

**Joint Budget Committee
Portsmouth, New Hampshire**

Minutes of the December 6, 2001 Meeting

A meeting of the Joint Budget Committee was held on Thursday, December 6, 2001 in Conference Room A of the Portsmouth Municipal Complex.

Attendance

The following were present at the meeting:

City: Councilors Alex Hanson (Committee Chair), Mrs. Joanne Grasso, and Mr. Harold Whitehouse; Mr. John Bohenko (City Manager); Mr. Ted Jankowski (Deputy City Manager); Mrs. Judie Belanger (Deputy Finance Director); and Ms. Dianna Fogarty (Human Resource Department Head)

Fire Department: Commissioner Mr. Paul Wentworth; Acting Chief Chris LeClair

Police Department: Commissioners Jack Kelley and William Mortimer; Chief Brad Russ; and Ms. Karen Senecal (Budget Coordinator)

School Department: Mr. Kent LaPage (School Board Chair); Dr. Lyonel B. Tracy (Superintendent of Schools); and Mr. Peter Torrey (Business Administrator)

Call to Order

The Chair called the meeting to order at 8:00 a.m.

Minutes Approved

Chair Hanson entertained a motion to accept the minutes of the September 6, 2001 meeting. Mr. LaPage moved, seconded by Mrs. Grasso, the minutes be approved as written. The motion was unanimously approved.

***Quarterly
Department Budget
Reviews***

Mr. Bohenko said that Mrs. Belanger would be reporting on the first quarterly departmental budget reviews. He said the purpose of these meetings is to red-flag any areas within the budgets to watch so they know where they stand and to correct any problems during the second and third quarters in order to avoid any surprises in the fourth quarter. He said the meetings took place primarily with the Fire, Police, Schools, and Public Works Departments.

***Quarterly
Department Budget
Reviews (continued)***

Police Department

Mrs. Belanger reviewed the reports. The first report was that of the Police Department. Mrs. Belanger said that with some changes and a little bit of reorganization in the business office, they project their budget will come out at zero. Overtime, however, continues to be a potential concern. She said this is a concern with all departments. The Chair asked about workers' compensation; the Chief responded there is no one in his department out on work related injuries.

Fire Department

Mrs. Belanger said they met with Chief Plummer before his retirement. Projections for the first quarter indicate a shortfall of approximately \$88,000 at the end of the fiscal year. She said the Department needs to continue with training and other areas that come out of the salaries and benefits accounts. Overtime is, again, a problem area. Three firefighters are out on workers compensation, and it costs approximately \$400 for each individual called in to cover a shift. Ms. Senecal, Budget Coordinator, will assist the Fire Department during the second quarter with their year end projections.

Mr. Bohenko said the City Council will be discussing a request from the Fire Commissioners for \$183,647 for the Fire Department to make it through the remainder of the year. This request contains the reinstatement of the hazardous materials operations/decon stipend (\$16,647); additional funding for the 14th firefighter at night (\$95,000); and the projected shortfall in the fiscal year 2002 budget (\$72,000). Councilor Whitehouse asked if the projected \$49,000 deficit in the stipends account is for training. The response was that is for various stipends called for in the contract. Mr. Hanson said the information will be broken down for the Council on Monday evening, and this is an issue the Council needs to discuss.

Public Works

Mrs. Belanger said the Public Works Department is projecting a surplus of \$5,684. She said it is a little too early to come up with an accurate number, and it really will depend on what happens this winter. Last year's budget was affected by snow removal.

School Department

Mrs. Belanger said the School Department is pretty much coming out on target and it is projected there will not be any problems staying within the budget. An accurate number for the AREA (Authorized Regional Enrollment Agreement) tuition will be available by next quarter. Mrs. Belanger said the School Department will track the number of students on free and reduced lunches, as changes to this number affects the Statewide property tax.

***Municipal Budget,
Welfare Department***

Mrs. Belanger reported that on the City side of the budget, the only department trending high is the Welfare Department. This is due to the high rate of layoffs and other factors, such as placing people in temporary housing. She said those accounts will be tracked during the second quarter.

