

CITY COUNCIL WORK SESSION

Final FY07 Budget Review

June 13, 2006 - 6:30 p.m.

Council Chambers

City Council Present: Mayor Marchand, Assistant Mayor Ferrini, Councilors Grasso, Dwyer, Reynolds, Pantelakos, Whitehouse, Smith and Hynes

Officials Present: John P. Bohenko, City Manager; Judie Belanger, Finance Director; Steve Parkinson, Public Works Director; Rus Wilson, Recreation Director; Robert Sullivan, City Attorney; Alan Brady, Communications Supervisor/Webmaster; Keith Bates, Welfare Director; Rick Hopley, Building Inspector; Gail Cunningham, Controller; Andrew Purgiel Controller; David Allen, Deputy Public Works Director; Cindy Hayden, Deputy City Manager; Maryann List, Library Director; Peter Rice, Water & Sewer Engineer; Lauren Elliott, Assessor; David Holden, Planning Director; David Moore, Community Development Program Manager; Dianna Fogarty, Human Resource Director; Steve Bartlett, School Business Administrator; Len DiSesa, Deputy Police Chief; Karen Senecal, Police Department; Michael Magnant, Police Chief; Steve Achilles, Assistant Fire Chief; Christopher LeClaire, Fire Chief; and Kelli L. Barnaby, City Clerk

Others Present: Police Commissioners Gerald Howe, Jack Kelley, and John Russo, Fire Commissioner Richard Gamester; and School Board member Raimond Bowles

I. Call to Order

Mayor Marchand called the meeting to order at 6:30 p.m. Mayor Marchand announced that this is a summary of all budget work sessions and the two public hearings held relative to the FY07 budget. He said the purpose of this evening is for the City Council to deliberate and to try to come to a consensus on the budget.

II. Review of Revised Budget Based on Work Session Discussions

III. Review of Resolutions for Budget Adoption on June 19, 2006

City Manager Bohenko referred to the package provided to the City Council consisting of a memorandum from City Attorney Sullivan dated June 9, 2006 regarding suggested procedure for adopting general fund appropriation resolution, budget resolutions, spread sheets outlining budget options available to the City Council, and a listing of capital improvement for FY07. City Manager Bohenko spoke to the funding requests of each department and their total increases. He advised the City Council that he is recommending a \$300,000.00 reduction to the Capital Improvement Plan.

Mayor Marchand said that he appreciates the work and information provided by the City Manager and staff relative to the budget at the request of the City Council. He advised the City Council that the reduction in the School Department means no new positions or services, the Police Department has done a reorganization of ranking officers, the Fire Department will not fill the Fire Prevention Officer; and the Municipal side will eliminate the Information Technology position. These reductions represent a \$1,160,135.00 request for funding from the original proposed FY07 requests. In addition, there is a \$300,000.00 reduction in the Capital Improvement Plan. He said that these reductions will propose a tax rate of \$18.39 with a \$.62 increase from FY06.

Councilor Dwyer asked if discussion could occur this evening relative to the Capital Improvement Plan funding. She expressed concern not including the safety improvements to Islington Street and removing the funding for the creation of recreation fields at the former stump dump. City Manager Bohenko advised Councilor Dwyer that the staff tried to obtain a grant for this project but was unsuccessful. He said that he feels that the \$25,000.00 figure is adequate.

Councilor Reynolds inquired about the funding for the McIntyre Building. City Manager Bohenko advised Councilor Reynolds that \$75,000.00 was funded prior years and we feel that there is enough to get the study started.

Councilor Dwyer asked about the sound barrier for Pannaway. City Manager Bohenko said that funding was added to an out year not this year.

Municipal Budget

Mayor Marchand asked that the City Council start the meeting by coming to a consensus on the Municipal budget.

Councilor Smith spoke opposed to the hiring of any new employees. City Manager Bohenko spoke to the reduction of the Information Technology position in order to keep the request for an additional custodian at the new Library. He advised the City Council that over the last 8 years staffing has remained the same and that we try to allocate resources wherever possible.

Councilor Hynes said that we do not look at dollar signs to decide on the budget, he spoke to the quality of services provided.

Councilor Whitehouse spoke regarding the construction schedule of the new Library and that he feels they are behind, therefore we could delay the hiring of a new custodian until the next quarter of next year.

