

BUDGET REVIEW COMMITTEE

SEPTEMBER 26, 2022

A meeting of the Budget Review Committee was held Monday, September 26, 2022, at 7:00 p.m. in the Aldermanic Chamber.

Alderman-at-Large Michael B. O'Brien, Sr., Acting Chairman, presided.

Let's start the meeting by taking a roll call attendance.

Members of Committee present: Alderman-at-Large Michael B. O'Brien, Sr.  
Alderman June M. Caron  
Alderman Ernest Jette  
Alderwoman-at-Large Shoshanna Kelly  
Alderman John Sullivan  
Alderman-at-Large Lori Wilshire

Members not in Attendance: Alderman Richard A. Dowd

Also in Attendance: Mayor Jim Donchess  
John Griffin, CFO/Treasurer/Tax Collector

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ROLL CALL

PUBLIC COMMENT

Laurie Ortolano

Laurie Ortolano, 41 Berkeley Street. I just wanted to address the use of the surplus money for the fund balance to reduce the tax rate. I wanted to know if somebody tonight could go over what that savings means. I'm trying to look at it as a citizen, so my thinking was a million dollars constitutes about a third of a percent of the appropriations budget because the appropriations budget was I think \$303 million. So a million dollars is a third of a percent. If I apply that third of a percent to the tax rate, I can't apply it to the 2320. I think I have to look at it at the reduced rate which I'm thinking would come around \$18.00. That would amount to \$.6 per million. So I'm trying to see is it correct for a million would drop the tax rate about \$.24 or what would that number be and can someone help me with the math just to understand what the change is for a million dollars? Thank you.

Chairman O'Brien

Thank you. Anybody else for Public Comment? Seeing nobody else in the room we'll go to Communications.

COMMUNICATIONS - None

UNFINISHED BUSINESS - None

NEW BUSINESS – RESOLUTIONS

**R-22-062**

Endorsers: Mayor Jim Donchess  
Alderman-at-Large Michael B. O'Brien, Sr.  
Alderman John Sullivan  
Alderman Patricia Klee  
Alderman-at-Large Melbourne Moran, Jr.  
Alderman Richard A. Dowd  
Alderman Alex Comeau  
Alderman June M. Caron  
Alderman Derek Thibeault  
Alderman-at-Large Lori Wilshire

**ESTABLISHING THE USE OF FUND BALANCE FOR TAX RATE**

**MOTION BY ALDERMAN WILSHIRE TO RECOMMEND FINAL PASSAGE**

ON THE QUESTIONChairman O'Brien

Does the Mayor want to speak first or do you want CFO Griffin to introduce it?

Mayor Donchess

Thank you, Mr. Chair. So tonight we're here to talk about applying the proposal that we apply \$4.4 million of the surplus or reserve to the tax rate. You have on your desk a couple of slides which we wanted to focus on. First, one of our objectives is of course we want to apply money to the tax rate as we have in the past to give as much tax relief as possible. Secondly, one area that we want to focus on is to ensure that the bond rating, which is now AAA with two agencies - with Standard & Poor and Fitch, that we maintain that AAA bond rating. That is important because of course it confirms that the City is well run and financially stable but also because the bond rating helps to determine the interest rate that the City pays on any debt that it incurs. This has always been important but is especially important now as we see interest rates rising for the City, for anyone borrowing money across the board and the economy.

Now we focused on, and you see on your first slide on the top here, these are comments made by Standard & Poor which reaffirmed the AAA bond rating recently. Although they say we have a stable outlook, they give a downside scenario which is "Should the City's financial performance deteriorate and lead to fund balance drawdowns with no plans to restore, we could lower the rating." Also, a second comment having to do with consistent financial performance the quote is, "Nashua has historically maintained very strong reserves". So in addition to making sure that we do as much as we possibly can for the tax rate with a \$4 million application for tax reduction, we also want to make sure that we continue to have a healthy fund balance and maintain the bond rating.

Now what the rating agencies are looking for is for a consistent growth in the fund balance. The ordinances also require that at least 10% of the City budget be held in reserve in a fund balance. Now as you see from the slide over the last 11 years, the fund balance has been climbing steadily pretty much every year and that's what we want to continue. This year, we did draw down on the fund balance in two respects: number 1, we applied \$1.4 million of the fund balance to fund year one of the Teacher's contract before the health savings kick in in year two; and secondly, we applied money - \$600,000 to the Fire Department because COVID related expenses caused them to overspend the budget. So simply to maintain the balance, we need to replace that \$2.1 million and we're proposing that we continue to grow the fund balance from \$40.3 million to \$42.6 million, which will continue to show strong reserves and a strong financial performance.

The two lines you see, the two bar graphs, are the \$42 million is the total fund balance, 34 is the undesignated fund balance. The gap - the delta so to speak between the 42 and the 34 is the so-called designated fund balance. That is designated for future liabilities. Those could be things like we saw this year a need to fund the Teacher's contract or the problem with the Fire Department budget. When you combine the two totals, you see that the fund balance is growing and that's what we want to continue to show consistent financial performance of a period of years and even really decades. So along with the application of \$4 million to the tax rate, this would be the result. We would grow the fund balance to the numbers you see.

