

**CITY COUNCIL WORK SESSION/LISTENING SESSION RE:
FY20 GENERAL GOVERNMENT & WATER/SEWER BUDGETS**

MUNICIPAL COMPLEX
DATE: MONDAY, MAY 13, 2019

PORTSMOUTH, NH
TIME: 6:30 PM

PRESENT: Mayor Blalock, Assistant Mayor Lazenby, Councilors Roberts, Pearson, Dwyer, Denton (6:40 p.m.), Reynolds and Becksted

ABSENT: Councilor Perkins

STAFF: John P. Bohenko, City Manager; Nancy Colbert Puff, Deputy City Manager; Judie Belanger, Director of Finance and Administration; Andrew Purgiel, Deputy Finance Director; Rosann Lentz, Assessor; Nancy Carmer, Economic Development Manager; Kim McNamara, Health Officer; Alan Brady, Information Technology Manager; Robert Marsilia, Building Inspector; Robert Sullivan, City Attorney; Steve Butzel, Library Director; Ben Fletcher, Parking Director; Juliet Walker, Planning Director; Peter Rice, Director of Public Works & Facilities; Brian Goetz, Deputy Public Works Director; Terry Desmarais, City Engineer; Roberta Orsini, Operations Manager; Al Pratt, Water Resource Manager; Rus Wilson, Recreation Director; Brinn Sullivan, Senior Services Supervisor; Ellen Tully, Welfare Administrator; and Kelli L. Barnaby, City Clerk

Call to Order

Mayor Blalock called the Work Session to order at 6:30 p.m. He indicated he would like to keep the budget at the rate of inflation with a 2.7% increase. He stated we would be going over the new initiatives that are being brought forward with this budget.

Introduction

City Manager Bohenko said Finance Director Belanger would provide an overview of the General Government Budget and he would be speaking to the Non-Operating Budget.

Presentation of F20 General Government Budget

Overall General Government

Finance Director Belanger said that the budget is on the website and it is an interactive document with a tutorial that can bring you to the areas you wish to review. She outlined the various sections and policies as well as the appendix. She indicated that General Government is 22% of the total Operating Budget. She outlined the allocation of General Government Departments that are in 6 sections – General Administration, Other General Administration, Finance, Regulatory Services, Public Works and Community Services. Director Belanger spoke to the General Government Initiatives.

General Government

Renewable Energy Credits

Information Technology costs to protect the City's network

Human Resources Assistant

Public Works

Additional trees and expanded green space for parks and Cemeteries
 Heavy Equipment Operator (partial year)
 Administrative Assistant (.25 FTE)

She reported that the Proposed Budget for General Fund Departments is \$20,383,714 which equals a 4.83% increase over FY19. She addressed the new position in the Human Resources Department, the 42% increase in Elections, IT will see an increase of 44% and that the total contractual obligation is a 3.44% increase for a total of \$14,135,010.00.

Portsmouth Public Library

Library Director Butzel reported that all programs have seen 40,524 in attendance. He spoke to areas of growth for Individual Research & Technology Assistance. He advised the City Council over 40,000 informational, local history and genealogy research sessions has taken place with over 420 technology device help sessions. He spoke to the outreach by the Library with popup libraries at Greenleaf and Gosling Meadows along with visits to Lister Academy and Head Start. Director Butzel outlined areas of high performance and stability.

Performance / statistics

Fiscal year 2018

| | |
|--------------------------|---------|
| Visits to Library | 346,121 |
| Circulation of Materials | 413,120 |
| Number of Downloads | 46,805 |
| Study room usage | 2,980 |
| Wireless network use | 45,223 |
| Museum passes borrowed | 1,350 |

Director Butzel advised the City Council the Library Budget Request for FY20 is \$1,956,630.00 or a 1.85% increase over FY19.

Councilor Raynolds thanked Director Butzel for the elimination of late fees because it makes the Library accessible to all.

Recreation Department

Director Wilson reported 7 people make up his staff which serves the various recreational areas provided in the City. He said they're a 7 days a week operation to serve residents and non-residents. He spoke to the activities and events that the Recreation Department is involved in. He spoke to the partnership with SIPP for the indoor pool. He said the department took over the operations of the Peirce Island Boat Launch last year and it is free to residents. Director Wilson outlined the summer programs and events operated by the department. He spoke to the Senior Citizen Services which has over 104 members and they're excited to move out to the Doble Center. Director Wilson also spoke to the services he provides as Athletic Director of the High School and Middle School.