***Quarterly
Department Budget
Reviews (continued)***

Overtime Costs

***Workers'
Compensation***

Mr. Hanson said they should discuss a need to set up a separate fund for overtime to cover the shifts of those workers out on workers compensation, similar to that set up for the leave at termination fund. Mr. Bohenko said the City is able to recover 66% of the costs, and has to make up the difference of 34% plus the money to fill the opening. He said it gets expensive whenever an employee is out on workers compensation, and this is probably a good discussion for later on.

Mr. Torrey said the School Department has been stable in that area, yet its employees are not in the high risk categories. Mrs. Grasso asked about the City's contract with the company that provides workers compensation insurance. She was told the City just signed a three-year contract with Primex. Mrs. Grasso asked if there has been a change and said she has heard some concerns expressed to her about the workers compensation company. She has heard they deny the benefit and people have to go through their own health insurance. Mrs. Grasso said she has some big concerns with that; not only for the employees, but for how it will affect the taxpayers. Ms. Fogarty explained the company has 21 days in which to accept or deny a claim. Many times they do not have access to the medical records within that time frame and will, therefore, deny the claim until they receive and review the information. Mrs. Grasso asked if it is correct that nothing happens until the employee gets an attorney to deal with the workers compensation company. Ms. Fogarty responded no. She also stated that only one claim has been denied since she has been working for the City. Mr. Hanson asked what happens to the employee? Does the City continue to pay that person until a decision is made? Mr. Bohenko said with regard to workers compensation, no one ever has money out of pocket.

Format of Reports

The City Manager asked if everyone is comfortable with the formation of the quarterly report. There were no objections to the format. Mr. Bohenko said they will continue with the process and bring the information to the Joint Budget Committee.

FY 03 Budget

Mr. Bohenko said the schedule for the fiscal year 2003 budget was handed out at the last meeting, and that many department heads are in the process of budget preparations. He said Mrs. Belanger has come up with preliminary increases for health insurance, salaries and benefits. A summary sheet was distributed containing this information. The figure of three percent (3%) was used in projecting salaries. Back in September, the increase per the CPI was 4.5%. Based on information tracking, they believe that figure will be more in the range of three percent due to events since September 11 and the decline in the economy. Mr. Bohenko said the number to be used, per negotiations, is the November Boston-based CPI. In the

meantime, he suggested the departments use the three percent as a guideline for an increase.

Impacts of Level Funded Budget

The City Manager requested the department heads provide him with a one page summary sheet defining the areas to be affected should the budget be level-funded. What would have to be reduced? For an example, he said level-funding would result in the layoff of three City workers (\$150,000 with benefits) and the elimination of the big clean-up collection in the fall (\$90,000). He said it is important for each department to let them know what they would be reducing if they were to talk about staying at a zero percent increase as the public needs to be made aware of this. Mr. Hanson said this topic came up a lot during elections. He assured the Mayor it would be devastating to the City to have a level-funded budget. The Chair asked the department heads to keep the information simple. He said that as he was talking to people one-on-one during the campaign, they came to realize the impact of a zero-percent increase to the various departments' budgets. Mr. Bohenko said they will know the CPI number by December 16.

Health Insurance Premiums

Mr. Bohenko said another area of concern is health insurance premiums. He said they have to look carefully at how much they want to access the health insurance fund that has been set up. He cautioned that each year the account is used, they have to make up the difference between the budget and the premium. Mr. Bohenko said they will have a figure to use at the next meeting in January.

Mr. Jankowski said that last year the October and November fuel prices went through the roof. He is hoping the prices for this season will be much less.