Councilor Grasso spoke to the new Library that was built in Haverhill, Massachusetts several years ago and because they did not keep up on the maintenance of the building, it now is in need of care. She said she feels it is necessary to hire the additional custodian.

Councilor Raynolds said he concurs with Councilor Grasso and that it is penny wise and pound foolish not to fund the position of an additional custodian for the proper maintenance of the building.

Councilor Pantelakos suggested moving individuals around in order to handle the new Library and hiring an additional person at a later date.

Councilor Smith said he would like to eliminate \$20,000.00 from the Municipal budget. Mayor Marchand asked the City Council if they were in favor of Councilor Smith's suggestion to eliminate \$20,000.00 from the Municipal Budget.

Mayor Marchand requested a straw vote of the City Council relative to this matter. On a 2-7 straw vote failed. Councilors Whitehouse and Smith voted in favor. Assistant Mayor Ferrini, Councilors Grasso, Dwyer, Raynolds, Pantelakos, Hynes and Mayor Marchand voted opposed.

Councilor Smith suggested removing \$4,500.00 from the training line item of the City Council budget.

Mayor Marchand requested a straw vote on Councilor Smith's suggestion to eliminate \$4,500.00 from the City Council training budget line item. The straw vote passed unanimously.

On a unanimous straw vote the City Council removed a total of \$40,850.00 from the Municipal budget for an increase of 5.21%. The total Municipal budget is \$14,596,083.00.

Police Department Budget

Police Chief Magnant discussed the \$68,561.00 savings in the department due to the reorganization of ranking officers. He advised the City Council that there are currently 69 officers and through the reorganization the number would be reduced to 68 officers.

Councilor Smith said with the reorganization there is a request by the department for the hiring of a clerk. Chief Magnant said that is correct, the clerk would review police reports. Assistant Mayor Ferrini said that this position would handle clerical work at a cost of \$28,000.00.

Councilor Whitehouse suggested that the Police Department replace 4 cruisers instead of the requested 5 cruisers as well as reducing the funding for fuel by \$30,000.00. He said that the department could come back if they need additional money and request funds from the contingency fund account.

Chief Magnant advised Councilor Whitehouse that the consumption of fuel remains the same in the department however, the price of fuel has increased. City Manager Bohenko urged the City Council to refer to the energy report dated March 3, 2006. He advised the City Council that there has been a 25% increase based on the energy report.

Mayor Marchand requested a straw vote on Councilor Whitehouse's suggestion to reduce the fuel line item by \$30,000.00. On a 1-8 straw vote *failed*. Councilor Whitehouse voted in favor. Assistant Mayor Ferrini, Councilors Grasso, Dwyer, Raynolds, Pantelakos, Smith, Hynes and Mayor Marchand voted opposed.

Councilor Pantelakos expressed concern regarding the costs of cell phones in the budget. She asked if the City has a contract for the phones. City Manager Bohenko advised Councilor Pantelakos that 2 years ago the City conducted a review of cell phone usage and carriers available for service. He said that we have a contract with Nextel and Verizon and receive the government rates. In addition, we combine users for a group and created savings.

Councilor Dwyer suggested reducing the overtime in the Police Department by 5% - 8 % for a savings of \$22,450.00 - \$33,925.00 depending on which percentage is agreed upon.

Assistant Mayor Ferrini asked what percentage the department currently has spent in overtime. Karen Senecal, Police Department reported that the overtime line item is currently 98% expended. City Manager Bohenko advised the City Council that the department has requested \$449,071.00 in overtime.

Councilor Hynes said he feels that overtime is a necessary expenditure. He said if we reduce the funding now the department may need to come back with an additional request for funding later in the year.

Councilor Smith advised the City Council that he would not be in favor of the reduction. He said based on the Matrix Report, overtime is a part of life and until the City Council gets into the contracts we will not see a savings.

Mayor Marchand said that he would support the 5% reduction in overtime funding. He said that the departments can come back later in the year if they require additional funding.

Councilor Grasso said that she would not support the suggestion because our Police Department spends less than 20% of comparable departments on overtime.

Councilor Whitehouse said if the Police Department did not bring the budget down he would support the suggestion but because of their recommended reductions he would not.

