

# MINUTES

## JOINT BUDGET COMMITTEE MEETING (JBC)

CITY OF PORTSMOUTH, NEW HAMPSHIRE

1 JUNKINS AVENUE

**DATE:** Wednesday, December 13, 2017

**TIME:** 8:00 A.M.

**Eileen Dondero Foley Council Chambers**

**Municipal Complex**

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### **Present:**

Voting Members: Mayor Jack Blalock, City Councilors – Chris Dwyer and Rebecca Perkins; School Board Members – Ann Walker and Kristin Jeffrey; Fire Commission Member – Jennifer Matthes; Police Commission Member – Joe Plaia

Non-voting Ex-officio Members: City Manager John P. Bohenko; Finance Director Judie Belanger; Superintendent of Schools Steve Zdravec; Fire Chief Steven Achilles; Police Chief Robert Merner

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### **I. Call to Order – Mayor Jack Blalock, Chair, JBC**

Mayor Jack Blalock called the JBC meeting to order at 8:05 a.m.

### **II. Approval of Minutes of November 29, 2017**

City Manager Bohenko moved to approve the November 29, 2017 JBC meeting minutes, and Councilor Dwyer seconded. The motion passed unanimously.

### **III. Opportunity for Elected Officials' Comments (Non-JBC Members)**

Mayor Blalock gave elected officials (Non-JBC members) an opportunity to speak. Seeing no one rise, he turned the floor over to City Manager John Bohenko.

### **IV. Review of Preliminary 2019 Budget – (City Manager John Bohenko and Finance Director Judie Belanger)**

He also gave a background of what the JBC had done the year before. In not wanting the departments to raise their operating budgets by more than 4%, any new initiatives – including new staffing or any new items outside the usual budget – were detailed in a separate memorandum. The City Manager then presented to the City Council a status quo budget that did not increase or decrease services. He suggested the JBC have that same discussion this year, as that worked well in the previous year. He added that the overall budget increase for last year for both operating and non-operating sides of the budget was about 1.85%.

Mayor Blalock agreed with the City Manager's suggestion, and asked the JBC to consider having the departments present their status quo budgets and to separate any additions.

Councilor Dwyer asked about timeframe, and City Manager Bohenko clarified the logistics. He said last year the JBC made the recommendation, and City Council agreed with that. When he sent his memorandum to the department heads, he asked them to put together a similar budget to the prior year, with the new staff or initiative request documented separately. The Council was able to determine cost increases with a status quo budget and identify what it would mean to add new staff or a new initiative. The City Manager said he was able to clarify in the work sessions the details of new requests.

Councilor Dwyer agreed it was logical but it confused new Councilors last year. She said it was a good idea but it was important to make sure everyone was on the same page.

City Manager Bohenko responded that there would be a more extensive work session series this year with departments covered on different nights, and new initiatives would be identified early on. Mayor Blalock agreed and said work sessions focusing on one department at a time would hopefully eliminate confusion and late hour additions.

Councilor Dwyer emphasized they were also asking departments to take hard looks at efficiencies and potential reductions so the term status quo was misleading.

The City Manager agreed and said he would talk to departments about potential adjustments to their budgets. It was important to note the City had already started doing this with the Capital Improvement Plan (CIP). He gave an example of reallocating resources due to new federal mandates regarding storm water requirements. He told departments if they can stay within their budgets and reallocate resources, it would be acceptable. He said he would address that, and the Mayor said the City would revisit that.

Finance Director Belanger began the presentation on the preliminary FY19 budget, which will run from July 1, 2018 through June 30, 2019. She said they worked with the departments to come up with the numbers, but there was still work to be done.

She summarized the long term financial policies that she presented at the first JBC meeting of November 29, 2017 and recapped that the total budget is made up of both the operating and non-operating sides. She specified that the focus at this second meeting was the operating side of the budget, which includes all the services provided by the municipal departments, Fire, Police and School.

The Finance Director said there were still nine unsettled contracts for the 16 Collective Bargaining Units, so they would discuss collective bargaining contingencies that might need to be budgeted in.

She shared that the COLA number has not come out yet, but she expected it this week. She said all the preliminary numbers presented were utilizing the 2% for COLA adjustments for any contracts that are settled.

She said the retirement rates are the same as last year, but retirement would be adjusted by any COLA adjustments or increases associated with the contracts. She said they used the 10-year rolling average, and each department was asked to budget 5.47% in their operating budget.

Finance Director Belanger said they have kept Leave at Termination stable for the last couple of years but they will look at that and Health Insurance before putting together the final budget.

