

SPECIAL BUDGET REVIEW COMMITTEE

OCTOBER 21, 2019

A meeting of the Budget Review Committee was held Thursday, October 21, 2019, at 7:00 p.m. in the Aldermanic Chamber.

Alderman-at-Large Lori Wilshire, Acting Chairman, presided.

Members of Committee present: Alderman Richard A. Dowd – via conference call
Alderman-at-Large Michael B. O'Brien
Alderman-at-Large Ben Clemons
Alderman Jan Schmidt
Alderman-at-Large David C. Tencza

Members not in Attendance: Alderwoman-at-Large Shoshanna Kelly

Also in Attendance: Alderman Linda Harriott-Gathright
Mayor James Donchess
Kim Kleiner, Administrative Services Director

Alderman O'Brien

I would like to check in with Alderman Dowd. Pursuant to State Law, can you state why you cannot attend, who is with you and can you hear me?

Alderman Dowd

Yes I am having a lower back problem, it's hard to walk. I am by myself.

Alderman O'Brien

OK, Alderman Dowd I want to confirm that we can hear you for the record.

Alderman Dowd

Yes.

PUBLIC COMMENT - None

COMMUNICATIONS - None

UNFINISHED BUSINESS – None

NEW BUSINESS – RESOLUTIONS - None

NEW BUSINESS – ORDINANCES - None

GENERAL DISCUSSION

Discussion relative to proposed Resolution R-19-184 "Applying surplus in reduction of taxes" as well as proposed Resolution R-19-185 "Relative to the supplemental appropriation of \$2,900,000 from FY2020 Assigned Fund Balance" both of which will appear on the Board of Aldermen's agenda for Tuesday, October 22, 2019 for first readings. Please note that the Mayor has joined us and Administrative Services Director Kim Kleiner.

MOTION BY ALDERMAN TO RECOMMEND FINAL PASSAGE OF R-19-184 AND R-19-185 AS THEY ARE COMBINEDON THE QUESTIONMayor Donchess

Thank you Madam Chair. So let me set the stage as to why we are here and what we are proposing and why immediate action needs to be taken at least with respect to one of these items. So the Legislature in the deliberations that went on during the session allocated additional municipal aid and additional school aid to cities and towns. The budget was vetoed, there were ongoing discussions and the budget was not finalized until probably in September. At that point it became clear, at least Statewide, what the amounts of the city aid and municipal aid, and school aid, what those additional revenues, and unanticipated from the city budget point of view would be. But it was not clear until last week how much would come to the City of Nashua in each category.

At the same time, the DRA, Department of Revenue Administration, is setting the City's tax rate this week. The Legislature the dealt with this, dealt with the budget and increased these various items earlier in the spring, was not probably thinking about and they probably thought there would be more time to resolve it because the budget was passed in May or June; wasn't thinking about the fact of what would we do if the money, if it didn't become clear how much we might get until just days before the tax rate is set.

The first Resolution that you have before you which is R-19-184; this accepts the State aid, increases the amount of money that we would apply to the tax rate from \$4.5 to about \$6.2 million dollars and thereby enables us to allocate some of the aid we are receiving to city and school purposes. If the Board of Aldermen takes no action whatsoever with respect to R-19-184 by tomorrow night, then none of the aid will go to the schools, none of the aid will go to the City. If we adopt R-19-184 as proposed, we will free up \$2.9 million dollars of City aid and School aid combined to be allocated to Departments and to City purposes and it will reduce the projected tax rate from what we thought was about 3% down to about 2.6%. So we will be reducing the City's tax rate and we will be applying more money to keeping it reduced.

There was one additional factor that played against us which is that the Board of Land & Tax Appeals issued a decision that caused a different formula to be applied with respect to the valuation of utility assets. Once that opinion decision is applied to the assets in Nashua, it does result in a \$60 million decline in the assessed value of our utility assets. So part of the additional money that we are applying to the tax rate, the additional \$1.7 million dollars is offsetting the loss of the \$60 million in value caused by the BTLA decision and writing down the tax rate further than we had suggested before from about 3% to about 2.6%. In addition this does free up \$2.9 million dollars to be allocated to schools and city purposes. The most immediate thing tonight is to recommend R-19-184 for action tomorrow night so that it could be adopted tomorrow night and we can go forward and have money. We will of course reduce the tax rate as I said but also have money to allocate to schools and City purposes.

I don't know if I should stop there before getting into the other Resolution and answer any questions or comments about this?

Chairman Wilshire

Yes why don't we take this one first? Does the Committee have any questions about R-19-184?

Mayor Donchess

Now R-19-185 tentatively and this we are just sort of thinking about what the different issues are right now; tentatively allocates the money to 3 purposes. Number one, to education priorities, \$1 million dollars; city priorities \$900,000.00; and the school capital project \$1 million dollars. Now there are many different ways that this money could be allocated so this is one way we could do it.