Director Wilson thanked City Manager Bohenko for his 22 years of service to the City. He personally expressed his thanks and appreciation for all of his work.

Public Works Department – Highway Budget

Public Works Director Rice said public works is made up of 6 divisions and reported the budget goal is to continue to provide a high level of Public Works service while working to improve efficiency through coordinated efforts between all Departmental Divisions. He reported that the increase requested by the department is 3.10% or \$212,192.00 for a proposed FY20 Budget of \$7,056,415.00. He indicated that salaries and benefits are 53% of the Budget which is \$3,771,983.00.

Proposed Changes in Fiscal Year 2020

- A Net increase of staffing of 1.05 FTEs
 - 1.00 Equipment Operator, to be hired 3rd Quarter
 - 0.25 Administrative Assistant
 - 0.20 Reduction: Assistant to City Manager
- Funding to staff special events
- Maintenance of additional green spaces
- Increase to meet recommended funding outlined by the Pavement Condition Index
- Monitor the ever changing global recycling environment

Operational Focus Areas

- Changing Solid Waste Market
- Organic Weed & Turf Program
- Evolving Environmental Requirements
- Explore Additional Energy Costs Savings Coupled with Green Initiatives
- Improve risk management
- Invest in employee training

Organic Program

- Staff collaborating with Stonyfield to adopt Best Management Practices (BMPs) for non-toxic fields
- Purchased an organic compost tea brewer as an alternative to chemical fertilizer
- Adjusted Mosquito Control to a 95% organic program
- Continued transition to minimize the use of synthetic compounds

Recycling Policy Considerations

- Budgeted Alternatives:
 - Pay the additional tipping fee
- Long Term Considerations:
 - Eliminate Curbside Collection
 - Disposal of Recyclables with Solid Waste

Councilor Denton asked if the tea brewer is in place of the steamer we were going to purchase for mosquito control. Director Rice said the resources we have do not feel it is the right decision to pursue a steamer. Councilor Denton asked about self-sorting recyclables and when our contract is up. Director Rice informed the Council that the contract is up next year FY21. He reported they're looking at separating bins at the transfer station but it is one year out before that takes place.

Assistant Mayor Lazenby asked about composting. Director Rice explained the operation and meeting federal requirements. He said it is very odorous and requires a great deal of land to have that kind of operation and it's not cost effective.

Mayor Blalock spoke about the use of Mr. Fox for composting. He stated it is a real process on a large scale basis and said if we were going to compost he recommended becoming a partner with another community.

Assistant Mayor Lazenby inquired into the increase in contract services. Director Rice spoke to the need to hire consultants to augment additional jobs. He stated the monies increase our leverage in staffing and providing a level of oversight and not coming to the City Council for additional staffing.

Councilor Dwyer said she was surprised to see the tonnage of waste going down. Director Rice said historically we are consuming more but the packaging being used today is less. He reported the handling costs is similar but it weighs less.

Councilor Reynolds commended Director Rice and staff for moving compost programs toward a natural organic product. He asked about where we might go with processing recyclables and could we go away from single recycling and separating. Director Rice said separating is labor intensive and given the market and resources it's not feasible for us.

Mayor Blalock thanked Director Rice and said he is amazed that the department can come in with a budget at this level with the many functions, programs and services provided to the community. He said Director Rice's staff is professional and cordial. Director Rice said it is a pleasure to work with the City Council and City Manager Bohenko.

Councilor Roberts spoke to the road maintenance and program. Director Rice spoke to the paving program and said we strive for a rating of 76 for our roads. He reported that there is a back log of \$20 million in work and feels there is room for improvement in the road program. He stated we are without a Highway Foreman and that has set us back in many areas.

Councilor Dwyer asked about our sidewalk maintenance and where we fall in that area of work needed. Director Rice said it is in the millions of dollars.

Regulatory Services & Information Technology

Planning Department

Deputy City Manager Colbert Puff advised the City Council she is presenting 11% of the General Government Budget. She outlined the various highlights such as the Master Plan, Open Space Plan, Complete Streets Design Guideline, Zoning Ordinance, Subdivision Rules and Regulations, Site Plan Review Regulations and the Portsmouth Bicycle and Pedestrian Plan of the department. She advised the City Council that all land use applications are available on the website. She reviewed initiatives for the department and spoke to the entire historic district area being covered by a 3D model. She stated that the work in Elwyn Park will be beginning. She indicated that there is a reduction of \$18,714.00 due to staffing changes which equates to a -2.2% decrease.

