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2 **TOWN OF NORTH HAMPTON, NEW HAMPSHIRE**
3 **MUNICIPAL BUDGET COMMITTEE MEETING**

4 **May 15, 2023 6:30 PM**
5 **NORTH HAMPTON TOWN HALL**

6 ***DRAFT MINUTES***

7
8 **MEMBERS PRESENT:** Chairman Rick Stanton, Vice-Chairman Tom von Jess, Larry Miller, Lisa Gallagher,
9 Sean Dionne, Little Boar's Head Rep Brian Goode, School Board Rep Lisa Gagalis; Select Board Rep James
10 Sununu (on Zoom)

11 **NEW MEMBER:** Andrew Raucci

12 **ALSO PRESENT:** Town Administrator Michael Tully

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14
15 Chairman Rick Stanton welcomed everyone to the Municipal Budget Committee meeting of May 15, 2023,
16 followed by the Pledge of Allegiance.

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18 **Motion:** To allow Select Board Rep James Sununu to participate in the meeting via Zoom; **motioned** by
19 Mr. Goode, **seconded** by Mr. von Jess; **motion approved** 7-0.

20
21 **OLD BUSINESS** - None

22
23 **NEW BUSINESS**

24
25 **Fill Budget Committee Vacancy**

26 Chairman Stanton said George Chauncey has resigned and thanked him for his many years of service. He
27 said two people have volunteered for the open position: Andrew Raucci and Jerry Gnazzo, and the
28 Committee needs to choose a Budget Committee Member to serve until the next election. Chairman
29 Stanton read the letters of intent from both candidates and invited them to speak.

30
31 **Jerry Gnazzo** said he has lived in North Hampton for 5 years and has extensive experience in both the
32 public and private sectors working with budgets and revenues. He said he is currently the Auditor for Little
33 Boar's Head and a ZBA member; past positions include MA Registrar of Motor Vehicles collecting about
34 \$1 Billion in revenues, ran his own Auto Body Shop business, and was CEO of a nationwide collision
35 business. He felt he could bring a lot to the table and said it would be an honor to serve.

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Andrew Raucci said he is a past member of the Budget Committee and would love to continue to serve. He is a past Combat Marine Corps Veteran, went on to Institution Investment Consulting and worked for a Rhode Island Treasurer creating and managing a 35,000-employee retirement plan. He said he would appreciate the opportunity to continue to serve the community of North Hampton and it would be an honor to serve.

Chairman Stanton asked to go around and have Committee members choose one candidate or the other.

Votes: Larry Miller-*Andrew Raucci*, Rick Stanton-*Andrew Raucci*, Lisa Gallagher-*Jerry Gnazzo*, Brian Goode-*Jerry Gnazzo*, Tom von Jess-*Andrew Raucci*, James Sununu-*Andrew Raucci*, Lisa Gagalis-*Andrew Raucci*, Sean Dionne-*Andrew Raucci*; 6-2.

New Budget Committee Member: Andrew Raucci

Chairman Stanton gave permission for Mr. Raucci to sit at the table without voting.

Economic Update by James Sununu and Discussion

Selectman James Sununu presented the North Hampton Budget Committee Economic Review to provide snapshots of where the economy stands as the Committee gets into the budgeting process.

US Quarterly GDP: Huge spikes from COVID when economy shut down in early 2020 and economic activity plunged then shot back up mid-2020; growing strongly then in early 2022 things started to falter with 2 quarters of economic contraction; have seen anemic economic growth with inflation and concerns about a recession; Feds started raising interest rates aggressively to slow the economy, they have a mandate to control inflation and stabilize employment: borrowing costs go up, businesses borrow less, invest less, and expand less which puts pressure on prices to increase; inflation is starting to come down (currently 5%, down from 9%).

US & New Hampshire Unemployment: Need to look at when gauging the economy to maintain stable employment and prices; unemployment is coming down steadily. Typically, New Hampshire rate is lower than rest of country with a stronger economy overall on average; lower than 5% (people who want to work and are looking for jobs) creates a tight job market.

Participation Rate: Percentage of total working age population that is actually employed. Starting in 1950s more women in the workforce, overall rate over 2/3 of population; came down slowly in 2000s and more rapidly in 2010s largely driven by baby boomers starting to retire; then a rapid plunge when COVID hit or people temporarily out of work; still pressures from baby boomer retirements; participation rate will continue to go down with fewer people in the workforce.

Labor Force Participation Data for New Hampshire: Follows a similar pattern to participation rate, with New Hampshire having a higher percentage of college degrees meaning higher labor force participation rates with things trending down over last 20 years. Numbers in New Hampshire in particular have not bounded back since COVID, potentially due to older average population; second in the country after ME.

