

## **CITY COUNCIL WORK SESSION**

### **FY11 Budget Review**

Tuesday, May 11, 2010 – 6:30 p.m.

Eileen Dondero Foley Council Chambers

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City Council Present: Mayor Ferrini, Assistant Mayor Novelline Clayburgh, Councilors Lister, Hejtmanek, Spear, Coviello, Dwyer (via conference call), Kennedy and Smith

Staff Present: John P. Bohenko, City Manager; Judie Belanger, Finance Director; Dianna Fogarty, Human Resources Director; Andrew Purgiel, Controller; Gail Cunningham, Controller; Keith Bates, Welfare Director; Ed McDonough, Superintendent of Schools; Mary Ann List, Library Director; Alan Brady, IT Coordinator/Webmaster; Steve Parkinson, Public Works Director; Dave Allen, Deputy Public Works Director; Peter Rice, Water & Sewer Engineer; Jon Frederick, Parking Manager; Bob Sullivan, City Attorney; Rus Wilson, Recreation Director; Rosann Maurice-Lentz, Assessor; Cindy Hayden, Deputy City Manager; Karen Senecal, Police Budget Coordinator; Steve Griswold, Deputy Fire Chief; Chris LeClaire, Fire Chief; Steve Bartlett, School Business Manager; Steve Zdravec, Assistant Superintendent; Kristin Regis, Revenue Administrator; Dave Fernald, Police Chief; Stephen Dubois, Deputy Police Chief; Steve Achilles, Assistant Fire Chief; and Kelli L. Barnaby, City Clerk

Commissioners: Richard Gamester, Paul Wentworth and Michael Hughes, Fire Commissioners; Jerry Howe, John Golumb and John Russo, Police Commissioners

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#### **I. Call to Order**

Mayor Ferrini called the work session to order at 6:30 p.m., to discuss and review the FY11 Budget.

#### **II. Introduction**

City Manager Bohenko announced that Tuesday the nation's two largest bond rating agencies cited the City of Portsmouth's strong financial management in affirming their high bond ratings, which will continue to save taxpayers thousands of dollars in reduced borrowing costs over the next several years. He advised the City Council that Standard & Poor's Rating Group affirmed the City's AA+ bond rating, which was upgraded just last year, and also raised the financial management assessment rating for the City of Portsmouth to strong, the highest attainable level.

Finance Director Judie Belanger announced the City received nine competitive bids for a \$17.3 million bond issue Tuesday. The winning bidder was Fidelity Capital Markets on the bond with an average interest rate of 3.269%. Finance Director Belanger said proceeds of the bond will finance \$15 million for renovations of the Middle School (half of the \$37.5 million approved by the Council last summer); \$1.8 million for FY10 City improvements for facilities, streets and sidewalks; and \$500,000 for school improvements as part of the long-term capital plan.

City Manager Bohenko stated that we received an extremely low and advantageous interest rate, which will save our taxpayers thousands of dollars over the life of the bond, due to the affirmed bond ratings that demonstrate to the national and international business communities that Portsmouth is a sound and secure financial investment. He indicated that the interest rate is 96 basis points below what we anticipated when the budget was presented to the City Council. He indicated that over a period of time things have changed such, as new growth is estimated at \$500,000.00, and additional tuition is now projected to be \$350,000.00. He said that these items will reduce the tax rate an additional \$.22. He addresses Non-Operating Expenditures as follows:

• Overlay (based on 10 yr Avg)	(\$200,000)
• Capital Outlay	(\$300,000)
• Contingency	(\$50,000)
• Debt Service (Indoor Pool Rehab)	(\$21,250)
• Debt Service (Bond Issue 5/11/10 Budget vs. Actual)	(\$148,050)

He stated with the above referenced items this would lower the tax rate by an additional \$.19

In addition, City Manager Bohenko outlined the various Capital Outlay projects that he is suggesting to be reduced are as follows:

- Planning Department Master Plan Planning Process	(\$25,000)
- Seawall Repairs	(\$50,000)
- Reclamation of Former Stump Dump	(\$25,000)
- Municipal Complex Storage Building Replacement	(\$100,000)
- Islington Street-Streetscape Improvements	(\$100,000)

City Manager Bohenko is recommending a reduction in operating expenditures of health insurance for medical premiums by (\$264,226) for a reduction of (\$0.07) off the tax rate.

