

BUDGET REVIEW COMMITTEE

MAY 19, 2005

A meeting of the Budget Review Committee was held Thursday, May 19, 2005, at 7:13 p.m. in the Aldermanic Chamber.

Alderman-at-Large Steven A. Bolton, Chair, presided.

Members of Committee present: Alderman-at-Large David W. Deane, Vice-Chair
Alderman David D. Lozeau
Alderman Robert G. Shaw, Jr.
Alderman-at-Large Paula I. Johnson

Members not in Attendance: Alderman Lori Cardin
Alderman David MacLaughlin

Also in attendance: Alderman-at-Large Brian S. McCarthy
Alderman-at-Large James R. Tollner
Alderman-at-Large David Rootovich
Alderman Kathryn D. Vitale
Alderman Richard LaRose
Alderman Robert A. Dion
Carol Anderson, Chief Financial Officer/Comptroller
David Fredette, Treasurer/Tax Collector
Maureen Lemieux, Div. Dir., Administrative Services Dib.
Richard Seymour, Div. Dir., Public Works Division
Katherine E. Hersh, Div. Dir., Community Development Div.
Kathy Roy, Manager, I.T. Div., Nashua Police Dept.

A discussion ensued with regard to the Uncompleted Project Status Report provided by Chief Financial Officer, Carol Anderson, and accepted at the May 17, 2005 Budget Review Committee meeting (copy of tape is on file in the Legislative Office).

COMMUNICATIONS - None

WRAP-UP SESSION

UNFINISHED BUSINESS - None

NEW BUSINESS – RESOLUTIONS - None

NEW BUSINESS – ORDINANCES - None

HELD IN COMMITTEE

Resolutions

R-05-184

Endorser: Mayor Bernard A. Streeter

RELATIVE TO THE ADOPTION OF FISCAL YEAR 2006 PROPOSED BUDGET FOR THE CITY OF NASHUA GENERAL AND ENTERPRISE FUNDS

R-05-185

Endorser: Mayor Bernard A. Streeter

ESTABLISHING THE USE OF UNDESIGNATED FUND BALANCE FOR TAX RATE

R-05-193

Endorser: Alderman-at-Large Brian S. McCarthy

AMENDING COMPENSATION FOR THE BOARD OF ALDERMAN FOR FISCAL YEAR 2006

R-05-211

Endorser: Alderman-at-Large David W. Deane

DECLARING THAT NO APPROPRIATION OR TRANSFER WILL BE FUNDED FROM ACCOUNT 802-299 “SEWERAGE DISPOSAL SYSTEM – RETAINED EARNINGS” FOR TIPPING FEES AT THE FOUR HILLS LANDFILL RELATED TO THE SARGENTS AVENUE AREA SEWERAGE WORKS IMPROVEMENTS CONTRACT

R-05-219

Endorser: Mayor Bernard A. Streeter

RELATIVE TO THE APPROPRIATION OF \$3,075,000, WITH THE FUNDING SOURCE BEING RETAINED EARNINGS OF THE SEWERAGE DISPOSAL FUND, ACCOUNT #802-299, INTO ACCOUNT #802-59101 "WASTEWATER FUND – ASBESTOS CONTAMINATED SOIL DISPOSAL" AND THE TRANSFER OF THE SUM INTO ACCOUNT #801-899 "SOLID WASTE DISPOSAL FUND–ASBESTOS CONTAMINATED SOIL DISPOSAL REVENUE"

Ordinances

O-04-45

Endorser: Alderman Marc W. Plamondon

REQUIRING THE PARKS AND RECREATION DEPARTMENT TO CHARGE A

FEE TO NON-RESIDENTS FOR RESERVATION OF CITY-OWNED PARKS AND

SPORT FIELDS

O-05-76

Endorser: Mayor Bernard A. Streeter

RELATIVE TO DISCONTINUING THE SCHOOL BUILDING AND CONSTRUCTION CAPITAL RESERVE FUND

O-05-77

Endorser: Mayor Bernard A. Streeter

ESTABLISHING A NEW "SCHOOL BUILDING, CONSTRUCTION, ADDITIONS AND RENOVATIONS CAPITAL RESERVE FUND"

