

CITY COUNCIL WORK SESSION

Review of FY11 Municipal Budget

Thursday, April 22, 2010 – 6:30 p.m.

Eileen Dondero Foley Council Chambers

City Council Present: Mayor Ferrini, Assistant Mayor Novelline Clayburgh, Councilors Lister, Hejtmanek, Spear, Coviello, Dwyer, Kennedy and Smith

Staff Present: John P. Bohenko, City Manager; Judie Belanger, Finance Director; Andrew Purgiel, Controller; Maryann List, Library Director; Steve Parkinson, Public Works Director; David Allen, Deputy Public Works Director; Rus Wilson, Recreation Director, Cindy Hayden, Deputy City Manager; Dianna Fogarty, Human Resources Director; Jon Frederick, Parking Manager; David Moore, Community Development Director; Kim McNamara, Health Officer; Peter Rice, Water and Sewer Engineer; Rosann Maurice-Lentz, Assessor; Kristin Regis, Revenue Administrator; Rick Taintor, Planning Director; Gail Cunningham, Controller; Keith Bates, Welfare Director; Rick Hopley, Building Inspector; Robert Sullivan, City Attorney; and Kelli L. Barnaby, City Clerk

I. Call to Order

Mayor Ferrini called the work session to order at 6:30 p.m., to discuss and review the FY11 Municipal Budget. Mayor Ferrini thanked City staff for their hard work with the budget as well as putting a hold on their wages last fiscal year.

II. Introduction

City Manager Bohenko briefly reviewed the Municipal Budget advising the City Council that there are a total of 17 Municipal Departments. He informed the Council that 10 departments submitted budgets that are at or below FY10 budget.

FY11 Proposed budget adjustments:

- Salaries and Benefits: \$460,526
(including Health & Dental Insurance,
Leave at Termination and Retirement)
- Contracted Services – (e.g. Revaluation and
Aquatic Services) \$54,598
- Other Operating – (e.g. fireworks; recycling;
Other misc.) \$129,643

- Staffing Reductions (with benefits) (\$422,570)
- Indoor Pool Closure (excluding personnel) (\$209,554)
- Outside Social Services 10% from FY10 (\$31,356)

FY11 City Council Request of 96% of FY10:

City Manager Bohenko reported that the following reductions would have to be reduced from the FY11 Proposed budget to meet the 96% City Council Requested Budget.

Public Works	(\$275,818)
General Government	(\$29,500)
Library	(\$57,800)
Recreation	(\$10,848)
Outside Social Services	(\$157,181)
<u>Addition Personnel</u>	<u>(\$76,540)</u>
 <i>TOTAL</i>	 <i>(\$607,687)</i>

Municipal 96% Budget

(Reduction from FY11 Proposed Budget)

- **Public Works**
 - Weed Control (\$44,550)
 - Mosquito Adulticiding (\$34,035)
 - Mosquito Larvaciding (\$77,216)
 - Ball Park Turf Spraying (\$22,305)
 - Turf Growth Retardant (\$2,690)
 - HVAC Professional Services (\$60,000)
 - Rubbish Overtime (\$23,348)
 - Recycling Overtime (\$11,674)

Monday night downtown pickup and Holiday pickup would be moved to a regular work day schedule.

- **General Government** (\$29,500)
 - Fireworks (22,000)
 - Overtime (7,500)

- **Library** (\$57,800)
 - All Sunday hours, eliminate 2 PT Staff
 - Reduction in materials (29,970)
- **Recreation** (\$10,848)
 - Outdoor Pool Staff
- **Outside Social Services** (\$157,181)
 - Reduce all social services to \$0
 - CDBG funds to Social Services is \$117,000
- **Additional Personnel Cost** (\$76,540)
 - Not yet identified

III. Presentations – General Government

- **Recreation**

Recreation Director Wilson reported that this budget is a decrease of \$315,332.00 or 28% from FY10. This reduction is the result of closing the indoor pool.

He reviewed the programs and services provided by the Recreation Department at the Connie Bean Community Center, Spinnaker Point Recreation Center, Greenleaf Recreation Center/Skateboard Park, Outdoor Pool and Special Programs. In addition, Director Wilson addressed the increase in fees at Spinnaker Point and with 300 new memberships the facility would be self-sustainable.