### ***FY 2011 Budget Adjustments***

#### ***Summary***

	<b><u>Total</u></b>	<b><u>Rate</u></b>
<b>Revenue from New Growth</b>	<b>\$500,000</b>	
<b>Increase to Revenue</b>	<b>\$350,000</b>	<b>(\$0.22)</b>
<b>Decreased to Expenditures:</b>		
<b>Non-Operating</b>	<b>\$719,300</b>	<b>(\$0.19)</b>
<b>Operating</b>	<b>\$264,226</b>	<b>(\$0.07)</b>
	<hr/> <b>\$1,833,526</b> <hr/>	<hr/> <b>(\$0.48)</b> <hr/>

<b>Original Proposed Budget Tax Rate Increase</b>	<b>\$1.28</b>
<b>Proposed Changes</b>	<b>(\$0.48)</b>
<b>Tax Rate Increase After Proposed Changes</b>	<b>\$0.80</b>

In addition, he provided the City Council with a chart outlining tax rate scenarios indicating a tax rate increase of \$0.80 on a \$300,000 median family home value would see an increase of \$240.00 in taxes.

City Manager Bohenko also addressed Indoor Pool Funding Options as follows:

1. Establish a special revenue fund using Save the Indoor Pool (SIPP) alternative B
2. Estimated cost of operating the indoor pool in accordance with alternative B for July 1, 2010 through June 30, 2011 is \$332,420.
3. Estimated annual revenue by SIPP is \$178,000.
4. Total net operating loss according to SIPP (\$154,420).
5. Appropriate \$155,000 from fund balance to fund operating loss
6. July 1, 2011 to December 31, 2011 operating cost estimated at \$166,000.
7. Revenue for that period needs to be raised above the cost of operating the pool for six monthske over responsibility for operating and running the pool under a lease from the City of Portsmouth
8. If on December 31, 2011, there is an operating loss, the City of Portsmouth will close the pool and not offer a lease. If there is an operating deficit on December 31, 2011, the City of Portsmouth would be responsible for funding from existing resources.

It should be noted that all revenue received including donations would be placed in the Special Revenue Fund to offset all costs.

### **Municipal Budget**

Councilor Coviello asked if all revenues and donations would go to the funding. City Manager Bohenko said that is correct.

Councilor Spear said he could endorse all areas with the exception of the operating expenditures for health insurance premiums and expressed his concerns.

City Manager said he also was concerned but after reviewing the 10 year average we felt the reduction could be done.

Councilor Hejtmanek expressed his concern with the overlay amounts and spoke to the different housing markets and how they can quickly change. City Manager Bohenko advised the City Council that we feel comfortable at 62% of premium. He said if the City Council is uncomfortable we can address this matter further.

Councilor Coviello said he supports Councilor Spear's recommendation to not use the health insurance stabilization and stay with the conservative budget.

Finance Director Belanger addressed the City Council and indicated that because we use the 10 year rolling average we were able to establish this fund.

Councilor Spear said the reason he would adjust any budget is to lower the tax rate. He made the following suggestions for reductions:

Municipal	-1%
Fire	-1%
School	-1%
Police	-5%

He indicated that he does not look forward to cutting Municipal by -1% since they came forward with a budget below the 2.8% rate. City Manager Bohenko said the 1% would equal a further reduction of \$156,000.00 from the Municipal Budget.

Councilor Spear spoke to the reduction from the Public Works Department and suggested weed control, mosquito adulticiding, ball park turf spraying, turf growth retardant, rubbish and recycling overtime. He said he would like to lower the tax rate for an increase of \$.30.

Assistant Mayor Novelline Clayburgh thanked the taxpayers for coming out during the public hearing. She said she does not want to see services deteriorate too much. She said that she is looking for a tax rate with an increase of not more than \$.60. She indicated we would need to come forward with another \$750,000.00 in reductions meaning that each department would need to reduce their budget by \$192,000.00. Assistant Mayor Novelline Clayburgh stated with an increase in the tax rate of \$.60, it would mean an additional \$180.00 per year for a house valued at \$300,000.00.

