

CITY COUNCIL WORK SESSION

FY12 Budget Review Committee of the Whole

December 13, 2010 – 7:00 p.m.

Eileen Dondero Foley Council Chambers

City Council Present: Mayor Ferrini, Assistant Mayor Novelline Clayburgh, Councilors Lister, Hejtmanek, Dwyer, Coviello, Kennedy (7:30 pm) and Smith

City Council Absent: Councilor Spear

Staff Present: John P. Bohenko, City Manager; Judie Belanger, Finance Director, Dianna Fogarty, Human Resources Director; Dave Ferland, Police Chief; Christopher LeClaire, Fire Chief; Steve Achilles, Assistant Fire Chief; and Edward McDonough, School Superintendent

School Board Members Present: Mitchell Shuldman; Dexter Legg, Leslie Stevens, Thomas Martin, Ann Walker, Carol Chellman, Rebecca Emerson, Henry “Clay” Hayward and Kent LaPage

Fire Commissioners Present: Richard Gamester, Paul Wentworth and Michael Hughes

Police Commissioners Present: Gerry Howe, John Russo and John Golumb

I. Call to Order

Mayor Ferrini called the work session to order at 7:00 p.m.

II. Review of Budget Schedule

City Manager Bohenko stated he would be reviewing the charter requirement, the budget schedule and the FY12 revenues and expenditures. He stated he would also outline the budget guidelines for the departments.

City Manager Bohenko stated the budget starts with the Capital Improvements Program (CIP). He stated the Planning Board initiated the 6-year CIP and the CIP Subcommittee reviews the capital projects in December. He said in January – February the Planning Board will hold public hearings on the CIP and will vote to submit the CIP recommendations to the City Council. He said he will prepare and submit the CIP to the City Council three months prior to the final budget submission. He stated the City Council will hold a public hearing prior to the final City Council adoption of the CIP. He said by Charter the CIP has to be submitted prior to any of the budget being submitted to the City Council.

City Manager Bohenko reviewed the Budget Schedule as stated in the Charter Requirements. He stated that in December he initiated the Budget process with the City Departments. He said each department must submit their budget to him in March. City Manager Bohenko stated that prior to the submission of the budget to the City Council there will be public hearings held by the Fire Commission, Police Commission and the School Board. He stated he will submit

the proposed budget to the City Council 45 days before the start of the fiscal year. He said the City Council will then hold a public hearing. He stated in the past we have had two public hearings, but by Charter we must have one Public Hearing prior to the City Council adopting the budget. He said if the Council takes no action on/prior to June 30th, the budget submitted by the City Manager shall be deemed to have been adopted by the Council.

In addition, City Manager Bohenko reviewed the FY12 Budget Schedule. He outlined the dates for the various work sessions and public hearings. He stated the final adoption is scheduled for June 6, 2011. He stated all work sessions will begin at 6:30 p.m. and public hearings will be at 7:00 p. m., with the exception of the Police Commission which will begin at 6:00 p.m., and all meetings will be televised.

III. Review of Budget Projections for FY12

Judie Belanger, Finance Director reviewed the revenues and expenditures. She said 77.5% of the total revenue source for the City is our property taxes. She said the remaining 22.5% is made up of the following:

❖ Local fees, licenses, and permits	0.96%
❖ Other local sources	8.56%
❖ Parking revenues (less parking fund transfer)	1.56%
❖ Interest & penalties	0.71%
❖ School revenue	6.33%
❖ State revenue	3.08%
❖ Use of designated unreserved fund balance	1.13%
❖ Use of fund balance	0.18%

Judie Belanger stated the State shared revenue no longer exists which constitutes a \$400,000.00 loss. She stated the transition aid implemented last year which would run for two years will disappear in FY12. She said the meals & rooms tax distribution declined somewhat resulting in the City getting approximately 26% and the State 74% and the Highway Block Grant will net less than 12%. She stated this is a total loss of \$540,596.00.

Judie Belanger stated motor vehicle registration is set by the State. She stated in the last few years we have seen an increase in vehicle registration, but there is a \$400,000.00 loss of revenue due to residents holding on to old vehicles and not buying new vehicles or purchasing older vehicles. She stated investment income has taken a major hit with interest rates declining. She said she tries to get long term investments and CD's but we are limited in the types of investments we can do as municipalities. She said since 2008 we have seen a loss of close to \$700,000.00. She said on a good note, in FY10 we had an increase of about \$800,000.00 due to an increase in tuition and an increase in students that we were able to budget for FY11. She said we don't anticipate that this will increase for FY12.

Judie Belanger stated the County Tax has increased over \$600,000.00 or 17.4% since FY08 and it is anticipated to increase again in FY12. In summation, Judie Belanger stated there has been a total loss of revenue of \$833,075.00 with an increase in County Tax of \$623,188.00 resulting in a net loss of \$1,456,263.00. She further stated in FY12 it is anticipated the City will experience a loss of revenue of over \$100,000.00.

Judie Belanger said on the expenditures side, within salaries and benefits, some of the contracts that have been negotiated are based on a rolling 10 year average of the CIP. She said even though we may have some contracts that have not been fully negotiated, we still have the step increases to account for. She stated step increases are projected for 65% of Police Department personnel, 20% of Fire Department personnel, 26% of Municipal personnel and in the School Department, 38% of the teachers and 14% of school staff employees. She stated health insurance costs are up 9.55%. She stated the average Family Plan is \$22,800.00. City Manager Bohenko stated the Stabilization Fund was developed to use a 5% number to offset the costs of health insurance to the departments. City Manager Bohenko went on to discuss the increase for the retirement rates. He stated in Group I, Municipal employees will be going from 9.16% to 11.09%, teachers from 8.02% to 9.07%. He said in Group II, the Police Department will go from 14.63% to 16.62% with the Fire Department from 18.52% to 20.08%. City Manager Bohenko stated these are some of the major areas of expenditures that we have identified.