Councilor Spear spoke to the fees for the indoor pool. City Manager said 1% of all revenues come from our fees. He also advised the City Council over the last 8 years the City has raised the indoor rates 3 times. City Manager Bohenko said we could do an evaluation of the outdoor pool fees.

Councilor Lister spoke to the costs involved for the fireworks. City Manager Bohenko reported that last years funds for the fireworks came from the UDAG fund.

Councilor Coviello asked if there has been an analysis for cost savings with moving the new gym from the Connie Bean to the Middle School. Recreation Director Wilson said there would be a savings. City Manager Bohenko said that there would be a savings in terms of maintenance and we will put together an analysis and provide the information to the Council.

Councilor Dwyer said there should be some savings with the School Department budget by the combining of services with the second gym at the Middle School. She spoke to various fees and said that we should have a policy for fees.

- **Public Works**

Public Works Director Parkinson reviewed the department organization chart and said the department proposes a budget of \$5,666,927 for FY11 which is an increase of \$29,491 or 0.5% from the FY10 budget. This increase is due to the cost of transportation of recycled materials to appropriate facilities for processing. All current services provided by the department will continue at present levels.

He spoke to budget impacts of the 96% City Council Request. This would be a reduction of \$246,327 or 4.4% from the current FY10 budget. The following items will be eliminated with this budget proposal.

Weed Control, Mosquito Adulticiding, Mosquito Larvaciding, Ball Park Turf Spraying, Turf Growth Retardant, Professional Services (HVAC), Rubbish overtime and Recycling overtime. In addition, Monday night downtown pickup and Holiday pickup would be moved to a regular work day schedule. The full service contract for HVAC systems in municipal buildings will be reduced to a controls and monitoring contract with repairs being funded through the regular operational budget.

Public Works Director Parkinson said a major budget increase is \$50,000 for recycling by contract. He reported that salaries and benefits make up 60% of the total budget. In addition, he reviewed department information as follows:

Current number of employees 60.7 (No increase in Personnel)
Maintain: 136+/- miles of roadway, 75 miles of sidewalks and 16 bridges.
8 municipal buildings/facilities including custodial services
120+/- pieces of equipment/vehicles
9 playgrounds and 10 parks/ball fields
4 historic cemeteries

He said that we provide Solid Waste Services to 8,100 households that generate approximately 13,000 tons of material on an annual basis that is recycled or disposed of both curbside and at the recycling center.

Councilor Kennedy asked about single stream recycling. Public Works Director Parkinson said that at this point the department is working on a few scenarios. He informed the Council that over the next year the program will change and how we collect materials from the street.

- **Library**

Library Director List reported the total Library Department's budget for FY11 is \$1,480,349 which is a decrease of \$1,522 from the FY10 budget. She informed the Council that materials have been level funded and it follows a reduction of \$5,105 in FY10. She said in the current fiscal year, the Library is recording between 1,000 and 1,700 visitors per day. She indicated that two staff positions have been reduced from full time to part time for a reduction of .53 FTE and a reduction in retirement benefit payments. In FY11 staff hours will be reduced 20 hours per week through further efficiencies in the following areas:

Clerical functions in ordering and receiving
Meeting Room booking and public programming

Budget Impacts of the 96% City Council Request:

Library Director List reported a budget of \$1,422,551, or 96% of the FY10 budget will call for a reduction of 40 hours per week of staff time and significant loss of purchasing power for books and other library materials. She said with the reduction, the Library will close all Sunday hours. Sunday visits to the Library in calendar years 2009 and 2010 have ranged from 500 to 1,000 with a full range of services including high numbers for circulation (averaging just over 1,000 items per Sunday), heavy use of both library computers and wifi access, community use of meeting rooms, and library presented programs for adults and young people. These are just some of the areas of concerns with the impacts of a 96% budget.

Questions were asked regarding residents and non-residents with library cards and the cost involved for that. Councilor Coviello asked which day is the facility used less by individuals. Director List said there is no day that the facility is not used but Thursday evenings has less usage and also advised the City Council that the Library operates on a shoestring budget.