O-05-85

Endorser: Acting Mayor Brian S. McCarthy

ELIMINATING CONSERVATION COMMISSION COMPENSATION

O-05-86

Endorsers: Mayor Bernard A. Streeter

Acting Mayor Brian S. McCarthy

ESTABLISHING AN ADDITIONAL MOTOR VEHICLE REGISTRATION FEE OF FIVE DOLLARS PER VEHICLE AND ESTABLISHING A SPECIAL MUNICIPAL TRANSPORTATION FUND FOR SUCH FEES UNDER RSA 261:153 VI

DISCUSSION

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Alderman Deane discussed with the committee his belief that the city needs to utilize the services of a Budget Analyst to bring forth quarterly reports to the Board of Aldermen and assist the Administration in the formulation of the city budget. He stated that the city's budget is in the area of \$300 million, and requires this type of service. It is his belief that a citywide coordination effort of this type would be financially beneficial to the City.

Alderman Johnson was in agreement that the centralization of the various budget issues/ expenses would be beneficial to the City. She stated that this could be utilized in expenses from the purchase of copy paper to employee headcount.

Alderman McCarthy questioned how the position would fit into the reporting structure. Alderman Deane stated that he has spoken with the Mayor concerning this. He is of the belief that if this position formulates the budget for the Administration then it is the Mayor's budget. He envisions the reporting of this position would be to the Mayor.

Alderman McCarthy was concerned about the reporting structure. He mentioned a piece of legislation that he will introduce proposing the establishment of a Charter Commission. He believes it is time for us to look at going to a Council Manager form of government and getting the administration of the City out of politicization as it is today. He is of the belief that we need to have someone in a position where they can be completely objective about the information provided to the Board of Aldermen on budgets and impacts and what the conditions really are and aren't pressured to come back with optimistic reports on where we will be with healthcare in upcoming years or on what X is going to cost us or on what is likely fallout of State Education Funding. He stated that he would not want to create that position as another political appointment in the Mayor's office as he is of the belief that would make the issue worse instead of better.

He further stated that he would gladly support creating that position in some other way where he can be assured that it is not going to be subject to political whim from the corner office or from

any individual member of this Board or from anywhere else for that matter, and have it be someone who is able to be the person that we need the information from to be able to do budgets, and someone who can concentrate full time on creating budgets and projections for the future so that we can understand and stabilize some of these expenses and so that we can do things like move forward on places where we need to analyze services and ways of delivering them.

Alderman Johnson stated that she is in agreement with Alderman McCarthy. She further stated that she had requested Corporation Counsel to draw up similar legislation. She feels that it is essential to have a comparison of the services provided to the citizenry and the value associated with them given the anticipated increase in the tax rate.

Alderman Tollner stated that he is unclear that the problem that we are currently dealing with is associated with the form of government. He believes that it leads back to the leadership that is in the corner office and the direction that position provides to the business leaders of the city, the dialogue with the Board of Aldermen, and the vision that individual shares with the department heads. He believes that there has been a void, and that is where the frustration stems from. He further stated that the advancement in infrastructure in the city, i.e., the high schools, the current situation with the State Education Aid Funding, etc. have assisted in placing the city in its current financial condition and are items that would not be different if the form of government were different.

Alderman Rootovich stated that the three areas that have gone up significantly in the last 10-14 years have been in the form of bonding, the cost of labor, and headcounts. He stated that until this Board is willing to address those three areas nothing will change the budget this year or in years to follow.

Alderman Deane stated that he was in agreement with Alderman Rootovich, but the labor that was hired is what drives the costs of the services provided to the citizenry. He is of the belief that some of the services have to be looked at in terms of efficiency, cost, and utilization.