Councilor Lister spoke to the value of services provided through the Municipal Budget and his concern with removing some items this year with the intent of putting them back next year. He urged the City Council support the Municipal Budget as presented.

Councilor Hejtmanek said he would support the recommendation of Councilor Spear regarding the tax rate.

Councilor Smith asked Public Works Director Parkinson to address the items Councilor Spear has suggested to be cut from the Public Works Department budget. Public Works Director Parkinson said to say whether or not the funding would return next year is an unknown. He spoke to the effects of not having the services as part of this budget.

Councilor Kennedy said she agrees with Council Spear's suggested recommendations. She stated that she would encourage the City to be more creative. She said it is not the Council's job to micro-manage line items within the budget. She spoke in favor of providing the City Manager with a bottom line budget.

Councilor Coviello asked City Manager Bohenko if there was another revenue source that could be used to fund the crossing guards. City Manager Bohenko said we have the parking fund that has transportation in it and other programs. He said it is possible if the City Council wanted to move that function out of the Police Department into the parking program. Councilor Coviello spoke in support of City Manager Bohenko's recommendation. He said we are in this together and does not feel departments need to have an equal cut across the board. He does support an -1% reduction for the Municipal Budget. In addition, he would support moving the fireworks to the UDAG fund.

City Manager Bohenko said that areas of the budget have been addressed and reviewed over the last few weeks and there may be other areas that we could mitigate to save money. He spoke to the School Department Construction Manager and having a savings of \$50,000.00.

Councilor Kennedy spoke to the transition with State and Federal funding for schools. She feels that this is a very fluid budget and we need to be open minded throughout the process.

Mayor Ferrini said we need to get to a number for each department.

Councilor Dwyer said she hates micro-managing but the budget increases are all personnel costs. She said it makes sense to restructure for the long term and make personnel cuts that will stay for the future. She spoke in support of the Municipal Budget as presented and stated next year will be more difficult.

City Manager Bohenko said he echoes the concerns expressed by Councilor Dwyer. He said we saw a reduction of 9 personnel in FY10 and there will be a reduction of 23 personnel in FY11 which equals 32 positions in the last two budget years.

Mayor Ferrini said he is comfortable with a higher tax rate increase than \$.30. He addressed various services and expressed concern with letting our fields deteriorate from lack of maintenance.

Councilor Smith said he is comfortable with the budget presented by City Manager Bohenko. He spoke in support of moving fireworks to UDAG funds and have the recyclables and rubbish be done during the week.

### **Police Budget**

Councilor Coviello said this is the department that he heard the most about during his campaigning. He said there is a feeling among residents that there are an abundant number of officers. He said we have a difficult time determining how many police are enough or too little. He said he supports a -5% reduction to the Police Department budget which would equate to a reduction of \$432,000.00

Councilor Smith said that there is a difference between everyday population, work population, service population and event population.

Councilor Kennedy said if there is an increase in revenues for the Police Department she would like to honor that towards the budget next year. She spoke to homeland security grants and other revenue sources we could obtain. She indicated that she supports Councilor Spear's request for a -5% for the Police Department.

Councilor Lister said he does not support the -5% reduction in the Police Department. He said he is still looking for revenue sources. He expressed concern with the safety of our residents. He spoke to the recent events of last week and the outstanding job the public safety departments did to protect the City and residents.

Councilor Dwyer said she would support some reduction to the Police Department but not the -5%. She addressed the changes in restructuring that have taken place within the Police Department and these occur over time. She stated that there are 4 vacancies in the department TBD, which total approximately \$200,000.00 and said that she would suggest the positions to remain open.

Assistant Mayor Novelline Clayburgh said she would like to propose that the Police Department come in with a \$300,000.00 reduction.

Councilor Hejtmanek spoke in support of the -5% reduction for the Police Department. He stated that the demographic average in NH and NE would be 1.8 per 1,000 people which would equal 36 officers and we have 68 officers.