Discussion of Moratorium on Hiring of Personnel

Councilor Whitehouse suggested the City Manager put a moratorium on the hiring of new personnel. Mr. Whitehouse said he is not talking about replacing personnel who retire, but is talking about new positions (part-time and full-time). Mr. Bohenko said this is why they have set up the quarterly reports, so they can monitor the budgets. He said it is not easy to tell department heads not to hire anybody when they have positions that are difficult to fill. He stated, for example, a position requiring technical expertise tends to be difficult to fill, and he would not want to lose a candidate by waiting 60 days. He also stated he does not believe a hiring moratorium would be helpful to the other departments. Mr. Whitehouse said requests to hire would have to be approved by the City Manager after discussions with the City Council. He said it would send a message that the Council wants all departments to hire no additional personnel during this budget year unless justified by the City Manager. Mr. Bohenko said new positions are not added during the budget year. Mr. Hanson said this can be discussed by the City Council when it

sets up the budget guidelines. The Chair suggested the departments build their budgets using the three percent guideline. Mr. Bohenko said they need the next 30 days to take a look at the impact of a three percent budget. He asked department heads that if the three percent cap creates a problem for their departments, that they submit another one page narrative of where it causes problems.

Regarding adding new positions, the City Manager asked department heads to look at every single position in their departments. He suggested that if they look at the guidelines and, after salaries and fringe benefits, feel strongly about not being to operate next year, the second one-page summary needs to come in with their budget as well. He said the Commissions and School Board need to review their budgets and make reductions where they can. If they feel they cannot, put it in the budget narrative. The City Manager cautioned the people that the State property tax will go up 9.4% next year. He said the combined increase of the State property tax and the County tax to the taxpayers of Portsmouth is \$5.50. He said that 7.8% of the City's revenue goes out of the City to fund either the State education funding or the County services.

Chief Russ asked for clarification that, regardless of what the consumer price index (CPI) comes in at on December 16, the budget guideline is three percent. Mr. Hanson responded he would like for the Joint Budget Committee to discuss this and come up with a goal, and the City Manager is recommending a three percent goal. He said if the CPI comes in at three or 3.2 percent, that will be the goal they will try to achieve. Mr. Hanson said that right now he is supporting a budget increase in accordance with the CPI. He also wants each department to submit a one page summary of how their departments would be affected with: (1) a zero percent increase, and (2) a three percent increase. He said the public and members of the City Council need to know how this would impact services and education.

Mr. LaPage, for purpose of discussion, moved the recommendation of the City Manager to tie the budget goal to the CPI. Mrs. Grasso seconded the motion. Chief Russ stated, even using the three percent guideline, his department will have difficulty meeting that goal. He cited overtime and a slight decrease in grants as part of the reason. The City Manager stressed it is important for the public to be educated as to how it will be affected by either a level-funded or three percent increase to its City budget. If they want to keep the tax rate down, these are the services they will lose. Mr. Bohenko said he has never had to build a budget around sending 20% of the revenue outside of the City. He said it is important for City officials to communicate this to the Legislature. The City Manager also said it is his responsibility to provide to the City Council what he believes the City can afford to spend.

(Pending approval of the Joint Budget Committee)

Dr. Tracy said he believes that more communication with the public is critical right now and they should know of the impact on the different level of services. He said our City demands the highest level of services from all departments; and he believes all departments meet those demands. Dr. Tracy said at the last City Council meeting, the City Manager provided a summary of the difference between the consumer price index that drives social security. He said there is a lot of misunderstanding on that, and a lot of people hone in on that and how it affects benefits and salaries. He suggested that it needs to be presented over and over again so that the public understands how the budget is being prepared.

Mr. LaPage said both sides of this discussion are extremely interesting, and he agrees with keeping the process simple. He stated the School Board, in six out of the eight years he has been on the Board, has not added new programs; with the exception of "Exchange City," which is at no cost to the taxpayer. He said they have only been able to do that by staff being creative and outside monies. Mr. LaPage also suggested the City respond to the State by telling them what it cannot provide to its citizens due to having to send 20% of its revenue outside of the City.

Acting Chief LeClair said he has reviewed the Fire Department's budget over the last few days. Some of the expenditures are not in the proper line items, and those corrections need to be made. He said it would be very difficult for the Fire Department to continue existing services with a three percent budget increase.

Mr. Jankowski said the City has gone through a long period of good revenues. He cited the increased revenue from the automobile excise tax and said this trend will not continue to happen.