But we need to, I think at this point, further define what City General Contingency purpose might be because as we are getting into the year, and Ms. Kleiner is here to discuss this in more detail if you wish. As we are getting into the year we are finding that the experience with respect to healthcare is higher than last year and last year it went up 11%. So you might recall that in the Budget of Fiscal 20, the one we just adopted a few months ago, we had to increase the healthcare cost by a little over 11% or over \$3 million dollars to offset or to account for the addition in claims that we are seeing.

Now you might remember that we saw between Fiscal 18 and Fiscal 19 in which we projected for Fiscal 20, you might remember that we are self-insured which does save the City a lot of money, we don't pay an insurance company a specific amount for each specific covered person. On the other hand therefore we never have an actual fixed cost, because it depends on the claims that the employees and their dependents submit during the course of the year. So there can be a variance. So we are working off estimates. So to ensure the viability of this whole system, the self-insured system, there is a Trust Fund that backs up our self-insured medical benefit. If we run over, if the estimates are low, there is money to draw upon to pay all the claims.

Now you might remember that by the end of Fiscal 19 and Ms. Kleiner can correct me if I'm wrong, that Trust Fund had gone down to about \$3 million dollars and therefore during the time when we allocated surplus and some of the designated fund balance, we put \$3 million additional into the healthcare trust fund to bring it up to \$6 million approximately to start the beginning of this Fiscal Year, which is healthy but you know it should be a little healthier but it was better than it was. Ms. Kleiner can give you the details but through right about now we are trending about \$500,000.00 higher for claims and we are almost a third into the year, we are trending about \$500,000.00 higher in claims that we were trending last year. So going now back to R-19-185 were we to adopt this kind of schedule of allocations, I would suggest that any City money here, \$900,000.00 go to the Healthcare Reserve so that we can make sure that we have enough money if the claims go over the budgeted amount.

I would just say that is really a joint school item because most of the employees in the healthcare system are school employees, most of the dependents are school-related. Now having put this out, I have already received criticism from both sides. Some people say, "hey wait, there's no money here for City priorities other than healthcare which is really kind of a joint thing with the schools, what about the sidewalks?" When we had the Ward Meetings the thing that came up the most, we need more sidewalk work. "What about that" "What about the fact that we are supposed to be doing something for the east side in terms of establishing a park" "what about homelessness" "what about everything" "what about the library plaza" "nothing for any of that". On the other hand, the School Department says that we need more money, we need more than you can give us.

So this would, as proposed, put a million dollars to the education, the Middle School Project, in an effort to continue to save money against the project that we know is going to be least \$100 million dollars. But I think that this does not need to be enacted tonight or tomorrow. In fact it should not be because this will require doing this, a supplemental appropriation will require a Public Hearing. So this is going need to be referred to a Committee, a Public Hearing scheduled so that people can have input and then following the Public Hearing the Board of Aldermen can then adopt the supplemental appropriation. But going back to the beginning and I'd be glad to answer any questions regarding R-19-185, but going back to the beginning, R-19-184 is the thing that needs to be acted on to make sure that any of this money can be allocated to our Trust Fund, to any School purpose or anything like that.

Finally Madam Chair I would like to thank the Budget Committee for holding this meeting so that we could discuss this. I apologize for the rush but it was only late last week that we figured out what amounts we would actually be getting. Do you have any corrections? She's afraid to correct the Mayor but she shouldn't be, if I made any mistakes point them out, please.

Kim Kleiner, Administrative Services Director

No. But I would like to say, so we are watching this very closely. We met with Anthem last week; I've asked for a lot of additional information from WBS. We had 5 NH State mandates that have come down, I haven't gotten cost estimates on how those are going to affect us yet; but I am not really liking the trend that I am seeing so far. But we have done a lot of good work; so we started the Smart Shopper. I can tell you we've saved \$1,900.00 to date. We have had 9 people that have received incentives on that. Anthem has changed the Pharmacy provider so there is a new Pharmacy provider. They are expecting pharmacy costs to come down. The problem is, looking at the trend now and the number of people that have switched over to the high deductible plan, those people won't normally have claims hitting the fund this early, because they have a higher deductible that they have to reach so you are going to expect to see their claims, if any, come in more towards the end of the year. It causes a little bit of unrest within our Department. But we are watching it very closely and I hope that we see some of the Smart Shopper, some of the pharmacy benefits take hold the second half of the year.

Mayor Donchess

Just for clarification, WBS is the City's Health Care Consultant so this is not done in the dark; we have experts who advise us regarding the healthcare claims and help to manage and advise us regarding the claims experience.

Alderman Dowd

Mayor I just wanted to ask on the 185, you suggest that we put that on the table at the Budget Meeting until it is time to pass it and work only on 184 tonight?

Mayor Donchess

Yes I think you should hold 185 because you are going to need to hold a Public Hearing, there's need for discussion in Committee. So I don't think you should bring out 185 because I don't think it adds validity of pass without the Public Hearing.

Alderman Dowd

OK.