I think Alderman Sullivan had asked about - and I know some people have not been through this before - so I'm trying to give you some of the information. I think Alderman Sullivan had asked about the designated and the undesignated fund balance. I think that at least provides you a basic explanation.

Also you have asked about the tax rate. Now we don't know in an absolute certainty what it's going to be but based upon kind of the preliminary denominator which is the amount of the tax base, we believe the tax rate will be below \$18.50. A rough estimate would be \$18.30 plus or minus but that will be worked out for sure within a short time. Ultimately the DRA (Department of Revenue Administration) for the State of NH sets the tax rate but certainly given the information we have now, we can estimate what it may be.

So in summary and CFO Griffin can fill in on anything where I made any errors in any of the statements or any further information, he can help answer questions and the like but that gives you the overview as to why we think we need to make sure that the fund balance continues to grow and how we would go about applying \$4 million to the tax rate.

The question was asked about how much \$1 million equates to. Although the overall budget is about \$330 million or a little bit more, really the important figure is how much are we collecting on local taxes. So the answer is since it's around \$250 million, about \$2.5 million equates to a 1% on the tax rate. \$1 million would equate approximately to four/tenths of 1%.

Chairman O'Brien

Okay all set Mr. Mayor?

Mayor Donchess

Yes.

Chairman O'Brien

Alright at this time does Mr. Griffin do you have something you would like to add?

John Griffin, CFO/Treasurer/Tax Collector

Sure Mr. Chairman and thank you Mayor. As you may recall on September 30<sup>th</sup>, there was a communication from the Mayor called "notification of surplus and overlay". As part of that exhibit, what we decided was to make sure that we're better than the 10% and historically we've been over 11%. So as the Mayor indicated with the increase and the unassigned fund balance, we're at 11.2%. So that \$34 million is 11.2% of the \$303 million budget.

In addition to that, we plan to put in the tax calculation recommend to the DRA a \$6 million amount for overlay which is a bit larger than we normally do but because of some of the outstanding abatement filings, we think it's prudent to put \$6 million into that overlay reserve. We have a balance of about \$583,000. So we feel confident that that's going to help us this year with the abatement proceedings.

The other thing that's in the assigned fund balance, just wanted to make sure everyone knew, is we put in the \$1.5 million overlay reserve that had been with us for a couple of decades. We had to use that this year to get us through the abatements that took place last fiscal year. So we'll have the \$6.583 million coupled with the \$1.5 million. So we're in good shape in that regard. Thank you.

Chairman O'Brien

Okay. I guess we'll open up for questions. We'll start on this side of the room. Alderman Sullivan?

Alderman Sullivan

Thank you Mr. Chairman. I have a few. Thank you for the help on the tax rate. That is - I know I sent out rapid fire emails yesterday but my constituents are concerned and I wanted to see if we could get there and I appreciate the information tonight.

I do need help understanding a little bit that second slide that you have. You have \$42.6 million in the total fund balance. Explain to me the difference between the unassigned fund balance and the total fund balance one more time please.

John Griffin, CFO/Treasurer/Tax Collector

Sure. The unassigned fund balance is truly that, it's unassigned to anything. It's a show of strength that's recognized in your Ordinance - the Board of Aldermen's Ordinance so having a 10% threshold of the current year budget but more importantly over the last several years since I've been here since 2010, we've done better than that. We've had 11, 11.2, 11.4. This year we projected 11.2. Now that's unassigned. There's no specific purpose. How that could be used by the Board of Aldermen is to appropriate the money if we needed to. But in conversations that I've had with the rating agencies, it's a show of strength and financial reserves. That's a show of strength.

The other thing that happens and we've been able to grow as you can see the dark blue bar is greater. It's increased over the green bar. In this regard, we recognize that another show of strength is to have assigned fund balance. That's an opportunity for the CFO or the City to take any surplus that he/she doesn't want to apply to the unassigned and assign it kind of flagging the fact that we know of certain liabilities that need to be covered in the future. Back a few years ago, it was the pension situation with the NHRS. We thought it prudent to assign fund balance to grow that assigned fund balance in that regard. Shortly after the pension, we had medical increases - medical insurance increases that's been talked about at length. As the Mayor indicated this past year, we used some of the money for the Fire Department shortfall and some of the money for the first year of the contract for the teachers before the health savings kick in next year. So that's a recognition by the financial community that reviews our books that we have some stable reserves and that's why

we thought it was important to note that kind of once you get the reserves, you want to grow them, and keep them, and maintain them.

So they knew that the rating agency in particular, Standard & Poor's, knew we from time-to-time have to draw down on those reserves but if we do have a plan to restore them, that's high marks. Now what they do is they always have a downsize scenario that the Mayor mentioned if we don't have a plan to put the money back, they'd be concerned. The second statement they make, the consistent financial performance, they're comfortable that we've been able to do what we've indicated.