Inspection Department

Deputy City Manager Colbert Puff reported that the Inspection Department is tracking all applications through Viewpoint making it easier for people to complete an application. She reported New Hampshire has outdated building codes which is a big problem for the State and Cities and Towns. She indicated the department will prepare updates to the codes as the legislature adopts new codes. She advised the City Council that there is an estimated \$212,000,000.00 in total declared construction value for FY19. She said total permit fees are estimated to be \$1,500,000.00 for FY19. Deputy City Manager Colbert Puff said the department is requesting an increase in personnel which will be an increase 1.4% for the budget.

Health Department

Deputy City Manager Colbert Puff reviewed the health highlights and the department's involvement with many organizations. She outlined the performance measures, informing the Council that we have a total of 29,806 restaurant seats with 17,586 seats serving liquor and 5,971 without liquor service. She advised the City Council that the department is looking at an increase of 12.5 hours for a Health Inspector to go full time and address their workload. Deputy City Manager Colbert Puff said the increase of a position from part-time to full-time will be an increase of \$36,036.00 or a 17% increase.

Information Technology Department

Deputy City Manager Colbert Puff explained that IT has been in a year of transition. She spoke to ransom ware and indicated that we worked very well in addressing our virus and continue to outsource staff and we are confident we have the right number of outsource personnel. She spoke to the RFP we put out for IT managed services for which we received 15 responses and are working on choosing who our outsource provider will be. She said we monitor the number of tickets for assistance and analyze the issues.

Deputy City Manager Colbert Puff outlined the network operational security improvements:

- System documentation & mapping;
- Upgrade unmanaged to managed switches;
- Separate systems into VLANS

She said for FY19 we estimate our server availability to be 99.5%. She reported that the FY 20 budget will see an increase of \$214,299.00 or 44.5%. She said there are software costs as part of this budget.

Councilor Dwyer asked about virtual servers. Deputy City Manager Colbert Puff indicated we have virtualize servers. Assistant Mayor Lazenby asked if we need assistance in virtualizing. Deputy City Manager Colbert Puff said that this is a baseline cost and that with all the work going on we are getting to a much more stable resilient place.

Non-Operating

City Manager Bohenko said the entire budget is over \$120 million with 77% operating and 23% in non-operating costs. He indicated we are working towards a 2.75% increase versus the 4.85% we are currently looking at.

Operating Reductions:

- Public Works (\$40,000.00)
 - Public Works – Accomplish the need of a Heavy Equipment Operator by reorganizing current staff resulting in a reduction of one (1) position

- School Department (\$138,000.00)
 - Delay Start – Elementary World Language Teacher – *savings \$68,000.00*
 - Received Grant from Health and Human Services for the Student Assistant Counselor for another year – *savings \$70,000.00*

- Police Department (\$52,418.00)
 - Delay Officer 1 hire to start in December 2019 – *savings \$10,827.00*
 - Delay Officer 2 hire to start end of March 2020 – *savings \$35,187.00*
 - Delay PT to FT ACO to the last quarter of FY – *savings \$6,404.00*

- Fire Department (\$30,714.00)
 - Spread out the hire dates of the 3 FF to October, January and April

Total Reductions \$261,132.00 – 4.78%

City Manager Bohenko spoke to delaying bond issuance until June 2020 which will reduce the bond line item by \$1,078,438.00. He recommended using fund balance which are one time projections and not reoccurring and adjust the budget by another \$400,000.00. City Manager Bohenko reported the reduction of operating and non-operating would change to a 3.85% increase which would reduce the tax rate by \$.31. He said that will give us a tax rate that is below the rate of inflation to 2.71% increase with an estimated tax rate of \$16.27.

Councilor Dwyer asked City Manager Bohenko if he considered reductions in rolling stock. City Manager Bohenko said last year we reduced rolling stock and it is easy to make reductions but you need to put the funds back in future years. Councilor Becksted said we could reduce costs with the rolling stock in the Police Department. City Manager Bohenko indicated last year we cut out a cruiser so we are behind one car in the fleet. He stated he would speak with Chief Merner regarding that matter. Councilor Becksted said he would like to look at reducing costs for wayfinding.

Councilor Roberts asked about the effect next year with rollout of staffing. City Manager Bohenko said that the City Council wanted staff to come forward with proposal to their departments. He said some costs have been reduced because they will bring positions in later in the year. He said the staff has followed the lead of the City Council. Councilor Roberts said the use of fund balance is below the average and asked why not use more. City Manager Bohenko said with the roll out of staff you will see a tax increase next year. He said you do not want to rely on fund balance this year but next year look at debt service. He stated you will have tools in the tool box to mitigate some of the costs.