Alderman Johnson stated that Alderman Rootovich is correct in that the high cost of the

contracts that have been approved has had a great impact on the budget. The current state of the economy has only added to the severity of this situation. She too is concerned who the Budget Analyst would report to.

Alderman Dion commented about the public hearing that had been conducted relating to the \$5 increase in the car registration. He stated that 1 person out of 87,000 showed up for that hearing, which he believes is shameful.

He further stated that back in 1966 when he was Ward 8 Alderman during the administration of Dennis Sullivan the city budget was \$18 million. He stated that although he didn't agree with the Mayor most of the time Mayor Sullivan wouldn't spend a nickel on anything. The city equipment went to pot. He wouldn't buy a truck if his life depended on it. The other night we bought 4 trucks. That is the way it operated then. He stated that in those days the firemen were getting \$80 a week and worked 80 hours. He stated that he remembered bringing in legislation for a supplementary budget for \$25,000 to give the firemen a raise. He said he was almost assassinated by Mayor Sullivan on that one.

He stated that from 1966 to 1995 the budget grew to \$100 million. In 1995 to 2005 it grew by 100% to \$200 million. He stated that as we sit we are \$250 million in bonded debt. He believes that indicates that we have been spending more than we are bringing in.

His view of the idea of a Budget Analyst is that it is a good idea. He also believes that the idea of a City Manager may also be a good one. He stated that what we need is someone to manage the city budget 12 months a year, and not to be pressured politically or even be a resident of Nashua and have ties to whatever departments we have in the city favoring certain people over other people – we need a neutral person that is hired if we are to do this.

He stated that if the Mayor were to take that budget and make changes in it or make it look the way he wants it to look then there is no sense in hiring anybody. He urged the members of the Budget Committee to be reminded that this year we are going to have to make some major reductions for this budget to work.

With regard to what he perceives as an acceptable tax rate, Alderman Dion stated that his belief is based on the CPI, which he believes is around 2.5% or 2.8%.

Alderman Rootovich in addressing Alderman Deane's remarks concerning programs stated that the Board received a program budget in either '95 or '96 that he found fascinating and very helpful in determining at least what programs should be considered to cut. He stated that the book was very detailed and really broke down what the costs of the programs were. He suggested that we may in the future want to consider that type of information being provided.

He stated that he too sat down with Corporation Counsel for some length of time discussing a Charter Commission. He stated that he does not believe hiring a Budget Analyst is what will solve the problem. He is of the belief that we need a professional CEO, a professional manager that will come in unbiased and run this city like a business.

Alderman Vitale stated that she believes the concept is worth looking into. She would like to see how other cities have managed the transition in the past.

Chairman Bolton stated that with regard to the budgetary person he tends to agree with what Alderman McCarthy said – just giving a Mayor another position may be part of the problem not part of the solution. He further stated that many times we look at other larger and other levels of government for corresponding situations. At the federal level, the legislative body is Congress and they have a Congressional Budget Office that helps Congress keep track of the federal budget. At the State level there is a Legislative Budget Office that works for the Legislature to help them understand and develop a budget. At both levels certainly the President has his own budget advisors, the Governor his own budget advisors. In our city the Mayor has budget advisors and professional staff. He has not asked for an increase in that. He stated that he can see an advantage to have a person who reports to the Board of Aldermen who can spend a full time doing the analysis that is requested by the Board of Aldermen, but he is not sure this would be the appropriate year to start introducing new positions. He believes it would be nice to have, but does not really think it solves the problem we are in now.

He also does not believe that the City Manager would be the answer. He stated that cities that have a City Manager have the same problems that we have. He does not see this as the solution. He believes that Nashua has been a very successful community with the form of government that we have. He stated that we have a situation where it has failed, but that does not mean that it is permanently broken. He believes it is not the structure of the government, but in this case a function of who is in that executive position.

Alderman Lozeau stated that he believes it to be almost appalling to blame all of our budget woes and problems on the corner office when the people sitting in the horseshoe ultimately make all of the decisions. He believes prolonging this and blaming somebody for our budget woes is not getting the job done.