Wages & Benefit Growth, Private Sector: Separate charts for private and public sectors. Relatively stable with spike in 2010; wages and salaries pretty steady post 2008-2009 recession with spike due to ACA; fairly steady growth at 2-3% of wages until mid-2021-2022 then a big spike driven by rapid increase in inflation. With wages increasing 2-3% had inflation running at 1-2% with real wages spiking to 5-5.5%

84 with inflation having topped out at 9% and only recently falling back to 5%. Real wage growth in last few
85 years has been fairly negative consistently, with wages falling behind where inflation is running.

86
87 Public Wages & Benefits shows steadier growth as set by multi-year contracts with less volatility; spike
88 similar to private sector but not as much; probably will see a lagging effect in public sector wage growth
89 versus inflation.

90
91 Interest Rates (10Y Treasury Rates): 10Y Treasury Rate is most popular benchmark rate when determining
92 long-term borrowing rates; dealt with this in financing our public buildings for bonding (Town received
93 30Y rate of 3.98%); can see rates dropping when COVID hit then climbing above extremely low level;
94 historically interest rate is still relatively low. In 1980s mortgages were going out at 18% but world of
95 finance has changed dramatically.

96
97 CPI (Inflation): In 1950s and 1960s relatively steady, but 1970s-1980s with oil embargoes and economic
98 problems, astronomically high in terms of inflation. Positive side was in early 1980s inflation was fairly low
99 historically, very steady and healthy overall for the economy; but over last year and a half, which I think
100 is a result of more money injected into the economy as response to COVID, more than the economy could
101 absorb in a steady manner leading to dramatic price increases combined with some supply chain
102 challenges, which persisted after COVID. Inflation is currently still fairly high and not near the Fed target
103 rate of 2%. This affects everything we do as a town in terms of cost and seeing pressure on wages.

104
105 CPI vs Interest Rates: Same chart: in almost every case where you see inflation starting to spike you do
106 not see interest rates starting to come down until the Fed raises short-term rates above the rate of
107 inflation. The Fed rate was at zero for a long time and back to zero during COVID, then runaway inflation.
108 Last month shows the Fed rate about to intersect with inflation rate; remains to be seen if inflation rate
109 will continue to come down. Core inflation has not slowed down as significantly; could see more action
110 by the Fed to slow the economy and potentially induce a recession (rent and OER comprise 40% of core
111 inflation).

112
113 Mortgage Rates – 30Y Fixed: 10Y Treasury Rates are biggest influence on Mortgage Rates; plunged in the
114 2010s (below 5%); numbers have spiked back up which could affect home sales as owners will not sell in
115 this environment; have not seen a big impact on housing prices lately. Impact of COVID on New Hampshire
116 housing prices: took off as New Hampshire opened faster; single biggest impact is changing cult of
117 employment in terms of work from home; currently 20-25% above steady rate and may see home prices
118 drop like in the recession and not recover for decades.

119
120 New Hampshire Median Income: Real Median Household Income in New Hampshire stayed relatively flat
121 for quite a while; started to climb right after COVID and has dropped back off; still up about 12% over last
122 20 years. If it continues to drop it could affect people's economic well-being in New Hampshire.

123
124 New Hampshire 2020 Census: Same Census data as last year, not updated. New Hampshire is one of the
125 few states in New England to actually grow from 2010-2020. Percent change in population 8.9%, 91,444
126 aged 18 and over, -10.6% population 18 and under of 30,385. Some indications trend is starting to reverse
127 in New Hampshire.

128
129 North Hampton Tax Rate History: Shows back to 2004; with new DRA rules requiring revaluation every 4
130 years you see trending up then revaluation changes property tax base then a dip; the town is currently in
131 revaluation process. Shows ranking of New Hampshire in terms of overall tax burden.

132

133 North Hampton Tax Rate Components: Shown by category 2004-2022, same tax rate year by year broken
134 up by where it shows up on tax bill: Municipal, County, and School (local and State); fairly steady.

135
136 Questions: Mr. Goode asked for a copy of the slide show; Chairman Stanton asked a question on Public
137 Sector Wages and Benefits levelling for the last couple of years at 5%. Selectman Sununu said it started to
138 increase in late 2021 from 2% to 5% then flattened out and leveled out in the last quarter; see less volatility
139 due to contracts; uncertain where line will go from here. Mr. Goode asked if the increase includes COLA
140 and merit all in one figure and Selectman Sununu said yes, it is an overall average wage.

141
142 **Discuss First Responder Retention Issues and Options**

143 Chairman Stanton said the Town has lost some Police Officers at a rate of concern and the Budget
144 Committee needs to give support to the Select Board as Police Contract negotiations will need to be
145 reopened. The cost for recruiting and training a new officer is \$33,000 from time of starting to look until
146 officer is street ready and qualified. He said we are now fully staffed in Fire with EMTs and paramedics
147 and need to retain highly qualified employees; can make legal agreements with recruiting bonuses and
148 retainment bonuses.

149
150 Mr. Goode said the Committee is making a dangerous assumption here by assuming people are leaving
151 because of pay offered; nothing has been provided to say that is the reason, and talking about retention
152 bonuses is irresponsible. Chairman Stanton stated that at least 2 officers were poached because when
153 you get a fully trained officer they pay significant sign-on bonuses in excess of \$10,000, He said the first
154 duty of the Select Board is to protect our citizens with Police and Fire.