Councilor Dwyer said you see in the School Department they have many retirements coming next year.

Councilor Reynolds spoke to making an appropriation of \$20,000.00 to the indoor pool. City Manager Bohenko said we have a contract with SIPP and have agreed to the \$150,000.00. Councilor Reynolds said the indoor pool is a great asset to the City and seems it is time to adjust the amount we provide. City Manager said the contract with SIPP goes to 2021.

At 8:20 p.m., Mayor Blalock called for a brief recess. At 8:25 p.m., Councilor Denton left the meeting. Mayor Blalock called the meeting back to order at 8:27 p.m.

Water Division

Deputy Public Works Director Goetz introduced our rate consultant David Hyder of STANTEC. He said last year we had a dry year and this year it is wet and we are already 10% above average. He spoke to the water quality report that will be sent out shortly. He spoke to the work being done for the Pease Wastewater Treatment Plant. He addressed the Fire Hydrant Painting Project which color codes the various hydrants we have by gallons per minute (GPM). Deputy Director Goetz advised the City Council that 43 miles of pipes have been improved since 1990. He reported that the assistance program continues and we have assisted 27 customers in FY19. He said the new billing system will roll out in the summer which will provide more data.

Personnel Recommendations:

- 0.25 FTE – Administrative Assistant (shared with Sewer, Highway and Parking)
- 0.5 FTE – Process Instrumentation Tech (shared with Sewer)
- 1 FTE – Treatment Operations Foreman for Pease Water Treatment (Air Force Reimbursement)

Deputy Public Works Director Goetz advised the Council that the FY20 Water Fund Budget request is \$10,110,594.00. He provided a breakdown of the budget as follows:

| | |
|-------|------------------------------|
| 42.8% | Capital Related Expenses |
| 36.3% | Personnel and Administration |
| 20.9% | Operational |

Sewer Division

Deputy Public Works Director Goetz informed the Council that the Peirce Island Wastewater Treatment Project will be completed in 2020. He spoke to the construction at the facility. He said the Pease has under gone its first phase of upgrades. Deputy Director Goetz reported that sewer pipe replacements equal 11.45 miles.

Personnel Recommendations:

- 0.25 FTE – Administrative Assistant (shared with Water, Highway and Parking)
- 0.5 FTE – Process Instrumentation Tech (shared with Water)
- 1 FTE – Treatment Operator (Peirce Island Wastewater Treatment Facility)

Deputy Public Works Director Goetz advised the Council that the FY20 Sewer Fund Budget request is \$17,477,748.00. He provided a breakdown of the budget as follows:

| | |
|-------|------------------------------|
| 47.7% | Capital Related Expenses |
| 24.8% | Personnel and Administration |
| 27.6% | Operational |

Deputy Public Works Director Goetz spoke to the Supplemental Compliance Plan Projects that would be completed by October 2023.

List of Projects:

- | | |
|---|--|
| 1. Maplewood at Fairview Drive (underway) | 5. Union St from State to Middle (pre RFP) |
| 2. Pleasant at Court St (complete) | 6. Fleet St (pre RFP) |
| 3. Islington St Phase 1 (underway) | 7. Contract 1 – Sewer Rehabilitation (Design Underway) |
| 4. McDonough St 3B (complete) | |

Stormwater Division

Operational Highlights in 2018:

- 328 tons swept from streets
- 322 tons cleared from catch basins
- 6,750 feet of pipes inspected and cleaned

Deputy Public Works Director Goetz addressed public outreach which include the following:

- | | |
|---|--|
| ▪ Informational Flyer | ▪ Household Hazardous Waste Days (May and October) |
| ▪ Pet Waste Management Messaging and Signs | ▪ Catch Basin Stenciling and Markers |
| ▪ Organic Management Event (May 4 th) | |

Deputy Public Works Director Goetz advised the Council that the FY20 Stormwater Budget request is \$495,613.00 funded by a transfer from the General Fund Department of Public Works and the Sewer Division Enterprise Fund. He reported this is a decrease of \$24,521.00 or 4.71% from FY19.

Water & Sewer Rate Recommendations – David Hyder, Stantec Consulting

Mr. Hyder reported that Enterprise Funds account for operations which are financed and operated in a manner similar to private business. He said you must have fees and or charges sufficient enough to cover the cost of providing goods and services, including capital costs (i.e. System Reinvestment and Debt Service.) He stated it is important to note that property taxes do not subsidize the water and sewer funds.