The increase for workers compensation is 6% overall for City-wide but 4.9% is the overall increase for the general fund, so each department utilized these numbers presented to them within their operating budget.

There were some impacts to the General Government side of the budget due to COLA, Health, Dental and Retirement increases, Operating expenses and legal fees. So the General Government budget is 2.6%, but PMA, SMA and non-union employees are not included in this budget as far as COLA adjustments are concerned. So if collective bargaining funds of \$112,000 are added, it will bring the General Government budget to 3.18%.

The Finance Director said the Police Department budget is coming in at 3% without collective bargaining. Police has three contracts that expire on June 30<sup>th</sup>, so they are looking at a collective bargaining contingency of \$167,000, or 4.5% with collective bargaining. Last year Police had two positions to fill, and it was recommended they fill those mid-year. This year Police will fund those positions for a full 12 months, which had an impact on the budget. A reduction of \$40,000 from Parking and Transportation also impacted the Police budget.

For the Fire department all the contracts are settled through 2019, so no collective bargaining contingencies are needed. That operating budget is coming in at 3.1%. The Fire Department also has impacts due to COLA, Health, Dental, Retirement increases and a reduction from Parking & Transportation of \$25,000.

The School Department has contracts for Administrators, Teachers, Clericals, and Custodial Supervisors that will end at end of this fiscal year, and those contracts are still unsettled. They are looking at a collective bargaining contingency of a little over \$600,000. The School Department operating budget is coming in at 4% without the collective bargaining contingency. They have the same impacts as Fire and Police, but they also have increases in Special Education costs. Maintenance costs associated with the high school and middle schools are also increasing, and a reduction in the Parking and Transportation transfer of \$50,000. They utilized a \$150,000 transfer last year so the City is reducing that over a three year period. Increases are coming in at 4% and with additional collective bargaining contingencies a little over 5%.

The Total Operating Preliminary Budget is coming in at 3.5% which also includes a transfer to the indoor pool of \$150,000. Last year there was a transfer to Prescott Park of a little over \$30,000, and this year there will be a \$10,000 increase to that, so it is also included in the operating budget. With collective bargaining the City is looking at a 4.5% increase over last year.

On the Non-Operating side of the budget, there are some large increases, but as the City Manager said earlier, the City can look at the high increases like rolling stock and IT equipment replacement. This also includes a county tax increase of 6.6%. That number is not given to the City until later in the budget process, but it is important to ensure enough funding for that. Overall, the operating side of the budget is 10%.

City Manager Bohenko stated that on capital outlay, for example, the City tries to have a goal of 2% of the prior year's budget.

Finance Director Belanger said the combined preliminary budget on the operating side is 3.5% without a collective bargaining contingency, and on the non-operating side 10.2% -- so a 5% overall increase. Including the collective bargaining contingencies results in a 5.8% overall budget increase.

Councilor Dwyer asked for clarification on if the changes are not yet included and if these numbers are worst case scenarios, and City Manager Bohenko said that was correct.

## **V. Set Goals for Recommendation of Operating Budget Guidelines to the City Council**

The City Manager asked the Mayor to describe how they are setting goals and asked the JBC to direct him on how to proceed.

Mayor Blalock described that the City was asking departments for a budget that is not cutting people, and not cutting services. In addition to that, each department should produce a separate document which would define any new initiatives, and both scenarios would be addressed simultaneously. If a new person or service is to be added, the City either adds more money or makes a cut somewhere. He said they also want to establish a goal for department heads to come back with.

City Manager Bohenko reminded the JBC about the public hearings for various departments prior to the budgets getting to the City Council and said those may be televised. He wanted to make sure everyone was on board with the schedule before adjourning the JBC meeting.

Councilor Dwyer commented there is a higher than typical collective bargaining contingency that they will have to allow for. She would recommended 3.25% as a number for departments to be working with. City Manager Bohenko asked for clarification on if Councilor Dwyer meant the 3.5% or the 5.8% with collective bargaining. Councilor Dwyer said she was looking at collective bargaining separately. Her recommendation was for the Operating budget to be in the 3-3.25% range as a starter.

Fire Chief Achilles said these numbers are preliminary and the Fire Department is still trying to calculate health care changes due to family status changes. He added that the 3.1% is preliminary and he said he thought the department was within the 3.25%

City Manager Bohenko said it is a working document, it is still important to have a goal, and this would be a reasonable goal to have.

Mayor Blalock agreed it was good to establish a goal, but it may be putting too much pressure on the School Department. He does not want to see any services cut, and the biggest part of the budget is the School Department. He said he was thinking more about 4% because 3.25% is aggressive. Mayor Blalock is hoping to see an enhancement of services and personnel. The people of the City have great ideas. The majority of them are pleased with what the City does, but many times they are looking for that one more thing.