Mayor Marchand requested a straw vote on Councilor Dwyer's suggestion to reduce the overtime account for the Police Department by 5%. On a 5-4 straw vote passed. Councilors Dwyer, Raynolds, Pantelakos, Hynes and Mayor Marchand voted in favor. Assistant Mayor Ferrini, Councilors Grasso, Whitehouse and Smith voted opposed. City Manager Bohenko said that this would represent an increase of 5.52% in the Police Department budget for a total reduction of \$91,011.00. The total Police Department budget is \$7,830,154.00.

Fire Department Budget

Mayor Marchand advised the City Council that the Fire Department would have a reduction of \$80,000.00 by not filling the Fire Prevention Officer.

Councilor Whitehouse said that the Fire Department is a safety division comparable with the Police Department and recommended that the City Council not line item pick a reduction but send it back to the Fire Commission to have them reduce it from the 6.14% down to 5.52% the same as the Police Department.

Mayor Marchand asked what the difference in dollars would represent from the 6.14% to 5.52%. Controller Purgiel advised the City Council that the difference would represent \$36,191.00.

Assistant Mayor Ferrini said he would like to know the impact of reducing the Fire Department budget further by \$36,191.00 as Councilor Whitehouse is suggesting.

Councilor Dwyer said that it would represent a 6% reduction in overtime. Councilor Reynolds said that he would support the suggestion.

Councilor Smith said that the Matrix Report was very clear that the Fire Department overtime was in line and recommended that we hire 4 additional firefighters. He said he would like to know what the impact would be by the reduction in overtime.

Councilor Pantelakos said sometimes reducing this amount of money could mean closing a station for a month or reducing ambulance service. She said she would like to have the Fire Commission report back to the City Council with their recommendations.

Assistant Mayor Ferrini said he would like to hear from Fire Chief LeClaire as to what effect this reduction would have on the department.

Councilor Grasso said she would not support the suggestion because the overtime is needed. She said that the Fire Department cannot choose what calls to respond to. She said that it is important that the City Council remember that all departments cannot be treated alike but according to their needs.

Councilor Dwyer said that overtime is largely used for an employee taking leave. She said that this is a place to start at changing contracts and their structures.

Councilor Whitehouse said that he is looking at the \$10,000.00 increase in education costs and the \$10,000.00 increase in fuel costs in the Fire Department.

Fire Chief LeClaire spoke to what the department does on a daily basis. He said that the costs in the budget cover 13 firefighters during the day and 14 firefighters in the evening. He said in the past years we have balanced the budget on the backs of 14 firefighters at night and when it got to the last quarter of the year and the department ran out of money because they were not allowed to budget correctly. The department had to come to the City Council for an appropriation to cover the over expenditures due to overtime. He said that the department has not over expended the budget in the last five years. He said that the Fire Department has implemented an earned time program to deal with how earned time is taken. He said that overtime costs have been reduced because of the earned time system. He said that it is his job as the Fire Chief to tell the City Council what is adequate staffing.

Councilor Pantelakos spoke to the need for all 3 stations to remain operational.

Councilor Dwyer said if any one can experiment if we can do more with less overtime Chief LeClaire is the person to do it. She said that she has confidence in Chief LeClaire's ability and creative management. She said as salaries increase the overtime costs go up.

Mayor Marchand said if the department requires additional funding the City Council can appropriate the funds necessary.

Mayor Marchand requested a straw vote on Councilor Whitehouse's suggestion to reduce the Fire Department budget from 6.14% down to 5.52%. On a 1-8 straw vote failed. Councilor Whitehouse voted in favor. Assistant Mayor Ferrini, Councilors Grasso, Dwyer, Raynolds, Pantelakos, Raynolds, Smith and Mayor Marchand voted opposed.

Mayor Marchand suggested reducing the Fire Department budget by \$30,000.00 which equates to 5%. On a 4-5 straw vote failed. Councilors Dwyer, Raynolds, Whitehouse and Mayor Marchand voted in favor. Assistant Mayor Ferrini, Councilors Grasso, Pantelakos, Smith and Hynes voted opposed.

Councilor Pantelakos suggested reducing the Fire Department budget by \$20,000.00.

Councilor Smith said he feels that the City Council is now just pulling numbers out of the air to get to a figure that would reduce the overall budget. He said he is opposed to reducing funds in the Fire Department budget.

Councilor Raynolds said that the City Council needs to make informed judgments and suggestions for reductions.

