

BUDGET REVIEW COMMITTEE

MARCH 25, 2019

A meeting of the Budget Review Committee was held Monday, March 25, 2019, at 7:07 p.m. in the Aldermanic Chamber.

Alderman Richard A. Dowd, Chairman, presided.

Members of Committee present: Alderman-at-Large Lori Wilshire, Vice Chair
Alderman-at-Large Ben Clemons
Alderman-at-Large Michael B. O'Brien
Alderman-at-Large Shoshanna Kelly
Alderman-at-Large David C. Tencza
Alderman Jan Schmidt

Also in Attendance: Alderman Tom Lopez
Alderman Ernest A. Jette

PUBLIC COMMENT

Fred Teeboom Ok my name is Fred Teeboom I reside at 24 Cheyenne Drive. Can you hear me ok?

Chairman Dowd

Yes.

Mr. Teeboom Ok very good. I picked up a copy of the Budget and the first thing I did was look for the calculation of the spending cap in the budget and it isn't here. If you have a copy in front of you, you won't find it. Now I don't know why it's not there. I do know that Attorney Bolton and Mayor Donchess declared the spending cap inoperative. The Superior Court case specifically under Note #9 of its decision stated that it did not find the spending cap invalid because there has never been a Hearing on the spending cap validity during the Court Case. It dismissed the case. It did not find the spending cap invalid. Now you are going to be in the Supreme Court on 18 April. So I won't debate the legality/illegality here it will be debated in the Supreme Court on 18 April. The dispute, the dismissal of the case; meanwhile you have an Ordinance, O-5-145 that requires you to put in a budget in any supplemental budget that computes the spending cap and list the amount of the budget above and below the cap. That page is not here. You are violating the Ordinance. Beyond that you will be instructive to know that the budget before you in fact is low or above the spending cap. Now the Mayor talks about 3% tax rate he's trying to stay below.

The City of Nashua does not compute the tax rate. We are approximately \$2 million dollars represent the per cent change because the tax levy is about \$200 million dollars. But that's not point of the spending cap. The point of the spending the cap is decide whether you are above or below the cap. Now I happen to be at the school budget and so Mr. Chairman were you. One of the teachers, in fact the lead petitioner who put the change index into the cap, stated that he wished that the cap calculations were in here because he claimed, I have not verified this, I intend to verify it by the time of the public hearing of this in particular. But he claimed that the index in the spending cap is actually above what the budget increase is. Now I don't know what he based that opinion on, he talked about 2.4%, 3% school budget. The index is calculated on average of 3 years as you know, it's based on the IDP and that is price deflated not CPU, need to place a price deflator has actually run below the CPU historically. I'm not sure where it stands this year; I intend to compute that I haven't had the chance to compute that yet. Nevertheless, this Budget Committee does not have the benefit of the calculation beside the fact that Ordinance 5-145 requires you to put it in this budget.

So what I am asking you Mr. Chairman is that you direct CFO Griffin, I don't know if he is here or not, is he here? He's not here – well Mr. Fredette is here. If he hands you a supplemental receipt with the spending

cap calculation and thereby meet this ordinance. If you don't believe me ask the City Attorney what his opinion is about the Superior Court decision by Judge Temple. I'm telling you a footnote 9 he very specifically said he does not find the spending cap invalid. Thank you.

Chairman Dowd

Ok two things, one we will ask. The Finance Department will be going before us this evening so the question will be asked. The other is I believe that the discussion on the cap at the School Board was the School Board Budget not the City Budget. Any other public comment?

COMMUNICATIONS - None

UNFINISHED BUSINESS – None

NEW BUSINESS – None

TABLED IN COMMITTEE

R-18-102

Endorsers: Alderman-at-Large Lori Wilshire
Alderman-at-Large Michael B. O'Brien, Sr.
Alderman Richard A. Dowd
Alderman-at-Large Brandon Michael Laws
Alderman Jan Schmidt

APPROVING THE COST ITEMS OF A COLLECTIVE BARGAINING AGREEMENT BETWEEN THE NASHUA BOARD OF POLICE COMMISSIONERS AND UFPO LOCAL 645 PROFESSIONAL EMPLOYEES OF THE NASHUA POLICE DEPARTMENT FROM JULY 1, 2018 THROUGH JUNE 30, 2022 AND AUTHORIZING RELATED TRANSFERS

- Tabled 1/17/2019

**MOTION BY ALDERMAN O'BRIEN TO TAKE FROM THE TABLE R-19-114
MOTION CARRIED**

R-19-114

Endorser: Mayor Jim Donchess

AUTHORIZING THE MAYOR AND CITY TREASURER TO ISSUE BONDS NOT TO EXCEED THE AMOUNT OF SIX MILLION DOLLARS (\$6,000,000) FOR THE PHASE III LINED LANDFILL EXPANSION OF THE NASHUA FOUR HILLS LANDFILL, TO INCLUDE ENGINEERING SERVICES