The last piece is watching of the budgets on a continuous basis by the financial departments and the operating divisions that puts us in good stead. So it's a long answer to hopefully a short question but very important to keep our reserves as consistent as possible with growth. That's what they look for. Thank you.

Chairman O'Brien

Follow up?

Alderman Sullivan

Thank you. You had mentioned pensions. There was discussion during the budget hearings about how much. I know that in years past, the State has not kicked in any money towards our pension. There was reference to we would be getting some money. It was a little blurry/murky at that point. Has that picture cleared up at all as far as what we would be getting from the State to help us offset the pensions?

John Griffin, CFO/Treasurer/Tax Collector

It's a little bit clearer. As I communicated I believe a few months ago, the State plans on getting bonafide information from the NHRS. NHRS will submit that data to the State Treasurer's office, to the Budget office, so they can calculate what our reimbursement will be for that 15% of Fiscal '22 expenses for Police, Fire and Teachers. Let's say that number is approximately \$2 million. The objective is in the next month for the DRA who reviews and sets the City's tax rate to have that number and put it in the schedule. That's where we're at with that. We don't know what the number is yet but hopefully it's close to what we had projected last year.

Mayor Donchess

Okay but in terms of additional context, keep in mind that this year - or excuse me, the year in which you're talking about which is Fiscal '22, the State raised the City's budget for pensions by \$4 million. Actually 4.4 or about unrelated to any increase in wages. So the real increase is 5.1 or something but a small amount of that is due to increases in wages. So they raised the 4 million.

Our friend Mike O'Brien pulled several rabbits out of the hat and through the House got bills passed to help pay municipal pension costs. In order to, I guess, compromise with the Alderman O'Brien approach which was to permanently restore part of the money, the Senate agreed to a one-time payment. Now further context which I probably should have said at the beginning, the way the City and all the other municipalities go into the State Pension System the inducement was if you join the State Pension System, we will always pay 35% of municipal pension costs for all cities and towns. Some years ago that was reduced and then ultimately wiped out going to zero. So cities and towns and when I talk to Mayors, it's like everyone is very upset that this promise, this commitment, this legal commitment really because it was in law. It was broken and we've been fighting with Alderman O'Brien leading the charge to try and restore some of that 35%. I think the figure this time was 15% for one year.

Chairman O'Brien

Well the first Bill was 7.5.

Mayor Donchess

7.5% for one year but if you accumulate, if you total the amount that the broken promise has cost the taxpayers of Nashua, the number is \$74 million cash. In addition to that, the system was mismanaged so even the total bill putting aside the 35% has mushroomed and so now the City is paying, I don't know \$33-34 million into the pension system. It's nice that they are helping out a little bit but it doesn't even come close to what the original commitment was that was kept for

decades but then was broken.

Chairman O'Brien

Alderman Sullivan I'll recognize you in one second. For everybody's piece of mind, I was about inches off the goal line. Didn't cross the goal line but I wrote it again so wish us luck. So that Bill will be going forward. Alderman Sullivan?

Alderman Sullivan

Thank you. Final question I have is around our trust fund. I noticed that we have a pension trust fund with a balance of about \$950,000 in it. Any chance that we might be able to allocate some of those dollars for the upcoming or the Fiscal Year that we're currently in to help offset that tax rate a little bit more?

John Griffin, CFO/Treasurer/Tax Collector

So just to give it a little background. When we were facing double-digit increases, several boards ago we decided to create a HRS Pension Trust Fund that you mentioned. We put \$900,000 in and haven't used it. It can be used, but we haven't used it yet. We originally tried to put in a lot more but it was about half of what we needed at the time. How that would work is we would probably take that as a revenue source. So the mechanics would be the Board of Aldermen would recognize it as a revenue to offset the tax rate but at this point, we haven't used it yet.

Mayor Donchess

I think part of it is that we did get the \$2 million this year which meant the increase was only \$2 million for this one year. Next year, there's no promise of that \$2 million is coming back. So next year in effect, it will go up the \$2 million that it went up this year plus another 2. So maybe when that hits fully, it could be the best time to use it.

Chairman O'Brien

Thank you. Alderman Jette?

Alderman Jette

Thank you. So as I understand your explanation of the assigned and unassigned fund balance, the assigned fund balance or - so first of all, all of this money is surplus money. We collected this money more than what we spent in the last fiscal year. So the assigned part of it is what you estimate we might have to use. They're kind of potentials that you are aware of as opposed to the unassigned balances. You're not aware of anything but it's there to protect us in case something comes up. We have reserves so that we can pay whatever might come up but things that we're not anticipating but could come up. Is that a layman's explanation?

John Griffin, CFO/Treasurer/Tax Collector

That is a good explanation Alderman Jette. The unassigned is recognized in the Ordinance where it requires 10%. I believe just before I got here in 2010, I think it was 8 and you folks increased it to 10. That's widely recognized and that's why when the auditor came in, he pointed out the unassigned fund balance. We like to see growth in the unassigned. At the end of the year, at the end of the book closing, we say the Comptroller, myself, with guidance from the Mayor, we say how much do we have left? We have two choices - one is you throw it all into the unassigned, which we don't want to do because we want to grow that consistently. So we have an assigned. We use the word "assign" because liabilities we know they're there. They can hit us at any time or not hit us. We might need to use the reserves. So the layman's term is the unassigned is your piggybank. The assigned is money you have in another location that you can use for what they call "future liabilities".