Assistant Mayor Ferrini said that this is not the only session we reduced the budget and we have made reductions. He said we should not forget the ground that we have gained over the review process on the budgets.

Councilor Pantelakos said she would like to give all the departments what they request but the City Council can't because we need to reduce the taxes.

Mayor Marchand requested a straw vote on Councilor Pantelakos' suggestion to reduce the Fire Department budget by \$20,000.00. On a 5-4 straw vote passed. Councilors Dwyer, Raynolds, Pantelakos, Whitehouse and Mayor Marchand voted in favor. Assistant Mayor Ferrini, Councilors Grasso, Smith and Hynes voted opposed.

Councilor Hynes said that this reduction is like creating a credit card charge account for the contingency fund.

City Manager Bohenko advised the City Council that this represents an increase of 5.80% in the Fire Department budget for a total reduction of \$100,000.00. The total Fire Department budget is \$6,126,861.00.

Mayor Marchand declared a brief recess at 8:50 p.m. At 9:10 p.m., Mayor Marchand called the meeting back to order.

School Department Budget

Mayor Marchand advised the City Council that the current proposed reduction for the School Department budget is \$975,244.00 which represented new programs and positions.

Councilor Dwyer suggested cutting to last year's general fund amount for an additional reduction of \$200,000.00 to \$250,000.00. She spoke to Dr. Lister's priorities previously stated during our work session with the School Board. She said that this has been a difficult year for the School Board and there have been a lot of changes in the School Department as well as School Board. She said that a 6.4% increase of the general fund amount from last year is \$1,700,000.00 with an approximate reduction of \$1,200,000.00. She said that this would include the \$975,244.00 but a total reduction of \$1,200,000.00.

Councilor Reynolds said that 70% of the total amount of funds of the School Department are from Portsmouth taxpayers.

Councilor Whitehouse read from a correspondence sent by the School Board dated June 9, 2006 outlining what impact further reductions would have on the department.

Councilor Reynolds said no more is it more important for the City Council to remember that we have bottom line control not line item control. He said that the line item cuts are the responsibility of the School Board. He expressed his frustration with this process and the comments made by School Board members saying that if the City Council does not fund the entire budget request that they care less about kids and their educational needs. He said high quality educational needs can be met with this reduction.

Councilor Grasso expressed concern with the reduction of 4 professional paraprofessionals. She said that you cannot reduce the needs of the special education because those positions need to be funded. Steve Bartlett advised Councilor Grasso that those needs are accumulative. He said you are correct, the School Department must provide the services to the children and things will need to be adjusted in order to provide those services.

Councilor Smith questioned the \$242,161.00 contingency amount listed under the system wide benefits. Steve Bartlett advised Councilor Smith that the funding is for the benefits if the new positions were hired and that the \$242,161.00 is part of the \$975,244.00.

Mayor Marchand asked how many retirements are there for the School Department. Steve Bartlett said that are 15 retirements.

Councilor Smith said that he would suggest that the City Council only fund 4 of the 15 new positions. Mayor Marchand said that it is approximately \$62,500.00 per position for a total of \$687,500.00 for 11 new positions. Councilor Smith spoke in support of the Recreation Department taking over the Athletic Director position. He strongly encouraged the School Board to go back to look at that.

Councilor Dwyer said that she understood that of existing staff with reallocation the Superintendent thought there would be 4 new positions and she had not understood it the way Councilor Smith has indicated.

Assistant Mayor Ferrini asked Councilor Smith if the \$687,500.00 is in addition to the \$1,200,000.00 or the \$975,244.00. Councilor Smith said that the \$687,500.00 is in addition to the \$975,244.00 for a total of \$1,600,000.00.

Councilor Whitehouse spoke in support of an Athletic Director and said he would like the School Board to look at this seriously. He urged the School Board to find funding within their budget for this position.

Assistant Mayor Ferrini said he agrees with much of what has been said however, he would like to see it remain at the \$975,244.00 and include \$90,000.00 for an Athletic Director. He said that the City Council has developed a new manner of dialogue with departments and if you want to justify large increases you need to make a presentation that is similar to the other departments' presentations. He said that we need a results and performances oriented presentation in the future. Assistant Mayor Ferrini advised the School Department that the City Council will be asking how do we challenge our children. He said that he feels it is unrealistic to pay our Recreation Director to handle the Athletic Director's position for the School Department.