Councilor Smith inquired as to charges for the use of conference rooms. Director List informed the Council that they do not charge for the use of rooms.

Councilor Spear said it is important to note that the Library is providing more for less. He said the services are increasing and the staffing is being reduced.

- **Welfare**

Welfare Director Bates said the Welfare Department represents an overall decrease of \$42,593 or 11.4% from FY10. He reported that he would be working on a part-time basis for the City.

Budget Impacts of the 96% City Council Request:

Welfare Director Bates reported the department was able to exceed the City Council's 96% budget request in its department requested budget through the reduction of one full time position to part time. He further indicated that the City Manager is not recommending further reductions within this department, which is one component of the overall Municipal budget. He advised the Council that he anticipates 175 new cases next year and there maybe an increase in shelter costs.

Councilor Kennedy expressed concern with making the position part-time. City Manager Bohenko said that Keith retired under the system and he is meeting the needs of the public being on a part-time basis. Director Bates said if issues arise where there is a need for more time then he would alert the City Manager of such. Councilor Kennedy asked for an update in 3-4 months from Director Bates relative to the department and the number of cases.

- **Social Service Agencies**

Welfare Director Bates reported the budget request is \$157,181 and all agencies are in the FY11 Department Request column at a 10% reduction from FY10. He reported that Seacoast Mental Health (SMHC) allocated \$13,895 of its \$24,795 FY10 grant to the New Heights Program, which will separate from SMHC effective 7/1/10. SMHC's grant was therefore reduced by \$13,895 and the remaining \$10,900 allocation, to SMHC's Adult Outpatient program, was reduced by 10% leaving a total 16.6% reduction from the FY10 Outside Social Services budget.

Director Bates informed the City Council that the 96% City Council request would represent the elimination of all funding for Social Service Agencies in order to meet the Council directive of a 96% FY11 City budget.

- **Planning, Inspection, Health**

Deputy City Manager Hayden reported that the Planning Department is proposing a budget for FY11 of \$525,433, representing an increase of \$10,421 or 2% over FY10 primarily due to contractual obligation, associated with salaries and benefits. Reductions are proposed in printing, professional services, travel and conferences, and training and education line items resulting in a decrease of (\$8,171) in other operating expenditures. She addressed the various responsibilities of the land use boards and the various public hearings recently held.

Councilor Kennedy asked what the overtime is primarily used for within the Planning Department. Deputy City Manager Hayden informed Councilor Kennedy that the overtime is for the secretarial support provided to the land use boards and commissions to attend and record the minutes.

Deputy City Manager Hayden reported that the Inspection Department is proposing a budget of \$358,390 for FY11. This represents a decrease of \$353 from the FY10 budget. She advised the City Council that in recent years the Inspection Department has been generating permit fee revenue which offset all of its operating expenses. She said in FY09, fees from all construction permits were \$882,143.00.

Councilor Spear spoke to the building codes and how they're becoming more sophisticated with changes in energy efficiencies and in the future call for an additional position in the department.

Councilor Hejtmanek spoke to the technicality with the codes and the amount of training the employees in the department attend through the State of New Hampshire.

Councilor Kennedy asked how often the fees in the department are reviewed. Deputy City Manager Hayden responded the fees are reviewed on an annual basis. City Manager Bohenko said it is important to note that a fee must remain a fee and not become a tax, you can only charge for what the cost is in supplying the service.

Deputy City Manager Hayden reported that the City's Health Department is responsible for inspecting over 269 food establishments and outlined the various areas that they inspect. She informed the Council that the workload is continually increasing with the addition of new food services, and ever increasing food recalls. Due to newly emerging and re-emerging environmental health threats, the Health Department is also taking on an increasing role in Emergency Response, mass vaccination clinics, and outbreak investigations. The proposed FY11 budget reflects a slight increase of \$270.00 or .2% over FY10.

Councilor Kennedy commended the Health Department for having no overtime costs. Mayor Ferrini stated that these are salaried employees thus no overtime costs are incurred.