Mayor Donchess

But I think a significant point is what the rating agencies, the financial community, is looking for is the total of those two numbers to grow overall. So that's what you see on the chart here. You know things do come up that could require the use of the assigned balance. I mean this year we used for at least those two purposes the Teacher's contract and the Fire. Next year, they could raise the pension bill \$4 million again. We don't know for sure. Again, it's the total number that the rating agencies, the financial community is the most interested in. As you see, that's growing steadily over the last what we've shown 11 years here on the chart. That's grown steadily for the last 11 years.

Alderman O'Brien

Follow-up?

Alderman Jette

In the 10%, is that 10% of the total budget or 10% of the tax collections?

John Griffin, CFO/Treasurer/Tax Collector

That would be 10% of the approved budget. So it would be 10% of the \$303 million. In this particular analysis, it's 11.2%. So we beat that amount of 10%.

Alderman Jette

Okay thank you. Another? I know the Mayor was trying to answer the question about what the effect this \$4 million will have on the tax rate. I kind of lost it when you - so if you help me. So the \$4 million, so right now you're estimating the tax rate to be \$18.30 per thousand.

Mayor Donchess

Plus or minus, yes.

Alderman Jette

Right. I know it's an estimate plus or minus. If we didn't transfer this \$4 million towards the tax rate, what would that estimate be in dollars, not percentages, but in dollars? Instead of \$18.30, what do you think it would be?

Mayor Donchess

It would be about close to \$18.60. I'm just mentally saying it would add about .27/.28 cents something like that. The way I get there is that remember 2.5 million equals 1% of the tax rate. The way you get to that is that we collect \$250 million in property taxes. The rest of the revenue is other sources but a very large percentage of the total revenue is the property tax. So if you're collecting \$250 million approximately, that means that one percent of that collection is \$2.5 million. That's how you get to a \$2.5 million variance up or down is 1% on the tax rate. With an \$18.00 roughly, \$18.30 whatever tax rate, one percent of that is .18 cents. So \$4 million to \$2.5 million is about 4 million to 2 ½ - 1 percent of the tax rate is about 1.6 percent. 1.6 times \$250 million is \$4 million. 1.6 x \$2.5 million is \$4 million. So if you then think of a .18 cent rate, 1.6 is about .32 cents or something like that. So you add that to \$18.30 and you get up around \$18.60. Very rough kind of approximate estimate but that's the basic concepts that you're applying.

Alderman Jette

Okay. Thank you.

Chairman O'Brien

Alderwoman Kelly all set?

Alderwoman Kelly

All set.

Chairman O'Brien

Alderwoman Caron?

Alderwoman Caron

I'm fine.

Chairman O'Brien

Alderman Wilshire?

Alderman Wilshire

All set.

Chairman O'Brien

The Chair will indulge if I may at this particular second. I don't want to cross any line of political engineering. Let me use the disclaimer, I am running for office again in the State position but fully by State law, incumbents do have the right to write a Bill for the upcoming legislation to which working with Representative Mike Edgar, we did it again. We felt that the gentleman from Wolfeboro basically cut the \$2 million to a one-time thing. The original Bill was supposed to be annually to receive that.

Now we don't know what the strategy is in the future. It could come down. Maybe the City won't get a check at all. Perhaps maybe it might go right to the UALL, which is the Unfunded Liability Debt, but would that not benefit the City equally as well by cutting that down. So wish us luck as we get into those endeavors in the future. I hope to get back to the State House so I can pick up the sword and go slay the dragon on this one. So we shall see.

But the other thing I would just like to say. I'd like to remind you all regardless on your pending vote for this evening, I am proud to vote for this because it does take \$4 million and put it back into the taxpayers. It's definitely needed. You've got to look what happened. We did have our tax rate problems and now that's coming up. I think people coming right off of COVID could most certainly use a break. I would like to remind everybody, all the Aldermen, that at the next September 27<sup>th</sup> I think it is meeting of the Board of Aldermen, we're going to need 10 votes in support of this. So that's all my comment is so hopefully we can do that and without any other further questions. Did you have a question Alderman Caron?

Alderwoman Caron

No, I'm fine.

Mayor Donchess

I would say that getting this money that Alderman/State Rep. O'Brien got was like a miracle. We had been fighting this every session and nothing, nothing, nothing. Then in the House didn't it lose once but you brought it back for reconsideration?

Chairman O'Brien

Let me put it this way, it wasn't in the can. It was in the dumpster. I went out and got it and brought it back.

Mayor Donchess

So reconsideration, and then there's a tabling motion which gets reversed, and it just goes on, and on, and on, and finally the House did pass it. And after two or three different floor fights I think. So the Senate I think didn't want to commit to permanent so to kind of pacify things, they passed this one year Bill. Then the House went along with that.