Mayor Ferrini reviewed the City Council Budget Guidelines as adopted on December 6, 2010. He said the Budget Guidelines adopted were for a no tax, no budget increase for FY12. He said this would mean a tax rate of \$17.41 for FY12 and would result in the following for each department:

Municipal	\$15,444,772.00
Police Department	\$ 8,438,673.00
Fire Department	\$ 6,722,490.00
School Department	\$36,904,000.00

He said there is a non-operating budget increase of about 21%.

City Manager Bohenko discussed ways to reduce any increase by pushing off any new Rolling Stock to another year for a saving of \$645,980.00, authorizing no new bonding resolutions for FY12 within the general fund, delaying \$1,000,000 in Capital outlay for areas we can delay and requesting a zero operating budget increase from all departments.

Mayor Ferrini stated these budget numbers from last year resulted in a reduction of 24 people. He said we need to work smart to bring back these numbers again.

IV Discussion of Budget Guidelines for FY12 as Adopted by the City Council

Councilor Coviello asked about the inflation numbers from November to November. He asked if this is the average over the year from November to November or specifically the November values. Judie Belanger said they compare the numbers from last November to the current November. Councilor Coviello said it is not averaging it over a year. He said the economy changes especially during the holidays. He asked if we are always grabbing the highest numbers. Judie Belanger said it comes out every two months and because of the contract negotiations we picked November to November. City Manager Bohenko said we use November so we can get the information to the departments so they can start working on their budgets.

Councilor Smith said on our fees, he knows you have to have money that actually goes to administrative costs otherwise it becomes taxes. He asked if we are allowed to add fees to implement the CIP. City Manager Bohenko said we probably could make a case that other costs are increasing and those fees could go up that amount. Councilor Smith said this is something our Fees Committee could look into.

Mitchell Shuldman, School Board asked the City Manager to explain who votes on County taxes. City Manager Bohenko stated there is a Board of Commissioners within the Legislative body for the County. He said this body consists of three commissioners. He said there is a public hearing process and is voted on by the County Delegation. He said Portsmouth has seven representatives on the County Delegation, and one executive. He said the budget is proposed by the Commissioners, reviewed by the Legislative Delegation, a public hearing is held and it is then voted on. He said the County tax is based on equalized value, much like the State wide property tax. He stated Portsmouth has the highest paying percentage within the County because of this equalized value. Assistant Mayor Novelline Clayburgh asked what we get for the money we pay for County Taxes. City Manager Bohenko said County Taxes pay for nursing homes, jails, and other community services.

Rebecca Emerson, School Board stated the City takes in \$86 million and we have \$1 million for the capital outlay plan and \$67 million for the operating budget for the Municipal, School, Fire and Police. She said there is still \$17 million unaccounted for. City Manager Bohenko said the operating budget is 68.5 million and the non-operating is \$17.7 million. Rebecca Emerson said so really it amounts to is, what comes in – goes out. City Manager Bohenko said that is correct.

Councilor Smith asked if we are retiring any debt services. City Manager stated he works with Finance and when debt falls off we replace it with new programmed debt.

Kent LePage, School Board stated the Council doesn't want an increase in the budget, but we are starting off with a negative \$1.5 million. City Manager Bohenko said the slide Mr. LePage was citing is a history of what is happening to the revenue side of the budget in terms of loss of revenue. Kent LePage said it still means there is a \$1.5 million differential and in order to get to zero we are already below the line. City Manager Bohenko stated this is an accurate statement. He stated it will be a challenge. Kent LePage stated the School Department has some State expenditures and special education issues that the School has to fund. He said the School is obligated to certain things by both Federal and State statutes that say we must fund these educational programs. He said zero is never zero.

Carol Chellman, School Board asked when the School Department brings in revenue, why this revenue does not come into the School's budget. City Manager Bohenko stated all revenue and expenditures are put in the general fund.

Fire Chief LeClaire said he wanted to insure he was clear on the guidelines. He said the Council took a vote on a zero percent budget with no tax increase. He asked if that mean zero is the goal we should shoot for. Mayor Ferrini said the City Council voted that they wanted the City Manager to come back with the same numbers as last year. He said this begins the process. He said the Council will then go through the process that we have always gone through and hear the departments present the impacts this will cause. He said at that time the

Councilors may wish to vote for less, more or somewhere in between. Councilor Lister said it would be important to give the Department Heads a definitive area that they have to come back to. He said if we are looking at no increase of taxes in the budget, there are going to be some sacrifices. He said he would be very disappointed if after we get to a certain point we start talking about cutting more and more and more.

Richard Gamester, Fire Commission stated the Fire Department has come in with a zero increase twice and the other departments were not able to. He said it is going to be very hard to do this again. He said he would like to know if they can get a little closer consensus as to how close the Council is to thinking zero is probably a good number. Mayor Ferrini said the Council's action vote and memorandum speak for itself. Richard Gamester said he has seen other things happen. He said trying to come in at two percent under or one percent over is going to be difficult and we were at zero percent in 2009 and 2010. He said because of that, it is going to hurt them harder than everyone else.

Councilor Coviello said a year ago the Council asked for a minus four percent decrease and nobody got that.

Mayor Ferrini thanked everyone for coming and for the diligence and hard work that was put in last year. He said we do not take for granted what a difficult time it can be, when the dollar is leading the system. He said the positive he sees is that we have been through a year of difficulty and we understand better what it is like to operate under those circumstances.

V. Adjournment

At 7:50 p.m., Mayor Ferrini closed the meeting.

Respectfully submitted by:

Dianne M. Kirby, Deputy City Clerk