Councilor Pantelakos spoke in favor of the Recreation Director taking over the Athletic Director position for the School Department.

Councilor Dwyer said that the City Council has five years ahead of us to make sure the School Department is right sized. She said our population is decreasing rapidly and advised the City Council that there is a 30% difference in 5th graders from kindergarten aged students. She said that we need to use this opportunity and help the School Department crawl back on the limb they got out on and have the wide spread support of the community.

Councilor Grasso commended Assistant Mayor Ferrini for his comments to the School Department regarding changing their budget presentation to the City Council in the future. She said that the Joint Budget Committee requested no new positions or programs for the budget and yet the School Department presented a budget with new programs and 17 new positions. She said that she is looking at the \$975,244.00 as a wash, it is not a cut.

Councilor Smith said that the City Council needs to find a balance of what the taxpayers can afford and the needs of the students in the school system.

Assistant Mayor Ferrini suggested reducing the school budget from \$975,244.00 base line minus \$90,000.00 for the Athletic Director to a total of \$885,244.00.

Councilor Smith said from the discussion it appears that the School Department requested to replace 4 of the 15 positions and not 11 new positions, therefore the number would be reduced from the \$687,500.00 to \$250,000.00

Councilor Smith requested that Mayor Marchand remove the \$687,500.00 from the list of suggestions. Councilor Smith suggested reducing the School Department budget by \$1,200,000.00 plus \$250,000.00 for a total of \$1,450,000.00.

Mayor Marchand requested a straw vote on Assistant Mayor Ferrini's suggestion to reduce the School Department budget by \$885,244.00. On a 1-8 straw vote failed. Assistant Mayor Ferrini voted in favor. Councilors Grasso, Dwyer, Raynolds, Pantelakos, Whitehouse, Smith, Hynes and Mayor Marchand voted opposed.

Mayor Marchand requested a straw vote on the base line figure of \$975,244.00. On a 1-8 straw vote failed. Assistant Mayor Ferrini voted in favor. Councilors Grasso, Dwyer, Raynolds, Pantelakos, Whitehouse, Smith, Hynes and Mayor Marchand voted opposed.

Mayor Marchand requested a straw vote on a minimum reduction of \$1,200,000.00. On a 8-1 straw vote passed. Councilors Grasso, Dwyer, Raynolds, Pantelakos, Whitehouse, Smith, Hynes and Mayor Marchand voted in favor. Assistant Mayor Ferrini voted opposed.

Mayor Marchand requested a straw vote on a minimum reduction of \$1,450,000.00. On a 1-8 straw vote failed. Councilor Smith voted in favor. Assistant Mayor Ferrini, Councilors Grasso, Dwyer, Raynolds, Pantelakos, Whitehouse, Smith, Hynes and Mayor Marchand voted opposed.

Mayor Marchand requested a straw vote for a \$1,200,000.00 reduction. On a 8-1 straw vote passed. Councilors Grasso, Dwyer, Raynolds, Pantelakos, Whitehouse, Smith, Hynes and Mayor Marchand voted in favor. Assistant Mayor Ferrini voted opposed.

City Manager Bohenko advised the City Council that this represents an increase of 5.60% in the School Department budget for a total reduction of \$1,200,000.00. The total School Department budget is \$32,472,916.00.

Capital Improvement Plan

Mayor Marchand advised the City Council that the original funding request for the Capital Improvement Plan was \$1,500,000.00 but City Manager Bohenko has recommended an additional reduction of \$300,000.00 which would bring the funding request to \$1,200,000.00.

The following is a list of items that would encompass the additional \$300,000.00 reduction to the Capital Improvement Plan:

<i>Furnishings and Equipment for New Library</i>	<i>(\$50,000.00)</i>
<i>McIntyre Federal Office Building – Phase I</i>	<i>(\$25,000.00)</i>
<i>Land Acquisition</i>	<i>(\$25,000.00)</i>
<i>Reclamation of Former Stump Dump</i>	<i>(\$25,000.00)</i>
<i>City Hall Servers Upgrade/Replacement</i>	<i>(\$10,000.00)</i>
<i>Citywide Work Station Replacement</i>	<i>(\$10,000.00)</i>
<i>City Complex Pedestrian Way Improvements</i>	<i>(\$25,000.00)</i>
<i>Islington St/Spinney Rd Intersection Safety Improv</i>	<i>(\$25,000.00)</i>
<i>Peirce Island Bridge: Repair Rails</i>	<i>(\$25,000.00)</i>