Chairman O'Brien

Mr. Mayor I was never more grateful than to kiss the Blarney Stone. It happened to work and the fact that it almost worked would have been such a great asset to the City. Absolutely, absolutely. Comment? Yes, Alderman Jette.

Alderman Jette

I just want to say that I'm going to vote for this. I'm happy to reduce the tax rate. I'm disappointed to find out that the \$4 million only equates to .60 cent reduction on the tax rate but it's better than nothing.

Mayor Donchess

More like .30 cents. 1.6% roughly of the tax rate which at an 18% rate equates to .30 cents or maybe a little more.

Alderman Jette

Okay well I'm more disappointed.

Chairman O'Brien

Alderman Sullivan?

Alderman Sullivan

I'm going to support this as well. But what would happen if we were to kick in another \$2.5 million? It's there. What would that mean?

Mayor Donchess

It would reduce things by another .30 cents but it would also mean that the fund balance didn't grow. There could be questions asked later on about what we're up to.

Alderman Sullivan

Follow up?

Alderman O'Brien

Follow up.

Alderman Sullivan

Thank you. If it were to drop us down to a AA credit rating, how would that impact our borrowing status? I mean what would that put us up to as far as interest on those bonds?

Mayor Donchess

We don't know but I think a sign of strength for the City has been that we have the rare situation, which is rare. We have two AAA bond ratings. There might be others - Concord might have it but Concord might have that as the State capitol but not many communities have AAA at all and not many communities have two AAA ratings. So it would certainly in terms of our sort of image as a community that is able to manage their finances carefully and prudently, it would certainly be a step backward.

John Griffin, CFO/Treasurer/Tax Collector

Maybe I could add Mr. Chairman?

Chairman O'Brien

Yes, Mr. Griffin.

John Griffin, CFO/Treasurer/Tax Collector

We're in the market every year. Our bonds are highly sought after. When I work with the Hilltop Security Experts, they're our financial advisor, the refrain I get is you've got AAA ratings, well-managed, Highly sought after. So we had hustled, got in kind of before things started really taking off at the increase in interest rates but we got a 3.55 on the general fund non-taxable. We're compared favorably with Nantucket. They're a AAA but we're in the bucket of AAA folks. It's hard to tell how much we'd lose but once you meet that kind of that goal, that lofty height from a financial perspective, it does. We're in a group of highly sought after bonds to sell to the investor communities that are looking for security, looking for a good investment, and we've worked hard to get there. Just before I got here, my predecessors were able to convince Fitch to be a AAA, and then we worked with Standard & Poor's. Some of the analytics were very distressing such that like Bedford, NH, they were a AAA. How do we get to Bedford? Well you got to



lose 20,000 inhabitants and you'd have to raise the property value. I mean it's just nonsensical. So Treasurer Fredette, and I, and the Mayor were very happy with the AAA.

As I mentioned two years ago during the pandemic, Treasurer Fredette and I got called by Moody's who actually increased us slightly or increased us one more notch up one below the AAA from a Moody's perspective. So they went out of their way to actually call us. So we're in that group of highly sought after investments in the sales of our bonds and that translates into lower bonding costs over time. Thank you.

Chairman O'Brien

We're good? Okay. Seeing no further comments, I will call for the vote.

**MOTION CARRIED**

NEW BUSINESS – ORDINANCES - None

Chairman O'Brien

R-22-062 goes before the full Board with the recommendation of final passage.

Also this evening we have tabled in Committee O-22-019. Seeing no request or motion, it shall remain on the Table.

TABLED IN COMMITTEE

**O-22-019**

Endorsers: Alderman-at-Large Ben Clemons  
Alderman-at-Large Michael B. O'Brien, Sr.  
Alderman-at-Large Shoshanna Kelly  
Alderman Alex Comeau  
Alderman Richard A. Dowd  
Alderman Derek Thibeault  
Alderman Thomas Lopez  
Alderman Patricia Klee  
Alderman-at-Large Lori Wilshire

**CHANGING THE DOWNTOWN IMPROVEMENTS FUNDING PLAN**

•Tabled at 7/25/22 meeting

Alderman Sullivan

On that last Ordinance, correct me if I'm wrong but I believe this is at least the third time that this has come before the Committee. It is appropriate to indefinitely postpone this legislation?

Chairman O'Brien

Alderman Wilshire?

Alderman Wilshire

No. They might be waiting for something that they haven't figured yet. It was only tabled two months ago. It's not unusual for things to be tabled for longer times. I don't know what their plan is. I haven't been to their meetings but I would not do that at this meeting. They might have something that we don't know is going on. I mean if you ask the main sponsor that might be okay but.

Alderman Sullivan

Okay, I'll do that. It just seems like it's on a...

Alderman O'Brien

Duly understood, yeah, but I have to agree with Alderman Wilshire. It gives them a chance to work on it. Okay with that done. General Discussion. Alderwoman Kelly?

### GENERAL DISCUSSION

#### Alderwoman Kelly

I was going to ask this while we were chatting. I'm just interested at some point and maybe it would make sense to have it at this meeting but I want to know more about the pension backstory and how it's come to be. The Mayor said something about they were legally liable but just decided not to pay it? Like I'm very interested to know why we are where we are.

