use – there were a lot of problems with it so it was done away with. They tried to pass a bill that would look at a defined contribution plan, the House did not agree with it and wanted to do their own which they are working on right now.

Councilor Freda said the House deferred it to the Senate for further study, and that they had passed the final bill. Sen. Carson responded they did pass a bill asking for a defined contribution plan but at the time the Senate had discovered a \$1.2M additional liability on top of the money that we already owed and at that point people became extremely concerned about adding this on top of the \$4.7B we already owe for the system. That is why the Senate opted for a commission to put together all the interested parties to a look at a way to get this done. They did go to a committee of conference and they could not agree and that bill died; that is why the House formed their own committee. Councilor Freda looked at the historic trend; in 03 the town's rate for each police officer the town paid 8.20% of their salary. It increased by 50.7% the next year to 12.5% by 2007, now it is up to 18.21%. The next budget we are looking at it will be 25%. He asked her how does the State expect us to pay on average every 2-3 years a 50% increase in retirement benefits. At what point does it become absurd to hire public employees when their

retirement starts going towards 30% - 40% of their salary? That does not happen in the private sector. He asked her how can you expect taxpayers to take the hit. Sen. Carson responded one of the issues they looked at was vested versus non-vested employees. The vested employee is by contract, they earned these benefits; we cannot do anything to them. They looked at the non-vested employees and that was one area that they were sued on which is still pending. They addressed the issue of new hires they are not getting the same benefits as someone from the past. It is up to the municipalities what they want to do. She explained the problems with the retirement system happened in the early 1990's when we went through a recession. In order to help out the municipalities the state lowered the amount of monies they would pay into the system. Once we started doing very well again we did not raise the rates; they remained low for a number of years. There were issues with some of the investments made and another mistake was the amount of money taken out of the account and put into medical subsidies and other different accounts. We stopped that and took money out of the medical subsidy account for COLA's and put that all back into the main funds. They said they have made some very positive changes moving forward but the problem that still remains is that it is still going to get higher for the municipalities. M. Karlon said there are three main reasons why the retirement fund status is where it is now:

Change in legislature how we account for the pension costs which artificially depressed the employer rates for about 15-16 years. The method underlying the calculation was flawed.

Employer side went up due to the changed accounting method that changes the fund ratio which will drive up rates.

He explained we had a high assumed rate of investment return in the 90's. The marked conditions in the last 10 years hurt the system.

He explained the Legislature made about 60+ changes in the last 5-6 years. They closed the pay down on the unfunded liability to a 30 year period which resulted in lower employer rates.

Councilor Freda said he is interested in fixing the problem. Rates are fixed in Concord and the State is pushing the payoff to the municipalities. The state has to come up with a solution; he said it is not fair for people who are not in the retirement system to fund it when there is no end to the problem because of the bickering back and forth. This is just math; the State has to figure out how to fix it. The State has to develop a 2 tier system; this is already about 2 ½% of our budget. There is probably about a 10% gap between what a private sector employee can do versus a municipal. Chairman Farrell explained during collective bargaining negotiations they have to step back and look at the total cost of an employee's pension; we need the State's help so the employee can understand. What doesn't go to pension goes to medical benefits. Senator Carson said she was here to give Council the historical perspective of how we got where we are today. The House and Senate have different views, decisions have been made that have very long term effects; we are feeling those effects today. We are trying to be very careful of what we do today going forward. We are not being compulsive that is why the Senate moved to and asked for a commission to figure out how we can move toward a defined plan, which did not pass. Our taxes will go up to pay the cost. There is no easy answer; we don't have the money to throw into the system to fix it. We owe too much money to go to a defined contribution system. She explained the House is working on it, retirees and state employees are not getting COLA. They made a number of changes with Senate Bill 3, people were not happy with it. Promises were made to people and we have to keep them. Councilor Dolan thanked Senator Carson for coming tonight. He referenced a brochure that was passed out and asked what the projected