- **Finance Department**

Finance Director Belanger outlined the four major divisions and responsibilities of the department: Accounting, Assessing, Tax Collection, and Information Technology. The budget represents an overall increase of \$17,993.00 or 1.1% from FY10. The next increase is primarily the result of:

1. Salaries and benefits associated with Contractual Obligations
2. Additional services required to maintain property values throughout the City to be in compliance with state assessing standards
3. Reduction of one (1) full-time staff position to part-time.

She discussed on-line payments through the parking and water and sewer departments. She also informed the City Council that it is anticipated to have tax bills on line in the future.

Councilor Kennedy asked if we need to fill the Deputy Assessors position which is currently vacant. City Manager Bohenko informed the Council that contractual persons have been brought in to go through the revaluation process and we will determine following that if a deputy is needed. He said the position serves as a place marker in the budget.

Councilor Spear asked if the credit card payments are costing the City money. Finance Director Belanger advised the City Council that there is a convenience charge associated with the payments.

IV. Presentation – Parking & Transportation

Public Works Director Parkinson reported that the proposed budget of \$2,291,724.00 for FY11 is comprised of an Operating Budget of \$1,306,195.00 a Capital Budget of \$279,000.00, Transportation Budget of \$233,579.00 and Debt Service of \$472,950.00.

The proposed operating budget shows an increase of \$25,528 over the FY10 operating budget. He informed the Council that this budget includes the elimination of the Traffic Engineer position with the Public Works Director assuming responsibility for day to day operations and utilizing the services of a Transportation Engineering firm on an as needed basis for technical reviews.

He outlined the various projects included within the Capital Budget such as the replacement of current parking meters with new technology and payment features, improvements to the High/Hanover Parking Facility, bus stop shelters and replacement of the violations management program.

Public Works Director Parkinson discussed department information and informed the Council that the FY11 budget proposed 9 FTE and 20 part-time employees. The department maintains:

High/Hanover Parking Facility	910 spaces
Surface Parking Lots	592 spaces
On Street Parking	<u>766 spaces</u>
TOTAL	2,268 spaces

Pay & Display spaces	24 meters
Single Space Meters	503 meters

City Manager Bohenko informed the City Council that this budget reduces the tax rate by \$.30 and we receive revenues of \$3.6 million dollars.

Councilor Dwyer spoke to our transportation needs and said she was surprised to see a decrease in ridership for COAST. Parking Manager Frederick said the decrease was due to the decrease in gas prices and now ridership is increasing again as gas prices go up.

Councilor Lister asked if the pay and display system is meeting our expectations. Parking Manager Frederick said that it has worked very well for us.

Assistant Mayor Novelline Clayburgh asked about increasing parking fees. Councilor Smith informed the City Council that the Parking Committee reviewed this issue and at this point it has been put on hold. Assistant Mayor Novelline Clayburgh spoke to how Newburyport, MA increases their parking rates on the weekend and asked if that is something we could consider. Councilor Smith said that people that attended the public hearing on raising parking rates were overwhelming against any rise in costs and in favor of decreasing the hours of enforcement.

Councilor Spear spoke to the use of COAST buses for school transportation and said he would like to discuss that possibility at another time.

Councilor Dwyer said what Assistant Mayor Novelline Clayburgh brought up is a good point.

V. Presentation – Sewer & Water Departments

- **Water Department**

Deputy Public Works Director Allen reviewed the organizational chart for the Water and Sewer Departments. He advised the City Council that the FY11 proposed budget represents an increase of \$154,385.00 or 2.4%. The increase is primarily due to the new water treatment plant currently under construction. The operating and maintenance portion of the budget reflects a decrease of 0.48% from \$4,276,131.00 in FY10 to \$4,255,467 in FY11.

The savings in the operations portion of the budget were realized through the elimination of a position shared with the Sewer division as well as some savings that will occur relating to the disposal of the residuals at the new treatment plant.

Deputy Public Works Director Allen reported in FY11, the City will have completed the Automated Meter Reading system project that will allow all customers to be billed on a monthly basis. The Madbury Water Treatment plant construction will continue in the budget year with start-up of the new facility beginning in the 4th quarter of FY11.