Mr. Hanson asked committee members if they would feel more comfortable voting on the motion after the numbers have been received and they have information from the City Manager. Mr. LaPage said he is comfortable voting on the motion today, as it does not mean the committee cannot readjust the number in January. The motion to use three percent as a guideline was unanimously approved. The City Manager stated this is a goal for the departments to focus on. It does not preclude coming back and saying the goal needs to be increased.

***Budget Goal
Approved***

Next Meeting

Mrs. Grasso stated the Joint Building Committee will be meeting on January 9, 2002 at 7:30 a.m. The Joint Budget Committee agreed to meet on Tuesday, January 8, 2002 at 8:00 a.m.

Military Leave

Ms. Fogarty said the subject of military leave was placed on the agenda at the request of Councilor Whitehouse. She said five City workers belong to the National Guard. At the present time, only one (a police officer) has been called to active duty. This person has been allowed to continue accepting special detail assignments. (Mr. LaPage left the meeting at this time – 9:00 a.m.) Chief Russ said this patrolman’s position will be held open for one year. When he returns, he comes back at his salary as if there was no break in service or seniority. Mr. Whitehouse said he is concerned with a reservist whose rank is so low that his salary is a hardship for him and his family. His idea is that the City could make up the difference in that person’s salary. He said other cities are doing it, and Rochester, New Hampshire is on the verge of doing that. The City Manager responded there are 15 bargaining units for City workers and there is a collective bargaining process. Mr. Bohenko said he does not believe anyone would disagree with the concept, but that would have to be agreed upon by the individual bargaining units.

Chief Russ said his department’s contracts only address when reservists are in training and do not refer to active duty. He has talked with this patrolman, and the difference in pay is not an issue for him or his family. The Chief stated that if it had been, he would have gone to the Police Commission and asked them to authorize paying the difference. The City Manager said he is not against this, but it is best to do it the right way – through the collective bargaining process; sit down at the table and negotiate it. The Chair asked Councilor Whitehouse if he is okay with the City Manager working this out through a “Memorandum of Understanding” with each of the bargaining groups. Mrs. Grasso said this is important as it sets a precedent and we don’t know what will happen in the future. Councilor Whitehouse was agreeable to turning this over to the City Manager.

State Education Funding

Mr. Jankowski spoke on the State education funding. He said the members of the Coalition Communities have come up with what they think is a better way to set the State property tax. He said, up until now, they have worked very hard at educating people and in trying to eliminate the Statewide property tax. He said their best hope was that in 2003 there would be a Legislature that would be more open to listening to the donor communities.

Mr. Jankowski distributed a draft Constitutional Amendment to amend Part 2, Article 5, by adding the following new sentence at the end: “No political subdivision shall be required to raise or remit to the state, through taxation of real property, funds in excess of the amount required to support the cost of adequate education for pupils in such political subdivision.” He reviewed the virtues of this

(Pending approval of the Joint Budget Committee)

***State Education
Funding
(continued)***

amendment. Mr. Jankowski said there are presently 28, and possibly soon-to-be 29, donor communities belonging to the Coalition Communities. He said the Coalition has unanimously endorsed this idea and concept. He said it is important for endorsement from the school's associations; they need people to go out there and talk about it with their associations. The present system is an injustice and needs to be dealt with. The Chair asked for a motion for a resolution from the Joint Budget Committee to endorse this and present to the City's Legislative Delegation. Mr. Whitehouse made this in the form of a motion; seconded by Mrs. Grasso. Mr. Hanson said some Legislators have different agendas. They want to go to the City Delegation on Monday morning and say they want them to endorse this. There was discussion to the endorsement and the present system of the State's property tax to fund education. Mr. Jankowski credited Legislator Raimond Bowles for getting this amendment introduced to the Rules Committee on Monday. After further discussion, the motion was unanimously approved.

***Endorsement of
Constitutional
Amendment***

Next Meeting

The Chair declared the next meeting of the Joint Budget Committee will be on Tuesday, January 8, 2002 at 8:00 a.m. in Conference Room A.

Adjournment

There was no other new business to come before the committee. The meeting was adjourned at 9:22 a.m.

Respectfully submitted,

Alex Hanson, Chair
Joint Budget Committee