retirement income would be in the future. M. Karlon responded the average benefit will rise. Councilor Dolan asked if the “baby boom bubble” will affect the retirement system. M. Karlon said the workforce has been relatively stable over the past 10 years; the rates are based on the total covered payroll in the system. He does not think the “baby boom” will affect the system that much. Councilor Dolan said people in the private sector are not retiring early; are public employees doing the same. M. Karlon said it varies. There is not much of a benefit to retiring at a later age; it is actually a gain for the system because they are not paying out the benefit as long. Councilor Green asked M. Karlon what happened to the special account in the 90’s. M. Karlon explained the special account involved any investment income over ½% higher than your assumed rate of return in a given year went into this special account as opposed to the pension fund. The total monies were about \$900M. It was used to fund COLA and a medical subsidy; we don’t provide medical insurance to retirees but do for eligible retirees; they get an offset. If a retiree stays on our group plan the subsidy pays for an eligible member towards the premium so they wouldn’t be paying that out of pocket. That medical subsidy benefit was closed to all new hires effective 2005. There are a few active police and fire members who are still eligible when they retire. Nobody currently working as a teacher or an employee will get that benefit when they retire. There were a couple of transfers in the special account by the Legislature that authorized transfers out of the account. In 2007 or 2008 of \$250M there was approximately another \$260M in 2011 and the remainder and the account itself was repealed in 2012 by statute so it doesn’t exist anymore. Whatever the balance that was left in that account which was about \$15M – \$20M went into the pension fund. Over the last 5 years there was about \$500M that went out of the special account back into the retirement fund. Councilor Green questioned the figures. M. Karlon said there were 3 separate transfers the 2011-2012 was one legislative enactment. Councilor Green asked if the monies went to the state or the municipalities. M. Karlon said it was based on the size of the employer; the state is about 25% of the total employer base. Councilor Green asked what is the difference between what the new hires and the older employees pay? Senator Carson responded the new hires have to work longer, they have to pay more into the system, they don’t get the same type of benefits as a vested employee. One of the most important changes is that they changed the entire makeup of the retirement board itself; they removed all the legislatures from it and it is now even between the employees and employers. She said they need to move forward and make substantive changes as we go forward. She said if anybody had any additional questions to contact her.

Planning Board Interview – Laura El-Azem was in attendance to be re-interviewed. Councilor Butler asked why she wanted to continue on the Board again. L. El-Azem responded there is a lot going on, she enjoys it. Councilor Green said he hears from developers that our zoning regulations are making it difficult to develop in town. He asked if she felt that way; he also asked her if she would make changes going forward. L. El-Azem said that the Planning Board has made changes during her time to increase the flexibility that the board has; it has become easier. The complaint she has heard is that Zoning has been divided up in town into different parts which can make it difficult for the citizens but not the developers. She stated that we have to explain ourselves often to the citizens to let them know we are working with restrictions, what we do is not arbitrary. She said she relies on our staff for vital input and information and we have an excellent staff. Councilor Dolan thanked her for her service. **Councilor Freda made a motion to re-appoint L. El-Azem, second, Councilor Green. Council’s vote 5-0-0.**

Budget Committee Interviews. Amy Finamore withdrew her application to the Budget Committee. This left just one candidate for the position.