Mr. Hyder spoke to rate setting highlights and said we continue to use “glidepath” approach to raising rates in anticipation of major capital projects.

The FY20 Water Division appropriations would be funded from the following sources to meet cash requirements:

- \$7,827,472.00 Water Consumption (75%)
- \$1,937,339.00 Other Fees (18%)
- \$395,199.00 Rate Stabilization Reserve (4%)
- \$345,783.00 Other Financing/Special Agreements (3%)

FY20 Proposed Water Rate: 2% Rate Change from FY19

| | |
|--|---------------|
| First Tier Rate (10 units or less per month) | |
| Capital Related rate, per unit billed | \$2.87 |
| <u>First 10 units billed per month</u> | <u>\$1.45</u> |
| Total First Tier Rate | \$4.32 |

| | |
|--|---------------|
| Second Tier Rate (over 10 units per month) | |
| Capital Related rate, per unit billed | \$2.87 |
| <u>Over 10 units billed per month</u> | <u>\$2.34</u> |
| Total Second Tier Rate | \$5.20 |

1 unit = 748 gallons of water

FY20 Proposed Irrigation Rates: 2% Rate Change from FY19

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|---|---------------|
| First Tier Rate (0 to 10 units per month) | |
| Capital Related rate, per unit billed | \$2.87 |
| <u>First 10 units billed per month</u> | <u>\$2.34</u> |
| Total First Tier Rate | \$5.20 |

| | |
|---|---------------|
| Second Tier Rate (11 to 20 units per month) | |
| Capital Related rate, per unit billed | \$2.87 |
| <u>11 to 20 units billed per month</u> | <u>\$6.94</u> |
| Total Second Tier Rate | \$9.81 |

| | |
|---|----------------|
| Third Tier Rate (all units over 20 per month) | |
| Capital Related rate, per unit billed | \$2.87 |
| <u>All units billed per month</u> | <u>\$9.24</u> |
| Total Third Tier Rate | \$12.11 |

1 unit = 748 gallons of water

Mr. Hyder reported the City will need to have an increase of 2% through FY24 to water rates. He indicated the FY20 proposed water rate average residential customer bill will have a total annual charge of \$318.60. He said the average daily cost for single family residential water customer equals \$0.88.

FY20 Proposed Sewer Rate: 4% Rate Change from FY19

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|--|----------------|
| First Tier Rate (10 units or less per month) | |
| Capital Related rate, per unit billed | \$6.61 |
| First 10 units billed per month | \$7.15 |
| Total First Tier Rate | \$13.77 |

| | |
|--|----------------|
| Second Tier Rate (over 10 units per month) | |
| Capital Related rate, per unit billed | \$6.61 |
| Over 10 units billed per month | \$8.53 |
| Total Second Tier Rate | \$15.14 |

1 unit = 748 gallons of water

Mr. Hyder reported the City will need to have an increase of 4% through FY24 to sewer rates. He indicated the FY20 proposed sewer rate average residential customer bill will have a total annual charge \$826.20. He said the average daily cost for single family residential sewer customer equals \$2.29. He advised the City Council that the national annualized rate increases from 2004 to 2014 water is 5.5% and wastewater is at 6.1%.

NH Seacoast Community Sewer Rate Trends:

- Somersworth – 33% projected increase in rates by 2020
- Dover – 57% increase (2011 to 2018)
- Durham – 56% increase (2013 – 2018)
- Newmarket – 7% to 10%/year increase for the next four years
- Exeter – 25%/year increase for the next four years

Councilor Raynolds asked about the new billing system and the ability to provide more statistics. He also asked if we could move towards a generated billing system to have incentives to reduce consumption. Deputy Public Works Director Goetz said more history will be provided over the months and we will explore how customers compare to one another.

Councilor Dwyer asked about the change to irrigation systems. Deputy Public Works Director Goetz said some businesses have come in and received the irrigation meters.

City Manager Bohenko announced the next meeting on the budget is scheduled for Wednesday, May 22, 2019 at 6:30 p.m. in the Eileen Dondero Foley Council Chambers. He said a review of the proforma Resolutions will take place. He said we anticipate to adopt the budget on June 3, 2019.

Adjournment

At 9:10 p.m., Mayor Blalock closed the Work Session.

Respectfully submitted by:
 Kelli L. Barnaby, MMC/CMC/CNHMC
 City Clerk