Councilor Spear said he does not like reducing any budget but we cannot have a tax rate that is higher than the rate of inflation. He said that taxes were the number one issue during the campaign and something needs to be done this year. He stated that it has been a challenge to find the right staffing model for the Police Department. Councilor Spear said we need to find the right amount of funding and staffing levels for our department.

Councilor Smith said he does not support a -5% reduction but does support some reduction. He said the State keeps putting things down to the municipalities and that is who we need to be angry with. He stated that many residents don't realize that we lost revenue sharing and how that has affected our budget process. He said safety of the community is important and he urged the City Council to take a ride along with an officer to see what they face on a daily basis. Councilor Smith said he feels a -5% reduction is irresponsible.

Mayor Ferrini said looking at the 4 TBD vacancies in the Police Department he would recommend not filling those positions as a budget savings.

### **Fire Budget**

Councilor Coviello said he supports the Fire Department budget as submitted. He said the department could manage overtime better but that 96% of the department is based on salaries and benefits. He said any reduction would cause an increase in response time and he is opposed to that.

Councilor Lister spoke in support of the Fire Department budget as presented. He said they do a great deal of fire prevention.

Councilor Kennedy said she supports Councilor Spear's -1% reduction. She would like to see Station 3 looked at. She said there are questions and there needs to be discussion whether Station 3 should remain open.

Assistant Mayor Novelline Clayburgh said she would like to see a \$300,000.00 reduction in the Fire Department budget. She said the overtime figure is excessive. She said the Chief has tried to lower the overtime, but the cost remains excessive.

Councilor Dwyer said she supports the budget as proposed. She said she does not feel we are at the point where Station 3 needs to be closed. She said she is not in favor of reducing response times.

Councilor Smith spoke in support of the Fire Department budget. He said in terms of the health expenditures coming down, that would affect their amount. City Manager Bohenko advised the City Council that the Fire Department would come in below 0%.

Councilor Hejtmanek also spoke in support of the Fire Department budget.

Councilor Spear spoke to the Fire Department. He said his review of their budget was challenging because the staffing levels have remained the same but the overtime has increased. He stated that we are at minimal staffing at each station.

City Manager Bohenko said he is comfortable leaving the Fire Department as presented.

### **School Budget**

Assistant Mayor Novelline Clayburgh indicated that residents expressed their feelings relative to the School Department budget at the public hearing. She said she is passionate about the school system and said that this is one of the best school systems in NH. She stated that a quality school system is the reason people locate to a community. She urged the Council to support the 2.8% increase in the School budget.

Councilor Hejtmanek said the entire Council supports education but the problem is we have a continuing cost problem with the schools. He said we need to take action today for future costs of tomorrow. He stated that the teachers need to step up and give up some of their compensation.

Councilor Spear spoke in support of his request for a -1% reduction in the School Department. He said we are inching our way up to a \$.39 increase in the tax rate. He said it is important that we hold the line on the tax rate to keep it at the level of inflation.

Councilor Lister addressed various mandates within the School Department which require funding. He spoke in support of the 2.8% increase in the budget.

Councilor Smith said he does not want to pay more taxes than necessary. He spoke to the number of calls he has received in support of the 2.8% increase to the School Department budget. He addressed the need to hold the budget public hearings at the High School auditorium due to the number of individuals that came out to speak. He said residents want to insure that the level of education their children receive does not go down. Councilor Smith expressed his concern with the teachers being unwilling to reopen their contracts.

Councilor Kennedy said we need to be creative with funding the School Department. She said we can make cuts to the budget without affecting programs and services.

Councilor Dwyer spoke to the Superintendent of Schools ideas for restructuring and said that she is in support of the School Department budget. She said there has been an effort to make changes that will last going forward. She said there are a number of changes that need to be made and we need to give them the opportunity to bring them forth and make the long term decisions that will impact the School Department budget.

Councilor Coviello said the schools are higher on the priority list. He said a \$100.00 increase in taxes cause people to have to make some tough choices. He said we need to remember the taxpayers' ability to pay.

Councilor Smith inquired as to the number of students sent out of district. Superintendent of Schools McDonough said there are 13 students placed out of district. Councilor Smith said isn't it true that some placements are court ordered. Superintendent of Schools McDonough said that is correct.