Alderman Shaw stated that he is intrigued by some of the ideas as far as the positions and the reporting of the positions. He does believe that there is perhaps a lot of merit to having a fully dedicated person somewhere in there almost regardless of where they report. He stated that the reality of the situation is that all of those sitting around the horseshoe are just as subject to be politicized by the process as we are indicating that perhaps the Mayor is as well. I think no matter what we do in terms of the form of government we are not going to take the politics out of this process.

He does agree to have someone fully dedicated to budgetary aspects of this city government will serve us all better. He would like to see that discussion continue to see how it might best fit into the overall structure.

Alderman Tollner stated that the individuals around the horseshoe are also responsible. He was looking to get some leadership from both the corner office as well as this Board. With regard to the Budget Analyst he believes that it is a good one, however, not this year.

He asked Maureen Lemieux and Carol Anderson their opinion with regard to the previous request to ask department heads for information concerning level funding, if we were to request

to get a response back from Division Directors within a week, would that be a reasonable request?

Maureen Lemieux stated that they both probably think that is reasonable, but she cautioned that staff is looking for consensus from the Board. If the request is for 5 different scenarios then a week would not necessarily be doable for anybody.

Chairman Bolton stated that he is of the belief that it is more than just one scenario.

Alderman Tollner asked if there were 1-3 scenarios could they provide a scenario based on a level budget and then comments stepping off that type of arrangement such as level funding for all departments except 2.5% for the school department and 2% for the school department.

When Alderman McCarthy questioned whether this issue had been discussed at length during a previous meeting Chairman Bolton stated that he had e-mailed everyone a draft memo, and was awaiting responses. Chairman Bolton reiterated the content of the memo.

Alderman McCarthy going back to the comments about the responsibility of this Board stated that in the end we are the ones that have to make the decision to approve the budget, but he has noted and this is not a comment about the current administration, but in general, in the 12 years he has sat here there have been any number of times he has made a decision that he felt was the best judgment for the city only to find out a short period of time later that he was missing information when he made that decision. He referenced Alderman Deane's comments that last year we approved the budget and found out the scope of the changes in the assessments some short number of weeks afterwards.

He stated that when he was first on the Board he certainly would not have made the decisions he made about budgets in general had he known what he knew in the middle of the second year

about the overlay account. He stated those are cases where this Board can often get limited or warped data to make its decisions on and ultimately we don't have the resources to make sure we have better data than that. He stated that often we make decisions that look great the night they are made and then turn out that the assumptions that underpin it are flawed shortly thereafter. He is of the belief that the concept of getting a legislative budget office at the city level or something akin to it is one that would help us to make better decisions in that regard.

Alderman Dion stated that in the letter the Chairman is preparing he would like to go instead of the 2% more cut with a scenario a little higher than that maybe 4 or 5%. He believes that we may have to cut more than is intended with the 3% in order to get a respectable level of tax increase.

Alderman Shaw shared similar thoughts. He would like to see additional information with deeper budget cuts. He believes that we would be better off saying we already have the 1% from the original recommendation, and it might be cleaner to say what is an additional 2%, etc.

Alderman LaRose stated that he believes that we have to figure out the percentage of increase we are comfortable with before figuring out how far to cut. He believes we need to determine the fixed costs to determine how much we can spend in each department.

Alderman Tollner stated that with the exception of the School Department we have a budget that the Mayor submitted, which is 1% lower than his original budget. Alderman Shaw is proposing building somewhat similar to lower the budget across the board an additional 2% and then the second request would be to lower the budget an additional 2% on top of that so his scenario consists of two requests.

Alderman Shaw stated that his comments were stated correctly at least as far as using the FY '06 baseline.

Alderman Tollner stated that he would support that.

Alderman Deane also stated that he would support Alderman Shaw's idea as well.