Councilor Dwyer said she appreciates what Fire Chief Achilles said, but she did not intend for the 3.25% to be a ceiling. For instance, the School Department may not be able to make up the

\$150,000 for transportation. Having a goal does not mean the City is cutting services – it means taking a hard look at all the lines.

City Manager Bohenko requested some direction from the JBC. If the operating budget is capped at 3.25% before non-operating and Collective Bargaining are inserted, and the overall budget is capped at a total of 4%, he thinks that would work. He would then work to reduce that end of the budget on the non-operating side, and they would have to sharpen their pencils on the collective bargaining side. He summarized that he is thinking 3.25% on the operating side, with 4% overall including non-operating and collective bargaining.

Mayor Blalock agreed with that approach.

Councilor Dwyer said she was not talking 4% overall.

Chief Merner had a question on if the 3.25% was inclusive of the bargaining agreements, but the City Manager had already answered his question. City Manager Bohenko said 3.25% was before collective bargaining.

Councilor Perkins said she would like to see the departments' budgets and what they need to provide their services. She would also like to see the policy driving those decisions, and would like that to be transparent to the Council in order to understand what those concerns are that are driving the numbers.

City Manager Bohenko recapped from earlier in the meeting. During the individual work sessions the departments would come in with proposals separate from their budget if they are going over and above the budget. The Council would look at that in the work sessions. If everyone liked that approach, the City Manager can include that in the budget memorandum to the department heads when the time comes.

Superintendent Zadavec appreciates the collaborative work done with the City Manager and said he thinks having a goal is a good thing, provided they can have a conversation as to what their services would look like. The reality is the School Department has a drastic reduction in outside funds that they can expect. It is costing them significantly more to keep the same amount of services. The School Department is meeting to look at shifting things. They are comfortable with the budget guideline, with the understanding they want to keep the same level of personnel and services.

City Manager Bohenko suggested Superintendent Zadavec communicate the loss of funds to the Council. As federal money goes away and it is folded into the general fund, it affects the tax rate, and the population needs to know certain federal or state money no longer exists. He said they can track how it affects the City and should educate the City Council on those issues, as a certain advocacy may come out of that.

Mayor Blalock agreed and said the budget process is complex, as is the relationship between the budget and funding sources. They need to match up eventually, but the JBC meeting is about the budget.

City Manager Bohenko added that when the JBC hold these meetings, the City does not have the impact of the revenue side because those numbers are not yet available. He asked the School

Department and the Superintendent to provide a list of funding that has changed to inform people. He said this was also happening with the Public Works budget due to a storm water management mandate coming down.

Mayor Blalock said the City Council will hold a work session on January 16, 2018 to establish budget guidelines. The JBC meets to develop a recommendation to give to Council.

Councilor Dwyer asked if the JBC needs to set an overall budget guideline at this point or if that was the Council's work. City Manager Bohenko would like to see the operating side of the budget have some target, then afterwards talk about items new to budget.

Mayor Blalock said it would be helpful to the Council to present a recommendation from the JBC.

Councilor Perkins said she agreed with having a target, but suggested leaving the budget goal to the Council. She has heard from the public that the City needs to watch the budget. There will be hard choices this year, and it is important to stay transparent.

City Manager Bohenko explained how he views what has been said: First he intends to work with department heads to maintain an operating budget under the 3.5% and get down to the goal of 3.25% without the collective bargaining. The next step would be working on adjustments with department heads on the non-operating side of the budget to bring the number down. Then finally, work on collective bargaining, but it will be up to the Council to decide where to go with that. He said he believes he has the direction he needs and asked if everyone understood the process.

Mayor Blalock said this is a chance to weigh in.

School Board Member Kristen Jeffrey asked when the work sessions are, and City Manager Bohenko answered May. He referred to the FY 2019 Budget Schedule, and clarified that early on, the School Board has two public hearings in January and February. That would be the School's opportunity to explain their concerns. Then at the work session in May, the School Department could have it culled down to what to present to Council.

City Manager Bohenko reviewed the FY2019 budget schedule, which will be posted on the website. Going forward the City Manager would like to provide a memorandum on January 16, 2018 to the Council to explain what was discussed at the JBC meeting and to provide preliminary numbers. He asked for any schedule changes from departments.

## **IX. Adjournment**

The meeting adjourned at 8:55

Respectfully submitted,  
Marian Steimke, Recording Secretary