Alderman Clemons

OK thank you. In regards to 185 and the \$900,000.00, might it be prudent to put it into, as it is proposed, in the General Contingency and sort of do a wait and see towards the end of the year, towards the end of the Fiscal Year. If it is something that you know maybe we only need to apply half of it or we need to apply three-quarters of it or something like that. But we can have a better idea of where we are at and then maybe some of those other projects that people want, we might have some room in there. I just feel like if we just transfer it right in there right away it is kind of hard to take it out again; whereas if it just sitting in General Contingency, later on down the road, you know, as we get these costs, we can look at that and then we can make a decision, "Ok yeah they came in really bad and we've got to transfer the whole thing out and we will just do it". Or maybe there might be some room there to do a couple other nice things at the end of the year. I think that would be my approach, but I don't know.

Mayor Donchess

I wouldn't have any problem with that. The only thing I would say is if anything we should increase the \$900,000.00 because we are already a half a million over, we might get heavy claims at the end of the year. If we say it was a \$1.4 million, \$1.5 million and we put it into the contingency as you suggest and we kind of then wait and see, the money would be there if we need it.

If not, at least we will protect it, we are protected either way. Then at the end of the year maybe we decide “well let’s do a million, the fund should have a million or half million” and there would be money to allocate to other things that we might think are important.

Alderman Clemons

Can I just follow up on that? I think that’s great and I would say that the, yeah, I think that’s a great compromise and a great way to move forward with this because I think it balances everybody’s interest. Thank you.

Alderman O’Brien

Madam Chair, as a point of order question on 185, would it be better to table it or to re-refer it to the Budget Committee for discussion on a later date.

Chairman Wilshire

That’s a good question. We can table it, it hasn’t even been referred yet.

Mayor Donchess

No it hasn’t even been referred, right.

Chairman Wilshire

So we can take no action.

Mayor Donchess

Right, actually when you think about it, it hasn’t been referred by the Full Board, right?

Chairman Wilshire

Right. So you can amend your motion to just, if you just want to take 185 out of there.

Alderman O’Brien

Yes, OK and without any further action then.

Chairman Wilshire

Your motion would just be on 184.

Alderman O’Brien

On 184. Alright. If I may be recognized?

Chairman Wilshire

Is that your motion? Certainly.

MOTION BY ALDERMAN O’BRIEN TO AMEND TO WITHDRAW R-19-185 FOR FINAL PASSAGE AND RECOMMEND FINAL PASSAGE OF R-19-184

Chairman Wilshire

Ok so the motion would be to recommend final passage of Resolution 19-184.

Alderman Clemons

In regards to this one, I think it is impeccable timing. I think that we got a blessing from the Legislature, you know, when we were discussing the Budget we never even thought it could happen, really. So this is going to help reduce our taxes even more, it is going to put some more monies into the schools and I think we have our State Reps and State Senators to thank for that. I just wanted to mention that and this will get my support tomorrow.

Chairman Wilshire

Thank you Alderman Clemons.

Alderman Tencza

Thank you. I just have a question for Ms. Kleiner, you mentioned that there were some State Mandates that are affecting the Healthcare cost. Could you explain for those of us who don't know what those are, what they are and how much they are affecting our costs?

Ms. Kleiner

So at this point we don't know, I am waiting for those cost estimates. State Mandates generally come down for self-insured funds. These particular State Mandates, one speaks to the coverage of ex-spouses and how long you must cover them on COBRA. Another speaks to coverage of hearing aids, another speaks to, and I am going to remember all 5 off the top of my head. Another speaks regarding children with disabilities and some costs that you must claim or cover for that. Another is regarding infertility. So these come down and the City has to weigh whether we accept those now, there's generally cost estimates with them. I think until we have those cost estimates we really don't know how they are going to affect us. But generally you see these come down from the State from time to time.

Alderman Tencza

So these are cost estimates that provide coverage to city employees or mandate what the State has to cover for city employees and not necessarily how much the City needs to hold in reserve or anything like that.

Ms. Kleiner

Correct, they have to do with insurance coverage.

Alderman Tencza

Thank you.

Ms. Kleiner

You're welcome.

Chairman Wilshire

The Motion before us is to recommend Final Passage of R-19-184. Is there further discussion on that Motion?

A viva voce roll call was taken which resulted as follows:

Yea: Alderman Richard Dowd, Alderman-at-Large Michael O'Brien,
Alderman-at-Large Ben Clemons, Alderman Jan Schmidt,
Alderman-at-Large David Tencza, Alderman-at-Large Lori Wilshire 6

Nay: 0

MOTION CARRIED

PUBLIC COMMENT - None

REMARKS BY THE ALDERMEN - None

POSSIBLE NON-PUBLIC SESSION - None

ADJOURNMENT

MOTION BY ALDERMAN O'BRIEN TO ADJOURN BY ROLL CALL

A viva voce roll call was taken which resulted as follows:

Yea: Alderman Richard Dowd, Alderman-at-Large Michael O'Brien,
Alderman Jan Schmidt, Alderman-at-Large David Tencza,
Alderman-at-Large Lori Wilshire 5

Nay: Alderman-at-Large Ben Clemons 0

MOTION CARRIED

The meeting was declared closed at 7:27 p.m.

Alderman-at-Large Michael B. O'Brien, Sr.
Committee Clerk