Conservation Commission – Deb Lievens, Chair of the Conservation Commission, Heidi Holman from NH Fish & Game and Emma Carcagno from the UNH Cooperative Extension were in attendance. They were here to discuss the development of the NE Cottontail habitat in the Musquash. They proceeded to pass out some maps and brochures. H. Holman explained that they approached the Conservation Commission about five years ago about participating in the recovery of an endangered species; the NE Cottontail rabbit. It is being threatened due to loss of winter habitat. They explained the rabbit had 40 locations in the early 2000's; now it is down to only 8 known locations in the state. They approached federal, state, private landowners and municipalities to work on increasing the numbers and create habitats. They have started a captive breeding program so they can increase them immediately. They are on a deadline for federal funds to create these habitats. Emma Carcagno said they have been working with the Conservation Commission to propose habitat management work at the Musquash Conservation area which is less than 2 miles from a known cottontail population. They worked with Charlie Marino the town forester who came up with the proposed map. She explained they have also come up with an outreach plan for the public; it will involve cutting a lot of trees. They have a management plan to cut trees and allow shrubs to grow. 100 species use shrub habitat and they are also in decline. D. Lievens said the Conservation Commission has a consensus of approval. Their biggest concern is where the cuts will be and will they affect the trails. Financial considerations are that this plan will be done in three parts. The logging will bring in money which will cover the expenses to bring in people to do the job. It will have to be managed over time. As of now there are grants, there is plenty of funding right now. Any costs will be minor and they will be covered by the state and federal government. The Commissions concern is what happens in 20 years; she said she doesn't know the cost to do this. H. Holman said there are 3 different areas involved and proceeded to explain them. The 2 future projects were not discussed at length. There are revenue opportunities for the town from the timber; they may be able to find grants but they cannot guarantee it. Councilor Green brought up the issue of predators; H. Holman said the dense shrub thicket will provide shelter and food from predators and they won't have to leave in the winter. She said they looked at the possibility of predator control but they need to do more research. Councilor Dolan said the fact that it is self-funded is a good thing. It does not put additional pressure on our budget. Councilor Butler asked what is the time frame. H. Holman responded once they get approval they will put out a bid to line up a contractor for late spring or early winter. If it is any later they will miss the funding. Councilor Butler asked what kind of press releases where they doing. D. Lievens said they would like to get the information out as soon as possible; a reporter from the Londonderry Times accompanied them when they did a site walk. A cable TV show is being proposed. The consensus of the Council was to go forward with the plan.

Councilor Dolan said he used the Londonderry Fire Department ambulance recently and thanked them for their professional and prompt service. Councilor Butler said he had a medical emergency three weeks ago; he also said their response time was excellent and appreciated their professionalism.

Public Hearing

None

Old Business

None

New Business

None

APPROVAL OF MINUTES

Council meeting minutes of 9/10/12 – Councilor Green made a motion to accept the minutes, second Councilor Freda. Council's vote 5-0-0.

OTHER BUSINESS

Liaison Reports – None

Town Manager Report - Acting Town Manager LPD Chief William Hart updated the public about the progress of the search for a new Town Manager. The application process closed 8/31 and we received about 63 applications. Council has a spreadsheet of the applicants and the plan is to reduce it to 10 -15 applicants; he mentioned that we have some good candidates. Chairman Farrell set a goal that by the 10/1 meeting Councilors will pick their top 10 candidates and via e-mail send them to him and he will sort them and decide on the process then.

Acting Town Manager, LPD Chief Hart said we have a few road projects going on. The Litchfield Road is ongoing; Auburn Rd has started and the road will be partially closed. The finance meetings held with each department has concluded – they went very well. We will have another set of meetings in December. We are having a staff meeting on Thursday to prepare for the upcoming budget season. The town-wide meeting last week went well. The policy changes for credit card usage has been implemented. We experimented implementing the Impact Fee Policy some things went well and we are hoping to implement that as a full policy within the next 2-3 weeks.

Board/Committee Appointments/Reappointments

- A. Appointment of Todd Joncas to the Budget Committee term to expire 3/12/13. **Councilor Freda made a motion to appoint, second Councilor Butler. Council's vote 5-0-0.**

- A. Re-Appointments of Julie Liese, Reed Clark, Art Rugg and Helga Kimball as Full Members to the International Exchange Committee, terms to expire 12/31/15. **Councilor Dolan made a motion to re-appoint the above, second Councilor Freda. Council's vote 5-0-0.**

ADJOURNMENT

Chairman Farrell announced that Council was going into a Non-Public Session according to RSA 91-A; 3 II (a), at 8:05 PM and called for a roll call vote. Aye Joe Green; Aye Tom Freda; Aye John Farrell; Aye Tom Dolan; Aye Jim Butler.

Notes and Tapes by: Margo Lapietro Date: 09/17/12

Minutes Typed by: Margo Lapietro Date: 09/18/12

Approved by: Town Council Date: 10/01/12