Traffic Calming/Upgrades: Ocean Rd (\$80,000.00)

Councilor Whitehouse suggested reducing the Capital Improvement Plan by an additional \$100,000.00 by the reduction of the following items:

<i>Municipal Fire Alarm System: Repairs & Improv</i>	(\$15,000.00)
<i>Municipal Complex Site Improvements</i>	(\$25,000.00)
<i>Cooling Towersound Upgrades & Replacement</i>	(\$25,000.00)
<i>Chestnut St Improvements - African Burial Ground</i>	(\$25,000.00)
<i>Capital Outlay Contingency</i>	(\$10,000.00)

City Manager Bohenko said that the \$100,000.00 in additional reductions was a request of Mayor Marchand for discussion purposes. He said that these recommendations are going to be difficult reductions. He said that these cuts are getting into diminishing returns. City Manager Bohenko advised that the improvements to the African Burial Ground may not happen this year because there is still need for fund raising efforts. He said that the cooling Towersound upgrades and replacement at the Municipal Complex will cause difficulty and the City Council will see a large number of people at future meetings requesting the allocation of funds for these improvements. He advised the City Council that he feels comfortable with the \$25,000.00 reduction to Municipal Complex Site Improvements, \$10,000.00 for Capital Outlay Contingency and \$10,000.00 for Municipal Fire Alarm System Repairs and Improvements.

Assistant Mayor Ferrini asked for further information regarding the impact of not funding the cooling towersound upgrades and replacements. Public Works Director Parkinson advised the City Council that the cooling tower that supplies the air conditioning system for the entire complex is extremely old and in poor condition and is a noise generator that is effecting the residents in the area.

Councilor Raynolds said that the system should be replaced for efficiency purposes.

Councilor Grasso suggested approving the \$300,000.00 in additional reductions to the Capital Improvement Plan for total funding of \$1,200,000.00.

Councilor Whitehouse inquired about removing \$25,000.00 in funding for aerial photography. He attended a meeting of the PDA which was funding \$25,000.00 for aerial photography and questioned if this was a duplication. City Manager Bohenko said that is incorrect. He advised the City Council that \$25,000.00 is to tie in with our aerial photography project. He said their section of the Tradeport funding is \$25,000.00 and that is their project.

Mayor Marchand asked if the City Council is in favor of considering the reduction in aerial photography. Councilor Whitehouse was in favor with all remaining Council members opposed.

Assistant Mayor Ferrini said he would support the reduction for improvements to the Municipal Complex. City Manager Bohenko advised the City Council that this funding is for improvements to the lower parking lot and lighting.

Councilor Whitehouse suggested eliminating the \$75,000.00 funding for the Peirce Island Bridge Repair Rails. City Manager Bohenko advised Councilor Whitehouse that the Capital Improvement Plan continues each year and it may take three years to get the \$150,000.00 needed to make these repairs.

Mayor Marchand requested a straw vote for a \$300,000.00 reduction in the Capital Improvement Plan for a total budget of \$1,200,000.00. On a 8-1 straw vote passed. Assistant Mayor Ferrini, Councilors Grasso, Dwyer, Raynolds, Pantelakos, Smith, Hynes and Mayor Marchand voted in favor. Councilor Whitehouse voted opposed.

City Manager Bohenko advised the City Council that this represents an increase of 2.56% in the Capital Improvement Plan for a total budget of \$1,200,000.00.

City Manager Bohenko provided the City Council with a new summary sheet showing the reductions made this evening. He advised the City Council that the percentage increase to the budget would be 3.98% with an increase to the tax rate of \$.70.

Municipal budget increase will be 5.21% for a total of \$14,596,083.00

Police budget increase will be 5.52% for a total of \$7,830,154.00

Fire budget increase will be 5.80% for a total of \$6,126,861.00

School budget increase will be 5.60% for a total of \$32,472,916.00

Councilor Smith said that the overlay account has \$800,000.00 in funding for this year and asked if we know what we expect to expend this year. City Manager Bohenko explained that the overlay is used for replacement of any tax cases we may have for a value being challenged. He advised the City Council that historically the number has been at \$1,000,000.00 but we have settled most of our cases and because this is a revaluation year we will have more challenges to taxpayers' values. He said that the City is allowed to accumulate funds over time and currently have \$2,200,000.00 now in the account and we can evaluate the figures next year. City Manager Bohenko advised the City Council that he would be uncomfortable reducing this figure further. He also reported to the City Council that we have \$200,000.00 in liability out there now.

