

MINUTES

Fiscal Policy Advisory Committee

February 28, 2013 4:30-6:00 PM

Second Floor Conference Room

In Attendance: Acting Chairman – Dan St. Hilaire; City Councilors – Mark Coen, Fred Keach, Jan McClure, and Keith Nyhan; City Staff – Tom Aspell, City Manager; Brian LeBrun, Deputy City Manager-Finance; Katie Graff, Assistant Finance Director; Bob McManus, OMB Director; Jamie Babbidge, Budget Analyst

Excused: Chairman Bennett and Councilor Candace White Bouchard

- 1) **Approval of January 17, 2013 Meeting Minutes:** Acting Chair St. Hilaire called the meeting to order at 4:30 PM and requested a motion to approve the minutes of the January 17, 2013 meeting. **Councilor Nyhan moved to accept the minutes, seconded by Councilor Keach. The minutes were unanimously approved as presented.**
- 2) **Fiscal Goals and Fund Balance Policy** – This item was referred back from the February City Council. Councilor McClure recommended several changes to the proposed Fiscal Policy Goals and the committee agreed to the following changes:
 - a) Goal G1: Add back to proposed revised goal “Historically, the biggest factors forcing budget growth are increases in employee compensation and increased benefits costs. The City should have a compensation and benefit program that: (a) reflects the value of work performed by our employees; (b) includes incentives for superior job performance; (c) compares favorably with the compensation and benefits paid for similar work in the private and public sectors; and (d) considers the ability of the community to pay. Both our employees and the public must understand the mutual respect that such a policy warrants”.
 - b) Goal G4: Add “and reduce obligations as necessary” after structure.
 - c) Goal H5: Add “promote resource conservation and efficiency (water, electricity, fuel, etc.)” after conservation.
 - d) Goal J1 and J2: eliminate the word “promote” and add the word “focus” instead.
 - e) Goal J3: eliminate the word “its” at the end of the first sentence.
 - f) Overall goal J: Add the word “Expenditures” to the heading.

With these changes, the committee recommended the revised goals back to City Council for approval at its March meeting.

- 3) **General Fund Proforma Model** – Deputy City Manager LeBrun presented the FY14 General Fund Proforma Model. He recognized Budget Director Bob McManus and his work in preparing this document. DCM LeBrun described the expense and revenue sections as

well as the assumptions used in calculating the FY14 and out year projections. This model has a two year look-back, FY 2011 and 2012 actual expenses as well as the adopted budget for FY 2013 and projections for FY2014 -2018. The specific items that were discussed in more detail are:

- a) New Hampshire State Retirement rate increase represents a 21-27% cost increase (depending on the employee Group), or about \$1 million dollars to the City's budget. These rates are anticipated to remain high for the foreseeable future as the retirement system deals with its unfunded liability.
- b) Health insurance and other insurance benefits (beneflex) which is the second highest expense category in the budget is projected to increase in future years at an annual average rate of approximately 10%. Current year projection for expense change is 5% due to the uncertainty of open enrollment changes in the spring. This, along with all other expense and revenue projections, will be revised as the actual budget is prepared before presentation to the City Council.
- c) Transfers out to the Solid Waste Fund continue to climb in the out years in order to support that fund. The Solid Waste Advisory Committee and City Council will need to consider revisions to the current Pay-As-You-Throw bag prices in order to mitigate the general fund transfer.
- d) Debt service also continues to climb in future years as the City approves more and more capital bonded projects. Currently, each \$1 million of bonded projects increases debt service costs by approximately \$80,000 in the first year.
- e) Revenues overall remain stagnant.
- f) Motor Vehicle Registrations increase slightly but no major gains.
- g) State revenues remain flat.
- h) Transfers from trust reserves will be reduced in FY 2014 and more in future years.
- i) In addition to increasing expenses and flat revenues, new real growth in assessed valuation is projected to remain at or around .25% for the foreseeable future.

The committee discussed both the revenue and expenditure items, and the projected slow real growth in assessed values. They also discussed the difficulty in dealing with a \$3 million budget gap and the difficult decision that will need to be made.

- 4) **Financial Strategic Plan**– Deputy City Manager LeBrun presented the details of the Financial Strategic Plan that addresses the categories and items identified in the October draft outline. There was some discussion about increasing the historical review time frame in the Analytic Section of the document and the level of detail that should be included in the Plan Development section. The committee agreed to keep this item in committee at this time and review again at a future meeting.

5) Adjournment - A motion was made by Councilor Nyhan to adjourn, seconded by Councilor McClure, and a unanimous vote brought the meeting to an end at 6:55 PM.

Respectfully submitted,

Brian LeBrun
Deputy City Manager – Finance