The current City water rate structure is a two tiered rate structure. The proposed first 10 units of water per month will be billed at a rate of \$4.15 per unit up from \$3.30 per unit in FY10. Any consumption above 10 units is billed at \$5.00 per unit which is up from \$3.90 in FY10. He reported that 80% of all the residential customer usage is billed at the 10 units or less tier. The proposed water rate will raise the average residential customer's water bill by approximately \$8.50 per month.

Councilor Kennedy said she would like to do a 5 unit rate for water and sewer. Councilor Kennedy said she views water and sewer rates as a tax and this is an increase in water of \$.85. City Manager Bohenko said the next step would be to go to a 3 tier system which would require a change to the ordinance.

- **Sewer Department**

Deputy Public Works Director Allen informed the City Council that the FY11 proposed budget represents a decrease of \$213,918.00 from the FY10 budget. The operation and maintenance portion of the budget reflects a decrease of 1.7%. The budget reflects a reduction of one position that was shared with the Water Division. The division also increased one-half position due to reallocation of resources from the Water Division. He reported that additional savings is also anticipated through operational changes in the disposal of fats, oils and grease at the Peirce Island Wastewater Treatment Facility.

He said capital costs associated with meeting increased regulatory demands continue to drive the sewer rates. Along with the increased regulatory demands, the State has eliminated the 30% State Aid Grant program that the City utilized for project funding in the past. He advised the City Council the projected loss of revenue for FY11 is approximately \$300,000.00.

He spoke to the Wastewater Masterplan that will be completed in FY11, which will outline the preferred alternative for bringing the Peirce Island Wastewater Treatment Facility into compliance with secondary treatment standards as well as the potential nutrient removal standards.

Deputy Public Works Director Allen reported that the Sewer Division uses a two-tier rate block structure similar to the Water Division. He spoke to the need to increase the sewer rates in FY11 to \$5.50 for the first 10 units and \$6.05 for consumption greater than 10 units. These increases are necessary to cover the costs associated with Federal and State regulatory issues requiring significant capital projects. He informed the Council that 80% of all the residential customers usage is billed at the 10 units or less tier.

City Manager Bohenko reported to the Council that he does not anticipate the rate payers being affected by the new Wastewater Plant until 2018. Councilor Spear said he supports pushing the term of the payment over a 30 year term versus a 20 year term to lower the costs. He suggested starting to prepay for the cost of the plant now.

Councilor Dwyer spoke to disposal methods. Deputy Public Works Director Allen reported that we are at the infancy stage of the restaurant program.

VI. Questions and Discussion

City Manager Bohenko informed the Council that this concludes the review of the Municipal Budget and there would be a review of the Capital Improvement Plan at the May 11th Budget Review meeting.

Mayor Ferrini announced that the Fire and Police Department budgets would be reviewed on April 28th.

Discussion followed regarding health care costs and self insurance.

Councilor Spear said he is not sure if departments have a handle of the picture and where the Council is moving with the tax rate. He feels it would be helpful for the City Council to discuss where they are headed in terms of a tax increase. He further stated that budgets should go up with the rate of inflation and expressed concern with taxpayers' ability to pay.

Mayor Ferrini said we need to proceed with the process and one statement is not a decision by the City Council.

Councilor Kennedy encouraged departments to come forward with as little of an increase as possible. She asked if the City Council budget resolution could be voted with a bottom line figure. City Attorney Sullivan reviewed the area of the City Charter that outlines the budget process. City Manager Bohenko reported that historically the budget resolution outlines a figure for the Municipal, Police, Fire and School. Mayor Ferrini said we would need 5 votes of the Council to change the process.

Councilor Coviello said that the Council is not prepared to send a clear message at this time because we are unsure what the tax rate will be.

City Manager Bohenko advised the City Council at the May 11th Budget Review Work Session we will review all of the pro-forma budget resolutions and if the Council wants to change the process that should be determined at the May 11th session.

Councilor Spear said the Council could set a level number and review those impacts of the departments. He said he does not want to raise taxes twice the rate of inflation.

VII. Adjournment

At 9:15 p.m., Mayor Ferrini closed the meeting.

Respectfully submitted by:

Kelli L. Barnaby, CMC/CNHMC
City Clerk