#### Chairman O'Brien

Do you want it now or off camera? I can give you a brief synopsis right now.

#### Alderman Wilshire

You can be brief?

#### Alderman Sullivan

Do you need a white board?

#### Chairman O'Brien

Kids go get the popcorn, here we go. But basically in 1967 prior to that in talking 1966, there were four pension systems run by the State. There was Police, Fire, Teachers, and what they say "others" but the "others" were people who worked for like DOT. They may have worked in offices and stuff like that. The concept at the time was to combine them all which was kind of in a way brilliant because you get more money invested, it gave better opportunities in a way to grow the pension system.

Many communities did not have or were not into the State pension system. They ran their own. So to entice municipalities to join the State Pension System, the State came up with a law that basically said that the State would pay 35%. The State also came up on the dark door, the back side of that too, that no contributing once you join into the pension system you can't pick up your basket and walk out the door. You are liable for all unfunded liabilities, all obligations, and everything else. So once you were in, you were in. The State promised that they would pay 35% and that worked for an awful long time. Unfortunately, this is what happens when pension systems become the political football of one political group over another political group. That's exactly what happened. There was times when the State we were in bad economic times. They did take some money out. That was not the first time. The original Governor Sununu did that equally as well but the members of the pension system sued and he put the money back in after he funded the budget. It happened again.

Well there's other things too. Over the life of the system where did the UALL come from? That was many municipalities got a holiday. The pension system, the numbers they were using may or may not have been accurate but at 100% and cities and towns said well if it's 100% do we have to pay and they received a holiday. Then they found out with new numbers that we were down to almost like 60%. So that's where the unfunded liability came in. Correct me if I get some of this wrong but it's just a brief overview. So all these two loggerheads coming in and then I saw again, one political party came in and then took - it was supposed to be a State law in 2012 to bring it back up to 35%.

That was vacated and from that point, it dropped from 35 to 30, 25, and then down to zero. So this left cities and towns - the 35% holding the bag. So now you got the unfunded liability and then you also got the 35% that is required to be paid. You can't get it 100% out of the employees. They're already meeting their contractual obligations. As a matter of fact, the employees themselves have suffered an increases equally as well. So thus is the fix. So I wrote my Bill just briefly and looking at it go to one third in a way to a 7.5%. At least get us partially there back to the 35% that was originally. Again, it got shot down to one and one year only. My original Bill was that was going to be annually and that the State - the money would come from the State surplus that they have as well. So it would be a fine way for the State to apply it back. Alderman Wilshire?

#### Alderman Wilshire

Why did the State decide that the pension system needed to be funded at 100%? Not everybody is going to retire at the same time, right? Why did it need to be funded at 100%?

Chairman O'Brien

Well you're absolutely correct and I agree with you. They came up with the UALL.

Alderman Wilshire

What is the UALL?

Chairman O'Brien

The Unfunded actuarial liabilities...

John Griffin, CFO/Treasurer/Tax Collector

It's the Unfunded Actuarial Liability. But the reason for the 100% is kind of like their thoughts or their preaching's of 100%. Now I look at it if you try to get 100%, you're probably going to get 80 or 90 because things are going to change. If you try to get 80, you'll probably gonna get 70. So my mother always said, John strive for the As. Don't settle for Bs, right so that's kind of that...but it's a really complicated thing. I would say that if I can get my hands on a great piece of writing that Barbara Reed who is the Financial Advisor to the NHMA staff. She retired a few years ago but she did a great writing of what Alderman O'Brien was talking about. It's really complicated. If you think you're going to get assumed rate of return of 7%, in one year you get 15%. You can't take the money out and that's what they did. They provided what they call "supplemental benefits". Probably back for like a 20 year period and that really drained the system. What's happening because of low interest rate environment, they keep reducing the assumed rate of return down and that's billions. That's not millions. Great work and great writings.

As Alderman O'Brien said, if you look back – I will send out a history of the rates because when you started now, the cities paid less than the employees, especially Fire and Police. I think some things were going on and then around 2008, you needed pension reform in a big way. You needed it not only in NH but everywhere. The fact of the matter is a 50% funding rate, 60% is just not good. In Massachusetts where things get a little bit expensive, I'm from Mass. They were issuing bonds for OPIB liabilities because a lot of the folks down that work for Massachusetts cities and towns, they get subsidies on medical costs, dental costs. We don't have that. At least our OPIB liability is more of what they call an implicit not an explicit.

The only retirement program for medical other than the NHRS is the teacher's but they have to be here for a while. That's that small if it look at the ACFA now, it used to be the CATHRA now it's the ACFA. You'll see a little bit of an explicit liability. They have actuaries. They reformed it. With no disrespect to union folks, it was like the Noah's Ark of pension management. They had two policemen, two firemen, two teachers, two civilians. Not really weighted in the right direction. Now they have very effective board members. They look at every 10 years. So the Decennial Commission 2008, 2018, and they just decided to just stay the course, reduce the rate of return. That's the big hit.

