

SPECIAL CITY COUNCIL MEETING

MUNICIPAL COMPLEX
DATE: MONDAY, MAY 8, 2023

PORTSMOUTH, NH
TIME: 6:00PM

I. CALL TO ORDER

Mayor McEachern called the meeting to order at 6:00 p.m.

II. ROLL CALL

PRESENT: Mayor McEachern, Assistant Mayor Kelley, Councilors Tabor, Denton, Moreau, Bagley, Lombardi, Blalock, and Cook

III. PRESENTATION OF FY24 BUDGET – KAREN CONARD, CITY MANAGER AND JUDIE BELANGER, DIRECTOR OF FINANCE & ADMINISTRATION

City Manager Conard said the budget paints a picture of the city and spoke to the goals adopted, which are reflected in the budget. She reported on the elements of the FY24 Proposed Budget:

- Operating Budget
- Non-Operating Budget
- Estimated Revenues
- Estimated Tax Rate
- Water & Sewer User Rates

City Manager Conard spoke in response to the directive by the City Council to achieve a budget increase of no more than 4.5% over FY23, excluding the additional costs of the build-out of the Information Technology Department. She addressed FY24 Budget Impacts:

1. Inflation
2. Contractual Obligations
3. Proposed New Positions
4. Collective Bargaining – (six expired contracts for FY24)
5. McIntyre Impacts
6. Second Year – IT Build-Out
7. Increase Transfer to Community Campus & Indoor Pool
8. Reinstatement of Capital Outlay
9. Regulatory Compliance
10. Loss of One-Time Revenues Received in FY23

City Manager Conard reported according to the Bureau of Labor Statistics inflation is three times higher than it was two years ago. She informed the Council of the 16 Collective Bargaining Agreements in the city, 6 remain unsettled and funds have been set aside in Collective Bargaining Contingency for this purpose. She advised the Council that Collective Bargaining Agreements state the COLA adjustment percentage for FY24 sets a floor of 3%. City Manager Conard spoke to salaries/overtime/longevity and stipends equates to 63.8% of the budget. She addressed retirement rates that prior to FY10 the State of New Hampshire contributed 35% of employer contributions for Teacher's Police and Fire personnel. She advised the City Council that Workers' Compensation General Fund Premiums increased by 10.8% and further stated that the Fire Department pays the highest share of the premium as a result of legislation. She reported on the transition from an outsourced managed services provider to an in-house IT Department.

City Manager Conard spoke regarding the following areas of the budget:

- Rockingham County Tax Obligation Comparison – Portsmouth is at 11.4%
- Debt Service – Percentage Net Debt Service of Budget 7.68%
- Capital Outlay - \$1,820,000.00 | 1.37%
- Capital Investments ARPA Funds - \$759,000.00 or approximately \$.11 on the estimated tax rate
- Rolling Stock/Vehicle & Equipment Replacement Plan - \$877,000.00
- Proposed FY24 Non-Operating Budget - \$25,607,763.00 / Percentage change from FY23 - 2.59%

City Manager Conard reported the General Fund FY24 Proposed Budget is \$137,283,375.00 which equates to a 3.67% increase. She stated that revenues are estimated to decrease by over \$2.7 Million from FY23. She provided a breakdown of Use of Fund Balance for Fiscal Year 2024 Proposed Budget:

Use of Debt Reserve	\$1,700,000.00
Reserve for Tax Appraisal	\$100,000.00
McIntyre Impacts	\$500,000.00
Bond Premium	\$128,379.00
Unassigned Fund Balance	\$2,000,000.00
Total	\$4,428,379.00

City Manager Conard advised the City Council that the estimated tax rate is proposed at \$16.13. She reported that Portsmouth had the lowest equalized tax rate in Tax Year 2021 (Fiscal Year 2022) among New Hampshire's 13 cities and the 51st lowest equalized tax rate in NH out of 234 communities. She reported in terms of the Water and Sewer Enterprise Funds, the City continues to utilize a rate stabilization model, first implemented in Fiscal Year 2014, for addressing long-term financial planning and major capital needs.

Driving Factors of Increases:

- Inflation – Chemicals, materials, and project costs
- Water – Continued EPA PFAS Regulations
- Sewer – Future costs associated with the Pease wastewater treatment facility permit and upgrades

Water User Rate – Proposed 4.5% Increase

Sewer User Rate – Proposed 4.5% increase as a result of the Sewer State Aid Grant (SAG) (*less than the 6% anticipated in the rate model*)

IV. PUBLIC HEARING

A. PROPOSED FY JULY 1, 2023 THROUGH JUNE 30, 2024 BUDGET

Mayor McEachern read the legal notice, declared the public hearing open and called for speakers.

Christina Lusky said the City Council needs to do their homework and not rubber stamp the City Manager's budget. She said the Council can find some areas where there are unnecessary increases. She stated tax increases should be limited and it is the responsibility of each City Council member to lower the budget. She urged the City Council to stick to the basics.

Sue Polidura said the Council can't go on with business as usual because the increase in inflation is affecting all of the residents. She said the request for 35 new positions in the last two years is unheard of. She said there has been no increase in population, but you add new personnel. She urged the Council to hold the line and cut the department's budgets and COLA increases.

Petra Huda asked why the surplus was not given back to the taxpayers. She spoke opposed to additional employees being requested. She stated that spending is out of control and the budget has increased by \$19 million since the City Council took office. She said the population remains the same and struggles to see why it continues to increase. Ms. Huda asked when the assessments are going to be done.

Erik Anderson spoke on the increase in the budget and employees. He said there are costs to adding employees beyond salaries and you need to consider benefits in those costs. He asked where affordability becomes part of the discussion.

Mayor McEachern recessed the public hearing until the June 5, 2022 City Council meeting. He asked Tax Assessor Lentz to speak on assessments. Tax Assessor Lentz advised that new assessments would take effect December 2024 in FY25.

V. REVIEW OF BUDGET WORK SESSION MEETING SCHEDULE

Mayor McEachern outlined the Budget Work Session Scheduled:

- *Monday, May 15th at 9:00 a.m. – 3:00 p.m. – Water, Sewer & Stormwater Departments; Parking & Transportation Department; General Government; School Department; and Public Safety / Fire & Police Departments*
- *Thursday, May 18th – Public Dialogue Budget Sessions*

At the following locations:

- *5:30 p.m. – 6:30 p.m. at Portsmouth Middle School (Stokel Student Commons)*
- *6:00 p.m. – 7:00 p.m. at Community Campus (Movie Room)*
- *7:00 p.m. – 8:00 p.m. at Senior Center (Activity Room 1)*
- *Monday, May 22nd at 6:00 p.m. – Budget Review*

VI. ADJOURNMENT

At 6:55 p.m., Assistant Mayor Kelley moved to adjourn the meeting. Seconded by Councilor Tabor and voted.



KELLI L. BARNABY, MMC/CNHMC
CITY CLERK