

**CITY COUNCIL WORK SESSION RE: FY18 BUDGET PROCESS AND PROPOSED
BUDGET GUIDELINES**

MUNICIPAL COMPLEX
DATE: MONDAY, JANUARY 9, 2017

PORTSMOUTH, NH
TIME: 6:15PM

City Council Present: Mayor Blalock, Assistant Mayor Splaine, Councilors Dwyer, Lown, Pearson, Spear, Cyr and Denton

City Council Absent: Councilor Perkins

Staff Present: Nancy Colbert Puff, Deputy City Manager; Judie Belanger, Finance Director; Andrew Purgiel, Deputy Finance Director; Steve Achilles, Fire Chief; James Heinz, Deputy Fire Chief of Operations; Carl Roediger; Deputy Fire Chief of Prevention; David Mara, Police Chief; Karen Senecal, Police Department; Dianna Fogarty, Human Resources Director; Steve Zdravec, Superintendent, Steve Bartlett, School Business Administrator and Kelli L. Barnaby, City Clerk

Others Present: Police Commissioner Plaia

Acting City Manager Colbert Puff said we will be discussing the Joint Budget Committee which has had 2 meetings that took place of November 30th and December 14th. She indicated we would address the Charter requirements and budget process as well as preparing the budget. She discussed the makeup of the Joint Budget Committee and reviewed the Capital Improvement Plan (CIP) Schedule. Acting City Manager Colbert Puff announced that the City Council will hold the CIP Work Session on February 13th. She also provided a review of the budget schedule per Charter requirements and informed the City Council that City Manager Bohenko will be submitting the proposed Budget to the Council by the end of April.

Finance Director Belanger spoke to long range budget planning and said the 2 meetings of the Joint Budget Committee were spent focusing on the numbers. She addressed the operating and non-operating sides of the budget for a total budget of \$107,398,043.00 where 83% of the operating budget comprises of salaries and benefits. She spoke to the Parking Revenue Distribution and indicated that we are keeping \$2,412,305.00 in the General Fund or 39%. She outlined the key factors impacting the FY18 Budget as follows:

OPERATING BUDGET

Contractual Obligations
COLA
Retirement
Leave at Termination
Health Insurance
Worker's Compensation
Other Operating

NON-OPERATING BUDGET

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

Finance Director Belanger said there are 16 Collective Bargaining Units with 6 unsettled contracts for FY18. She said all agreements are attached to the COLA 10 year rolling average. She reported that 2% will be the COLA for settled contracts prior to FY10. She addressed retirement rate increases to Group 1 and Group 2 employees and the Leave at Termination Stabilization Fund. She also reported that the guaranteed maximum rate increase for health insurance is 6.32%. She informed the City Council that worker's compensation will be increasing by 6.9%. Finance Director Belanger said the General Government budget is looking at a 3.95% increase. She said that the Council will need to provide contingency funding for the settlement of contracts. She reported the revised preliminary increases are projected to be:

General Government	3.5%
Police Department	4.7%
Fire Department	5.5%
School Department	4.8%

She advised the City Council that School Superintendent Zadavec reviewed and further reduced his budget down from 6.1% to 4.8%. Finance Director Belanger indicated that the Non-Operating Budget is a reduction of 3.5%. She announced that the Joint Budget Committee voted the recommended goal for an increase for departments be no more than 4%.

Councilor Dwyer asked if the reduced numbers by the School Department include the additional busing costs due to the change in the start of school. Superintendent Zadavec said the budget does not reflect the additional transportation costs for the later start times for schools.

Councilor Lown inquired about the tuition line item and asked if we can do anything with that. Superintendent Zadavec said there is nothing we can do and these are specialized students that go to out of district facilities. He further stated it is a fluid situation and can change.

Councilor Lown asked about the \$1,000,000.00 set aside for the Overlay account. Finance Director Belanger said that we are required to set aside funds for Overlay. She said at the end of the year we look at how many abatements are outstanding and inform the Council. She indicated to the Council that we budget less than other communities.

At 7:00 p.m., Mayor Blalock closed the work session.

Respectfully submitted by:

Kelli L. Barnaby, MMC, CMC, CNHMC
City Clerk