Councilor Smith said he would like to reduce the funding in the outlay by \$200,000.00. City Manager Bohenko said that reducing this fund is really taking from one pocket to another.

City Attorney Sullivan advised the City Council that we have large cases pending and we are unable to discuss the totals at this time.

Councilor Whitehouse said that we should do everything to get the tax rate down. He expressed concern with the increases in water and sewer rates and the tax rate. He said he would like to look at the overlay account and take the remaining balance in the contingency fund to put back into the operating budget to reduce the tax rate another 2 to 3 cents.

City Manager Bohenko advised the City Council at the end of the fiscal year if we have less expenditures than budgeted than that is an operating surplus which goes into the City's fund balance. He advised Councilor Whitehouse if you vote to reduce you could take money from fund balance and put it as revenue and reduce the taxes further, but to take the remaining

contingency fund to reduce FY07 you could not do that from an accounting standpoint. He cautioned the City Council to look at a one time project.

Councilor Whitehouse said that the City Council could direct the amount in fund balance be withdrawn into a general operating part of the budget to reduce the tax rate further. City Manager Bohenko said you would adjust the revenues and this would be a one time revenue source and you need to make that up next year. He said the key to utilizing fund balance is to use it for specific one time purposes. Mayor Marchand advised the City Council that we should not use one time revenue sources. He said the three deadly sins are over estimating revenues under estimate expenditures and the use of one time revenue sources.

City Manager Bohenko advised the City Council that the ordinance requires that our fund balance cannot be less than 7% with a goal of 10%.

Mayor Marchand requested a straw vote on the Municipal Budget. On a unanimous straw vote the Municipal, non-operating, and the \$500,000.00 from Debt Reserve passed.

Mayor Marchand requested a straw vote for the Municipal budget for a total of \$14,596,083.00 or a 5.21% increase. On a unanimous 9-0 straw vote passed.

Mayor Marchand requested a straw vote on the Police budget for a total of \$7,830,154.00 or a 5.52% increase. On a unanimous 9-0 straw vote passed.

Mayor Marchand requested a straw vote on the Fire budget for a total of \$6,126,861.00 or a 5.80% increase. On a unanimous 9-0 straw vote passed.

Mayor Marchand requested a straw vote on the School budget for a total of \$32,472,916.00 or a 5.60% increase. On a 8-1 straw vote passed. Councilors Grasso, Dwyer, Raynolds, Pantelakos, Whitehouse, Smith, Hynes and Mayor Marchand voted in favor. Assistant Mayor Ferrini voted opposed.

Mayor Marchand requested a straw vote on the Capital Improvement Plan for a total of \$1,200,000.00 or a 2.56% increase. On a 8-1 straw vote passed. Assistant Mayor Ferrini, Councilors Grasso, Dwyer, Raynolds, Pantelakos, Smith, Hynes and Mayor Marchand voted in favor. Councilor Whitehouse voted opposed.

City Manager Bohenko advised the City Council that the funds used from debt reserve is from a premium we received on a bond issue so the City must utilize that premium towards a reduction in debt. He also advised the City Council that when the City Council talked about moving the Middle School out of the FY 08 that allows the debt service to drop down slightly in future years so we can utilize some of the debt service reserve to smooth that out.

Mayor Marchand announced that the tax rate would be 3.98%.

Mayor Marchand requested a straw vote on the reduction of \$500,000.00 from the Use of Reserve for Debt. On a unanimous 9-0 straw vote passed.

City Manager Bohenko said that staff would insert the numbers agreed upon this evening into the budget resolutions for action on Monday, June 19, 2006.

City Attorney Sullivan discussed the procedure on the adoption of budget resolutions. He referred to his memorandum to the City Manager Bohenko dated June 9, 2006 regarding the suggested procedure for adopting the general fund appropriation resolution.

At 10:45 p.m., Mayor Marchand closed the meeting.

Respectfully submitted by:

Kelli L. Barnaby, CMC
City Clerk