

**TOWN OF NORTH HAMPTON, NEW HAMPSHIRE
MUNICIPAL BUDGET COMMITTEE
JOINT MEETING WITH SELECT BOARD**

SEPTEMBER 20, 2018 7:00 PM

NORTH HAMPTON TOWN HALL

MEMBERS PRESENT: Chairman Jonathan Pinette, Vice-Chairman/School Board Rep James Sununu, Rick Stanton, Frank Ferraro, Laurel Pohl, Tamara Le, Little Boar's Head Rep Brian Goode, Select Board Rep Larry Miller

EXCUSED: Charles Gallant

SELECT BOARD MEMBERS PRESENT: Chairman Jim Maggiore, Vice-Chairman Kathleen Kilgore, Larry Miller

ALSO PRESENT: Town Administrator Bryan Kaenrath

AGENDA

Chairman Jonathan Pinette welcomed everyone to the September 17, 2018 Budget Committee Meeting and called the meeting to order at 7:05 pm.

Select Board Chairman Jim Maggiore called the Select Board Meeting to order, followed by the Pledge of Allegiance.

OLD BUSINESS – None

NEW BUSINESS

Approval of the Minutes of the August 20, 2018 Budget Committee Meeting

The Recording Secretary corrected the listing of Vice-Chair James Sununu as excused, not present.

Motion: To approve the minutes of the August 20, 2018 Budget Committee Meeting, as amended.

Motioned: Mr.

Seconded: Mr.

Vote: Approved 7-0, with 1 abstention???

2018 Economic Review

Vice-Chair James Sununu stated that quarterly **Economic Growth** had gone from 2-3% to just above 4% and had stabilized and was beginning to look more regular over the last couple of years. He said the last few recessions and recoveries showed a high rate of growth coming out of the recessions, with growth over the last few years not quite as consistent. He said **Unemployment** after the last recession was dramatically higher with the national unemployment rate at approximately 10%, which went down steadily to below 4%. He said New Hampshire unemployment also went down steadily from 6% after the recession to 2.6%, with significant New Hampshire job growth since 2013. He said he did not expect those rates to go lower and said this put more pressure on wages, and employers were finding it difficult to hire qualified staff.

Vice-Chair Sununu next addressed **Labor Force Participation** and said it had gone down and not bounced back at all, with a section of the labor force choosing not to work even with jobs more promising. He said this could lead to higher wages and could also lead to higher inflation. He said the rate of participation of workers over 55 was going up, while participation of working-age white males over 16 was going down, and said this also included contract workers. He said low unemployment and increasing wages had a big impact on the **Consumer Price Index** (inflation). He said there had been historically low levels of inflation and that trend was moving upward steadily to a more “normal” level. He said they wanted a little bit of inflation as negative inflation discouraged economic activity.

Vice-Chair Sununu said **Wage & Benefit Growth - Private Sector** slowed significantly at the national level with the recession and that wage growth was leveling out. He said that Benefit spikes were due to increases in Health Care costs. He showed the same **Wage & Benefit Growth - Public Sector** graph for State and local government which fell significantly during the recession and was starting to climb a little due to less volatility.

Vice-Chair Sununu stated that there was a lot of volatility with **Interest Rates**, and after the recession the rates were 3-3.5% then went down to rates that were historically the lowest in 60 years. He said the Fed cut interest rates due to weak economic growth which had driven re-financing, and said they were coming back up a little. He then reviewed **New Hampshire GDP Growth** and said New Hampshire was slower to bounce back from the recession than the rest of the country as a whole. He said while New Hampshire rates were now closer to the national rates, 2% growth was not great for New Hampshire. He said companies had chosen not to do business here because of costs and the difficulty in finding a qualified workforce, with high energy prices in New England a big factor.

Ms. Kilgore asked about the Technical Infrastructure in New Hampshire, and Vice-Chair Sununu said there was broadband access in most of the areas with significant manufacturing activity. He said though there was not a lot of competition, with 5G or LTE wireless coming out, which was designed to provide fixed wireless broadband to residential and business customers, they would hopefully see competition in the telecom business.