155
156 Selectman Sununu said what the Town is looking at here is a wide-scale problem affecting departments
157 everywhere and a specific problem in North Hampton. He said there is a labor shortage in public safety in
158 general with officers leaving the profession, with a number of openings across the State. He said the
159 problem developed slowly then very rapidly with a struggle to find employees. Departments are poaching
160 from other towns who are significantly increasing pay relative to North Hampton; probably the smallest
161 town in the State with full-time Fire and Police Departments.

162
163 Town Administrator Tully said after officers started leaving the Town sat down with Union Leadership and
164 asked for a comprehensive list of different things to work on to keep them in North Hampton; the list was
165 returned with one thing: wages. Chief Kurz is still investigating different communities and their pay rates
166 and how North Hampton compares and is finding we are significantly behind. He said the next question is
167 how that happened; the Town started negotiations 2 years ago and, in the meantime, contracts were
168 negotiated with higher rates of pay due to inflation.

169
170 Town Administrator Tully said Gilford, NH (population 7500) is looking to invest \$1.5 Billion in paying
171 benefits to their employees in order to keep them; Hampton Falls is offering a \$10,000 sign-on bonus;
172 Portsmouth has given raises across the board to all employees. He said we are seeing it in Police right now
173 but could easily see this transform to Fire and other positions; each town is vying for the same people and
174 valuable employees are also valuable to every community out there and we need to keep them in the
175 Town of North Hampton moving into the future.

176
177 Mr. Goode agreed but said he does not agree with retention bonuses which pay someone now without
178 looking at underlying issues. Town Administrator Tully said the approach he suggested to the Select Board
179 is a two-pronged approach: (1) have to understand that employees have lived the last year underpaid and

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180 it is correcting the problem to get them to stay; (2) then need to sit down and figure out where they need
181 to be and put out a Warrant in the fall to correct what needs to be corrected.

182
183 Mr. Miller said while he was on the Select Board the Town had a very good Building Inspector interested
184 in Code Enforcement; another town offered a 20% pay increase but the Select Board decided not to raise
185 his pay so he left; it ended up costing the Town \$25,000 versus \$10,000. He said retention bonuses are
186 like fighting fire and right now our town is on fire. Selectman Sununu said this labor market is
187 unprecedented and the biggest fear is it is not going to get better because demographics are not working
188 in our favor.

189
190 Vice-Chair von Jess said he was glad work was being done to look at root causes and encouraged the Select
191 Board and Town Administrator to make sure they are fixing the right problem and ensuring the Town has
192 the services it expects. Mr. Dionne asked what option of time was required to earn full benefits of any
193 retention bonus. Town Administrator Tully said with a union it has to be negotiated whether money
194 upfront with contract to stay for a certain length of time; for town employees would be across the board
195 with Select Board having unilateral control.

196
197 Mr. Dionne asked about a program to reward employees for bringing in new workers; Town Administrator
198 Tully said he discussed this with the Select Board Chairman and thought it would be a positive to set up
199 such a program. Ms. Gagalis said government employees are not paid up to private standards and said
200 she was in favor of any kind of monetary stimulus to keep employees. Mr. Goode asked about setting up
201 a subcommittee and Town Administrator Tully said he did not think that was a good idea. Vice-Chair von
202 Jess said the Town voted to elect the Select Board and hire the Town Administrator to do that work; Mr.
203 Miller added that most of the work has to be confidential.

204
205 **Changes to Budget Committee Schedule**
206 Chairman Stanton said Thursday, January 11, 2024 will be the Town and School Warrant Articles plus the
207 Public Hearing; Wednesday, February 7, 2024 will be the School Deliberative Session.

208
209 **APPROVAL OF MINUTES**

210
211 **Approval of the Budget Committee Meeting Minutes of April 17, 2023**

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213 **Motion:** to approve the Budget Committee Meeting Minutes of April 17, 2023 as presented; **Motioned**
214 by Ms. Gallagher; **Seconded** by Vice-Chair von Jess; **Vote:** approved 5-0 with 3 abstentions.

215
216 **ANY OTHER ITEM THAT MAY LEGALLY COME BEFORE THE COMMITTEE**

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218 **PERIOD OF PUBLIC COMMENT**

219 There were no public comments.

220
221 **Next Budget Committee Meeting:**

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223 **ADJOURNMENT**

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225 **Motion:** Mr. Goode made a motion to adjourn the meeting, **seconded** by Vice-Chair von Jess, all in favor
226 8-0.

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Municipal Budget Committee Meeting
May 15, 2023

- 228 Chairman Stanton adjourned the Municipal Budget Committee Meeting at 8:02 pm.
- 229 Respectfully submitted,
- 230 Patricia Denmark, Recording Secretary

DRAFT