Alderman McCarthy stated that he believes that is a very good for getting a fairly broad but simple range of responses, but what he is concerned with is the case where we get a response back where on one scenario it says for that I can fudge some motor vehicle purchases for this year and a couple of other things, but if I go to 4% then I have to eliminate X positions. It is tough for him to figure out what 3% does in that case. He suggested that we have to be sensitive to understand we may have to ask for follow up if there are radically different things proposed.

Alderman McCarthy stated that he agrees with Alderman LaRose that we need to start by looking at the tax rate increase, but he believes that in concert with that we need to be getting this information from the Division Directors and we need to have that information go past where we think we are so that we can be aware of what across the board cuts would impact.

Alderman Dion provided a final comment stating that his reasoning for asking for a broader scenario is because there are so many unanswered questions with regard to School Funding, the property tax increase, etc.

Alderman Shaw sought clarification with where we are at with the request with regards to looking at level funding for FY '05 – arguably if everything had fallen perfectly within the Mayor's guidelines originally the scenario of asking for the additional 2% should pretty much put us right back at level funded FY '05, which we know is not going to be the case. He mentioned a few ways to deal with it – one question is level funding FY '05 versus the other total 3% and total 5% cut – essentially where does that fit is one way to ask it without actually asking for yet another scenario that might turn out to be the 3.6% cut or a 2.1% cut in the relative to FY '06. He questioned how much value that has right now in this exercise and information gathering.

He added that he understands the intent of looking at FY '05 level funded number for what it would be for operation, but the thing that he somewhat likes about trying to work from the FY '06

proposed is that at least attempt to work from the comprehended changes of going into the FY '06 versus the FY '05 numbers that were based on what we thought we knew and what we projected from a year ago. He is hopeful that there is better information relative to where we start July 1 this year. He would be happy to get those two other numbers working from the proposed FY '06 rather than having a third scenario that is the level funded form FY '05.

Alderman Tollner stated that we have the budget now, which is 1% off of the FY '06. He is fine with one scenario 2% lower than what it is presently today, 4% from what it presently is today across every line with the exception of the School Department who is going back to do some further work on the 1%.

Chairman Bolton stated that he is unclear because where it is this second is except for the library the suggestions that the Mayor has made have not been adopted.

Alderman Tollner stated they have not been adopted by the Budget Committee or the Board of Aldermen.

Chairman Bolton sought clarification on where it is today as it is not where the Mayor is suggesting it be.

Alderman Tollner rephrased his statement to say he is assuming Alderman Shaw intends that we take the Mayor's present presentation and a reduction of 2% off of the present presentation and 4% off the present presentation and look at those two scenarios to move forward with.

Chairman Bolton stated that he believes that to be a bad approach because you would be starting with two separate basis. The first 1% would come off the proposed FY '06 and then the next 2% comes off of the resulting 1% reduction that you got in the first step. He believes we ought to say we are starting with the proposed FY '06, we have already gotten 1% reduction numbers now we want to look at an additional 2% for a total of 3% and then an additional 2% for a total of 5%, but the percentage is always off the same base.

Alderman Tollner was in agreement with that as well as Alderman Shaw.

Maureen Lemieux stated that Chairman Bolton's explanation would be a clearer way to approach it. She indicated that the Mayor's proposal included the merit employees not receiving increases, which affects the percentage in each department.

Alderman Deane asked about receiving copies of the projection sheets.

Maureen Lemieux provided the committee with copies of the requested projection sheets, and provided an explanation of the information provided (copies are attached and made a part hereof).

Alderman Deane mentioned the previous conversation with regard to separating the different components associated with the 801 account, Solid Waste. She questioned when that would be available for review.

Carol Anderson stated that she spoke with Richard Reine who is working on that. She expected to be able to review that with Mr. Reine within a day, but was unsure when it would be ready to be sent to the Board. She was not sure if it would make the Friday packets or would be submitted on Monday.

ADJOURNMENT

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**MOTION BY ALDERMAN DEANE TO ADJOURN
MOTION CARRIED**

The meeting was declared closed at 9:58 p.m.

Alderman Paula I. Johnson
Committee Clerk