Vice-Chair Sununu said **New Hampshire Unemployment** compared to national was very low at 2.6-2.7%. He said people were feeling more positive with outward migration of young workers to urban areas or warmer climates. He said there was significant change to the demographics, and the migration of young families from Massachusetts had stalled out completely with net migration basically zero. He said all population growth was now internal with some younger population outward migration, and said a blended labor force was needed. He said the **New Hampshire Median Income** actually fell over the last 2

years despite unemployment that had bottomed out. He explained that the two lines on the chart represented the Median Income and the Median Income Adjusted for Inflation. He said the average household size was getting smaller year-to-year despite there being more households. He said real income had not budged at all and the average household was not getting ahead. He said real income had bottomed out at \$72,000, which was 10% less than before the recession. He said even though income had stagnated, housing prices in New Hampshire were only on an upward trajectory in 2018 and had passed the previous peak from 2006-2007.

Vice-Chair Sununu addressed the **New Hampshire Retirement System** and said the information showed the health of the Retirement System from the perspective of its funded ratio, which was the percentage of assets relative to current and future liabilities of the retirement system. He said they were funded at approximately 60%, which was well below the national rate of 71.5% and was approximately the 5th lowest in the country. He said they planned to increase funding into the system over the next 30 years to fill the gap. He said the annual average of 8.5-9% was found not to be reasonable and it was currently at approximately 7.5% based on projected future liabilities. He said it had declined steadily since the 1980s when it was fully funded, and said the State originally contributed around 35% which was cut to zero in 2011 for municipal employees. He said he expected employee contribution rates to only go up unless there was another round of pension reform to change those parameters.

Vice-Chair Sununu then reviewed **Population Trends** with the projected demographics for Rockingham County. He said the projected population for ages 0-19 showed actual in 2010 projected out to 2040 with this age group declining a little. He said the population for working ages of 20-64 showed significant decline over the next 25 years, with ages 65+ growing significantly. He said younger workers were not finding it as attractive to work or stay here, and they would not have the same ratio of workers to non-workers in the economy. He said this would be a big factor over time in terms of local budgets.

Vice-Chair Sununu said **New Hampshire's Economic Competitiveness** showed strengths and weaknesses. He said competitively for New Hampshire, its strengths were no income tax or sales tax with a low overall tax burden. He said there was a very highly educated workforce in New Hampshire and a high quality of life overall. He said weaknesses were high business taxes, high employment costs, high energy prices, and demographics. He said Health Insurance rates for both New Hampshire and Massachusetts were extremely high compared to the rest of the country, and New Hampshire was no longer outpacing the country economically.

Mr. Miller stated that one of the strengths was high property values. He said the low taxes were a strength and also a weakness, as all taxes were raised at the local level and there was no help from the State. Vice-Chair Sununu said it was his opinion that low taxes was one of the primary drivers of why the overall tax burden stayed low. He pointed out that New Hampshire had a significantly different overall tax and spending system than most other states. Mr. Ferraro said in North Hampton one quarter of the population was over 65, and the total assessed value of property in the Town looked to have increased about 16%.

Information Requests of the Committee

Chairman Pinette said requests for information from a Town employee would be filtered through him and go through the same process as the past few years to streamline the process and eliminate extra work.

Budget Process and Guidance to Administration

Budget Committee/Select Board Meeting
September 17, 2018

Chairman Pinette said this step was to involve the Select Board, and said he had a schedule for the budget books and getting them as soon as possible would be helpful. Mr. Miller said they would be collectively looking at what the cost of living increase would be. Select Board Chairman Jim Maggiore said in relation to the process, the Select Board would be meeting in a Workshop on September 26th, and that would be the first time they would see the budget as presented by Department Heads. He said the budget books would be delivered to the Budget Committee by October 29, 2018.

Mr. Goode asked if there were any other salary adjustments in the departments or the union up for renewal this year. Chairman Maggiore said there would be one for the Police Department that would be effective in the next budget. Vice-Chair Kilgore said they were looking to have a Warrant Article for that in March to be effective July 1, 2019.

ANY OTHER ITEM THAT MAY LEGALLY COME BEFORE THE COMMITTEE

PERIOD OF PUBLIC COMMENT – None

NEXT MEETING: The next Budget Committee Meeting will be held October 1, 2018.

ADJOURNMENT

Chairman Jim Maggiore stated that the Select Board would be going into Non-Public Session and would recess and not close their meeting.

Mr. Ferraro made a motion to adjourn the meeting which was seconded by Vice-Chair Sununu.

The Budget Committee Meeting was adjourned at 8:20 pm.

Respectfully submitted,

Patricia Denmark, Recording Secretary