

SPECIAL CITY COUNCIL MEETING

MUNICIPAL COMPLEX
DATE: WEDNESDAY, MAY 10, 2017

PORTSMOUTH, NH
TIME: 6:30PM

I. CALL TO ORDER

Mayor Blalock called the meeting to order at 6:35 p.m.

II. ROLL CALL

Present: Mayor Blalock, Assistant Mayor Splaine (7:00 p.m.), Councilors Perkins, Dwyer, Lown, Pearson, Spear, Cyr and Denton (6:55 p.m.)

III. PUBLIC HEARING

A. PROPOSED FY JULY 1, 2017 THROUGH JUNE 30, 2018 BUDGET

Mayor Blalock read the legal notice regarding the public hearing on the budget.

IV. PRESENTATION – JOHN P. BOHENKO, CITY MANAGER

City Manager Bohenko provided a presentation on the FY18 Budget. He said the budget was provided to the City Council on April 27th and the City Council would need to adopt the budget by June 30th or the City Manager's budget becomes law. He reviewed the remainder of the budget schedule dates. He addressed the Joint Budget Committee (JBC) and how they recommended that the City Council set a goal for the Operating Budget of an increase of no more than 4%. He recognized that the City has received 11 consecutive budget presentation awards. He addressed the various long-term financial planning & policies that are in place:

- Unassigned Fund Balance Ordinance
- Leave at Termination Stabilization Fund
- Health Insurance Stabilization Fund
- Debt Service Planning Policy
- Capital Improvement Plan
- Rolling Stock Replacement Program
- Rate Stabilization Policies – Water & Sewer

He reported on the factors impacting current and future budgets as follows:

- Diminished State Assistance
- County Obligation
- Contractual Obligations
- Investment in City's infrastructure, Vehicle Maintenance and IT Hardware and Software
- Other Inflationary Increases

He spoke to our AAA bond rating through Standard & Poor's since FY13.

City Manager Bohenko said the City has a policy to maintain an unassigned fund balance of between 10% and 17% of total general fund appropriations.

He said he recommends the General Fund budget for FY18 is \$109,755,205.00 representing an operating budget increase of 3.99% and a non-operating budget decrease of (3.79%) for a total net increase of \$2,292,362.00 or 2.13% over FY17. He stated that the operating makes up 77% of the budget with non-operating being 23%.

He said the Fire and Police Departments came in with a budget over 4% and he reduced the budget. He also addressed the parking fund which is outside the general fund.

He reviewed key factors of the budget:

- Contractual Obligations
- COLA
- Retirement
- Leave at Termination
- Health Insurance
- Workers Compensation

City Manager Bohenko stated that salaries and benefits make up 84% of the budget and 16% are other operating expenditures. He advised the City Council due to the uncertainty of negotiated salaries and benefits associated with the four (4) unsettled agreements, the FY18 proposed budget includes a \$100,000.00 appropriation to reserve funds to offset costs. He also informed the City Council that the employees will see a 2% COLA adjustment per collective bargaining agreements.

City Manager Bohenko spoke to retirement rates and the loss of State contribution. He said prior to FY10 the State contributed 35% of employer contributions for Teachers, Police and Fire personnel. In FY10 and FY11, the State began to eliminate this contribution by reducing its' obligation to 30% and 25% respectively and was then reduced to zero percent for FY12 and all subsequent Fiscal Years.

City Manager Bohenko addressed the Health Insurance Stabilization Fund and stated per the Policy the annual appropriation amount for each department is determined by the average increase of Health Insurance rates provided by HealthTrust over 10 years. He said HealthTrust has announced a 7% premium increase in rates. He advised the Council although HealthTrust has announced a 7% premium increase in rates, the General Government, Police, Fire, and School Department used the 10-year rolling average of 5.33% to increase the health insurance appropriation.

City Manager Bohenko said utilities represent a decrease of \$81,980.00 or 3.6% from FY17. He said we continue efforts to reduce energy costs through energy conservation and infrastructure improvements. He stated the City also continues to negotiate competitive rates from third-party vendors for natural gas and electricity supply.

City Manager Bohenko reported that Worker’s Compensation has had a large impact on the Fire Department as their costs are increasing by 17.6% and the City will see an overall increase of 6.9%.

He reviewed Non-Operating Budget Key Components:

- Debt Service
- Capital Outlay
- County Tax Obligation
- Overlay
- Rolling Stock
- Property & Liability

He reported that Portsmouth is the 4th most populous community, making up 7.2% of the total county population. He said Portsmouth paid 11.09% of the tax obligation in FY17. He further stated that Portsmouth is the highest contributor in Rockingham County. He informed the Council that over the past 10 years, the total Rockingham County tax obligation has increased over 21% while Portsmouth’s share of this tax obligation has increased more than 45%.

City Manager Bohenko said the average expenditure for capital outlay over a 10-year period including the proposed FY18 budget is \$1,393,365.00. He indicated the Planning Board – CIP Subcommittee recommended appropriating \$2,140,000.00 which is in line with the City’s policy of appropriating up to 2% of the prior year’s general fund budget. He spoke to rolling stock and vehicle and equipment Replacement plan.

City Manager Bohenko reported on the total revenues for the City - \$109,755,205.00 and the property tax levy being \$84,243,509.00. He stated in FY18, the use of \$1,850,000.00 is scheduled to be utilized from committed fund balance to help offset the use of property taxes.

City Manager Bohenko reported on Parking Revenue Distribution with 32% in the General Fund and 68% in the Parking & Transportation Fund. He addressed the 10 year history of parking revenue distribution.

City Manager Bohenko said if the proposed budget is adopted as presented, it will result in an estimated tax rate of \$17.72 which represents a .68 cent increase or 3.99%.

Median Single Family Residential Home
 \$347,600.00

	<i>Tax Rate Increase</i>	<i>Annual Increase</i>	<i>Monthly Increase</i>
<i>Property Tax Increases</i>	0.68	\$236.37	\$19.70

He said if the City Council chooses to reduce the proposed tax rate, it would require a reduction in expenditures, increase in revenue or a combination of both from the City Manager’s Recommended Proposed Budget keeping in mind that every .1 cent change in the tax rate equates to approximately \$48,000.00.

City Manager Bohenko reported that Portsmouth is the lowest equalized tax rate of the 13 Cities in NH. He also stated that Portsmouth has the lowest equalized tax rate within NH Communities with 20,000+ residents. In addition, Portsmouth ranks #39 as having the lowest equalized tax rate out of all 234 taxable communities as compared to the previous year when ranked #42.

V. PUBLIC COMMENT/INPUT

Mayor Blalock declared the public hearing open and called for speakers.

Mark Brighton said he approves of the time limits recently put on the Public Comment Session and Public Hearing's. He spoke to 84% of the budget equaling salaries and benefits. He said the City Council will pass the budget and he feels that the light is dim for the City. He spoke to the statistical revaluation taking place by the Assessor's office and the values in the City are made up of 54% for residential and 46% for commercial properties. He addressed exemptions and said there is no such thing as free money it still comes from the taxpayers.

Erik Anderson said that the budget is chronic and increases happen each year. He hopes that the City Council tries to hold the increases to a lesser rate than projected. He further stated that the statistical revaluation will increase assessments and the amounts we are paying for property taxes.

With no further speakers, Mayor Blalock declared the public hearing closed.

VI. ADJOURNMENT

At 7:15 p.m., Councilor Lown moved to adjourn. Seconded by Assistant Mayor Splaine and voted.



KELLI L. BARNABY, MMC, CMC, CNHMC
CITY CLERK