So the things that we argued was rate of return you reduced it, trying to get to 100%, and then the other one is 100 years after the Wizard of Oz was produced 2038, they want to get to 100%. So the clock is ticking. We're only 16 or 17 years from 2038 – 16 years and that liability is just growing leaps and bounds. If you look at – if you review when we came in before the Finance Committee and had Mr. Ed Boyd review that section, the numbers are staggering. It almost eliminates the value of the City. \$300 million worth of pension liability on the City. But the good news is, the rating agencies understand that that's why there's a little section that says we're worried about pension. They understand that it's just mathematic and arithmetic. As long as we can fund as the Mayor said the \$34 million, it's going to grow to \$36 million. As long as we can fund that, we're in good shape because that's the budget look. The liability is just enormous.

I went up there and testified, the Mayor, Alderman O'Brien just not getting any progress because we're accused of just giving money away right Alderman O'Brien and that's not the case. You have that north of Concord, and south of Concord, and it's a challenge but we've been able to afford it. But as Alderman Sullivan said, make sure you take a look at the \$900,000 and see if we can use it effectively to reduce the burden. Thank you.

Chairman O'Brien

I would just like to say too there's a hidden problem of COLAs. To people that don't know, it's the

cost of living increases. The difference with a defined benefit program in the State, you are at the whim of this legislature to receive a COLA. It is sad that when I see their Firefighter, or Police Officer, or Teacher that committed their working years to the municipality and retired after 20 - 30 years and was blessed with longevity, but they're living in despair because the pension system they never received the COLAs. We did try to get the COLAs every 5 years and that was defeated last year. In our opinion and the math we were using, the COLAs every 5 years you lose a certain percentages with the inflation and try to keep it up. It would be nice if it was on a scheduled basis. I mean there might be some time where everybody's hitting that great economic problem. You could change it to adapt to that but still to this day, there's no guarantees. Like I say, I've been retired 6, 7 years and never received a COLA. Yet it's very sad. There was one guy called "Timer" from Manchester living practically destitute and because the COLAs never caught up with him.

Alderman Kelly I would just like to say with the usual caveats, my explanation on the pension system is basically legit but an overview. I think you get the impression. It's a complex problem. It took a lot to get that tire stuck in the mud and it is stuck in the mud. Pension systems should be basically left alone. One of the greatest problems, in my opinion and my opinion only, to the State of NH Retirement System is 399 other legislators who should have back off years ago and let me the money grow. When you keep changing things on a whim, its part of the problem. So I hope that helps you.

Alderman Kelly

Yes, thank you.

Chairman O'Brien

With the usual caveats. Alderman Caron?

Alderman Caron

Yeah, ask a question. The State wants the pension to be 100%. I don't think there's a pension around that has 100%. What is DPW's pension because that's the other pension that's within the City for Board of Public Works employees? I know they struggled for a long time and they've been moving up. They haven't been getting COLA's or anything either but where are they at this point in time? I haven't - are they at 75%?

John Griffin, CFO/Treasurer/Tax Collector

They're actually – they've had some very good growth. At the height of the market, they were over 100% but most recently with the interest rates, inflation, and everything else, they're probably low 90's. They're done very well. Mr. Fredette who is very active and others, they've actually given what they refer to as "one-time stipends" or things of that nature. Mr. Fredette and the others recognized that the lack of a COLA does hurt the retirees on the pension system. So the DPW pension so they've fortunately given those twice in the last 10 years which has been good. Most recently I think it was 2 years ago.

Chairman O'Brien

Alderman Caron I'm also on the Board. I agree with CFO Griffin. I think it's a very - anybody that works for BPW, it's a very well-run system. I am very proud of it. I wish the State was run like that you know but unfortunately not. Like I say, we cannot afford in that case to get them COLAs. So we did get the 13<sup>th</sup>. I had to use the term "the 13<sup>th</sup> check" but usually around Christmas time Santa is at the Board meetings and wrote the check. It was a little bit of something. We did that because we really wanted to say thank you to the people who dedicated their lives to the City. They're not forgotten. I hope you did get that. Did you get that?

Alderman Caron

I didn't get it but somebody else did. I've been retired from the City for 16 years and I know what the State has not provided. It's a tough situation because when I started working here, we had no pension. That's when the State came down and started asking and trying to get the big cities to join the pension. That big pull was the 35% that the State was going to contribute every year and that's what brought them in because they didn't bring it in until 1974 because I was here 10 years before pensions were provided other than BPW. So they made a promise to these big towns basically - Manchester, Concord, Nashua.

Chairman O'Brien

Everybody in the system.