Mayor Ferrini spoke opposed to cutting the School Department budget. He expressed his concern with the teachers not reopening their contracts and its affect on the budget. He said we could save \$500,000.00 if the teachers would forego their raises as the municipal employees did last year.

In addition, Mayor Ferrini restated that the municipal budget has had a reduction of 32 employees in the last two years and asked the City Council to remember that issue moving forward.

At 8:50 p.m., Mayor Ferrini declared a brief recess. At 9:00 p.m., Mayor Ferrini called the meeting back to order.

### **Capital Budget**

Mayor Ferrini said that City Manager Bohenko has presented a reduction of \$300,000.00 from the Capital Improvement Plan.

Councilor Coviello said he supports the City Manager's proposal. Councilor Lister said he also supports the reductions outlined by City Manager Bohenko.



Councilor Dwyer asked if removing the funding for the Islington Street Streetscape Improvements is a timing issue. City Manager Bohenko said it is a timing issue and this project can be put off a year.

Assistant Mayor Novelline Clayburgh asked if we did not do the brick sidewalk would that affect any category in the Capital Improvement Plan. City Manager Bohenko informed the Council that there are no brick sidewalks in this Capital Improvement Plan.

Assistant Mayor Novelline Clayburgh asked if the funding for the Municipal Complex Elevator Replacement could be put off for a year. City Manager Bohenko informed the Council that only one of the two elevators is currently working in the building and he would not recommend waiting any longer to make the necessary replacement to the elevator.

Councilor Smith asked if we could push out the funding for the Maplewood Avenue Rehabilitation. Public Works Director Parkinson indicated that this project is tied with the water and sewer project and the funding is necessary for the design of the project moving forward.

Councilor Smith inquired about removing the funding for the historic cemetery improvements. City Manager Bohenko said that we have not paid attention to the historic cemeteries and we need to maintain them. He would advise against removing that funding.

Councilor Smith asked about the funding for the Jones Avenue conceptual master plan. City Manager Bohenko said that original funding request was for \$25,000.00 but we used \$12,500.00 from the conservation fund and this is the remaining \$12,500.00.

Consensus of the City Council is to support the City Manager's recommendation for a reduction of \$300,000.00 from the Capital Improvement Plan.

#### **IV. Review of Pro-forma Resolutions for Budget Adoption**

City Manager Bohenko provided copies of pro-forma budget resolutions for the Council to review. He outlined the General Fund Resolution. Discussion followed regarding the process during the City Council meeting and the various departments that are comprised within the Resolution.

City Manager Bohenko said the Fees Resolution will need to be adjusted due to the SIPP proposal for the indoor pool. He said it is a fluid document and we may need to make changes through the year. He indicated that he would be working with Assistant Mayor Novelline Clayburgh on this matter.

He spoke to the Water and Sewer Resolutions and asked that Finance Director Belanger address the Special Revenue Resolution. Finance Director Belanger informed the Council that the Special Revenue Resolution comprises of any contributions and grants we receive for the coming year.

Councilor Kennedy asked if the Water and Sewer Resolutions can be adjusted throughout the year. City Manager Bohenko advised the Council that these are fixed Resolutions. He said the tier system changes would be for next year.

The final Resolution for review is the Investment Policy Resolution which is required by State law. Finance Director Belanger said as indicated, this is a resolution required by State law. She spoke to the various investments and income.

City Manager Bohenko said that the first resolution on the General Fund will require a great deal of conversation. He said the City Council may want to establish a Special meeting to adopt the budget. He advised the City Council that he would request multiple recesses because of changes to the budget.

Mayor Ferrini said adoption of the budget would require carefully crafted motion practice. He suggested holding a work session on Monday, May 24, 2010 and see if we have consensus on numbers for the various Resolutions as we move forward.

**VI. Establish Additional Work Session if necessary**

The City Council agreed to the need for an additional work session on May 24, 2010 at 6:30 p.m.

**VII. Adjournment**

At 9:30 p.m., Mayor Ferrini closed the meeting.

Respectfully submitted by:

Kelli L. Barnaby, CMC/CNHMC  
City Clerk