Alderman Caron

In the North Country, they don't have as many people working for their municipalities on the police department, fire, or whatever. So it was a great enticement but then they turned around, whether it's political or whatever, and yes did take from the pension. I was up there when we fought for some of those changes and it just didn't happen. So it really takes a chunk out of our budget, especially with the additional monies that we have to put in, but we have to make people understand every employee puts a percentage of their salary into that pension as well. It's not a freebee. It's not the City paying for your pension. You as an employee have to contribute to that pension program otherwise what is the point. I always said you've got to share. If you want something later on, you've got to also contribute to the pot. Yeah it's a long discussion. I remember when the pension people came down with the changes and trying to talk and how you Alderman O'Brien was trying to figure out how do we get the State to go back and make that commitment happen again because they do have a lot of surplus. They certainly could make some money to help out the cities and towns within the State to continue. Thank you. Sorry didn't mean to talk.

Chairman O'Brien

Just a complete overview. A promise made should be a promise kept. That's what all good gentlemen and all good ladies do. Unfortunately...

Alderman Caron

That doesn't always happen.

Alderman Sullivan

Thank you. I appreciate all the Q&A tonight around the fund balance. The reason for my questions and the reason for the hypotheticals around wanting to push more if we could, it seemed to me that we could. I know it might hurt our overall bond rating but I think it might help the citizens of Nashua where everything has gone up this year and that was out of their control. Gas prices, energy prices, now mortgages have ticked up, and I thought this was an opportunity for us to do that. I'm grateful that we are moving in some dollars. I thought that maybe as citizens of Nashua are hurting a little bit, maybe we turn it a little bit more to see if we can help them. Understanding what's going on at the State level, things that we can't control but there are things that we can control here and that's why I pushed that and that's why I'm asking the questions around the trust funds where those monies sit because everything that we do, and I just did the quick math and maybe it would be affected by \$100, but a \$100 is a \$100. It might be two tanks of gas. It might be natural gas which I know if going to be more expensive this year. That's why I ask those questions and that's why I wanted to press a little bit harder on that so thanks.

Chairman O'Brien

Alderwoman Kelly?

Alderwoman Kelly

I appreciate the comment around people are just feeling inflation, etc. What I am surmising, and I'm sure you can confirm, is that keeping the AAA bond rating is actually going to overtime save people a lot more than a one-time hit because our rates will be better, etc.

John Griffin, CFO/Treasurer/Tax Collector

Yeah, it's a simplification but it is true. It is hard to become a AAA but when you're at a AAA, it's important but the questions are all germane to the discussion. Thank you.

Chairman O'Brien

Any other further comments? Seeing none, we'll move to the next item on the agenda. Public Comment.

PUBLIC COMMENT

Laurie Ortolano

Laurie Ortolano, 41 Berkeley Street. I want to thank the Board, Mr. Griffin, and the Mayor for explaining a little more about what that \$1 million means per tax rate, the portends. That's great. I had a pretty good understanding of it.

I want to make you aware of something though and I think it's really important. When we dropped the tax rate in 2018 and KRT came in, we saw properties grow about 20 - 23% and our tax rate came down about 20% which means the average growth on a home saw essentially, if you fall into that average, no increase on your tax rate. However, now this year the average home has grown 40% or just over. The tax rate is coming down 21 so we're asking property owners to eat the other 20%. So a ranch when KRT came in in 2013 it was about 225. In 2018, it was 265. This year in 2022, it's 380. So a ranch last year had a tax bill if you did the 23 - 22 at the start of the tax bill, 6150 was the tax bill. This year when they up with the 18.30, it's going to be \$7000. It's going up \$850. That is significant.

I don't think you realize that the number of people that fall at a 20% or lower increase on their property is a small number, and that the vast majority of property owners are going to see an increase, and the vast majority are going to see a big one like the condos, the mobile homes, the small capes, and ranches. Mobile homes some of them tripled. So a mobile home bill that was a \$50,000 mobile home last year was \$1,044 or this year right now is \$1,044. It's going to get recalculated to \$2,760. That's enormous. So I appreciate you looking for the other \$2.5 million but we know that that was worth about...

Chairman O'Brien

One minute.

Laurie Ortolano

.. .18 cents. The tax rate to cover the 40% increase that we saw in properties would have to go down to about 13.95. We're at 18.30. We're not even close. So we're asking citizens to soak up an awful lot when gas, when heat, when food, and all this went up. I think it's going to be brutal. So I think you have to be careful at your board table on what you're voting for. That's why I'm very careful about this bonding on new projects and the spending. I've been very, very concerned about that because now that I see these numbers, this is a lot of money. Thank you.

Chairman O'Brien

Seeing no one else for Public Comment in the room.

REMARKS BY THE ALDERMEN - None

ADJOURNMENT

**MOTION BY ALDERMAN WILSHIRE TO ADJOURN  
MOTION CARRIED**

The meeting was declared closed at 8:06 p.m.

Alderman Michael B. O'Brien, Sr.  
Committee Clerk

# Standard & Poor Global Ratings Summary

## City of Nashua, NH

July 12, 2022

- **'AAA' long-term rating affirmed**
- **Stable outlook**
  - Downside scenario: *"Should the city's financial performance deteriorate and lead to fund balance drawdowns with no plans to restore, we could lower the rating."* (pg. 3)
- **Consistent financial performance supporting fund balance growth**
  - *"Nashua has historically maintained very strong reserves"* (pg.4)

### Fund Balance Analysis: 2012-2022