- Tabled 3/18/2019

**MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE
MOTION CARRIED**

R-19-123

Endorser: Mayor Jim Donchess

RELATIVE TO THE ADOPTION OF THE FISCAL YEAR 2020 PROPOSED BUDGET FOR THE CITY OF NASHUA GENERAL, ENTERPRISE, AND SPECIAL REVENUE FUNDS

- Public hearing scheduled for 5/16/2019 at 7:00 p.m. at NHS-North Auditorium

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Chairman Dowd

Tonight we will be discussing the Budget items relative to General Government. There is one of the items revenue is on page 32 when the City Clerk comes up and we will go through the appropriations one at a time. Would the Mayor's Office like to kick this off?

Mayor Donchess

Thank you Mr. Chair. I thought I might take this opportunity just because I haven't appeared before the Budget Committee regarding the budget before to give you an overview of what I think is in the budget if you don't mind. First of all there are some issues that obviously you should be considering. I gave the major departments the budget guideline of 2.25%. Of course that is difficult given their needs and the things they would like to do to meet that guideline. But we are faced this year with a major expense, unfortunately, the cost of health care for City employees is rising. The projections are done by a professional consulting firm we have that projects forward future next year's health care cost. They project that we will see an 11% or about a \$3 million dollar increase. This is a lot of money of course for the City. That \$3 million dollars represents that figure alone with no other increases in the budget; 1.5% tax increase. So that leaves us in a position where if we are going to try to keep a tax increase below, at or below, 3%, we need to be very careful with the rest of the budget.

So those are the parameters that we begin with. The budget as I have proposed it would hit the 3% or less tax increase that at least I am saying is the maximum that I think people can afford. Some of the things that you will see in the budget are that I did reduce the request of the School Department, the Fire Department and Police. With respect to the School Department I did add in contingency in addition to the 2.25%, \$200,000.00 which is labeled for "school priorities" which I intend to be, at least in my mind, for ELL teachers. If the Budget Committee agrees with that approach, the Board of Aldermen can either transfer that money to them as part of the budget process or wait until the budget is over and then make a transfer at that time. But I am proposing that we try to at least shape the thinking of the school department and that is basically their thinking as well as to where the highest need is in addition to the 2.25%.

Some of the things that you will see in the budget are the Energy Manager for the first time. The School Department used to have an Energy Manager, that got phased out. But there are many projects in the City and in the School Department where we could save substantial amounts of energy. For example, there's at least one rough estimate out there that the School Department could save \$125,000.00 in each high school by converting to LED. Now that is not a cheap project; each school would cost in the neighborhood, maybe more, maybe less of \$1 million dollars. But an Energy Manager would be able to go in and work with the School Department and define that project in great detail so that it could be put out to bid in a very specific manner and so that we can achieve the greatest amount of savings with the most effective use of our

invested dollars and in detailed discussions with the users of the schools, decide how the project should be modeled to both meet their needs and save as much energy as possible.

We of course have 17 total schools and high schools being the biggest, but there are many projects that could be done in the schools. The City would need to invest in these projects but over the long term certainly there would be a payback. These things can't be done well without an Energy Manager and this is a position that I think would more than pay for itself as the years go on in terms of designing projects and managing projects and saving the City energy and also reducing the greenhouse gases which we generate as a City institution and that appears on page 116.

Another thing that you will see if that the Administrative Services Director which I've spoken to you about before appears on page 76. The audit done by Ms. Kleiner and I don't know she's not up there, but she's there in the audience, so maybe Ms. Kleiner should come forward and John Griffin, the CFO. They recommended that we take a number of steps regarding the assessing function; but one of them was to substitute the position of Administrative Services Director for the Assessing Manager. It is roughly a cost neutral step and we have said that if more management supervision is required in the Assessing Department as time goes on and as we work very carefully with that department – and believe me are working very carefully with them. The KRT can be hired to come in and help manage the department and provide assessing oversight and supervision. When we did go out to hire a Chief Assessor last time, we got only one significant applicant; maybe the job pays in the \$90's, a fairly good salary, but still only one applicant. So that is part of the reason that it seems that using people who are in the field all the time, KRT would work in terms of providing supervision when we need it on a consulting basis. They do that for a number of other communities in New Hampshire

Another position that I wanted to add but somehow it got left out of the budget, I have talked to Dr. Mosley about jointly hiring a grant writer, working for schools and City. We think that position would cost about \$60,000.00. They – the school department – has put in \$30. Our half would of course be \$30; it was something we discussed right at the end and we thought it made it into the budget but it didn't so we are going to send you a letter proposing an amendment to the budget to add our half of that position. Again we think that position could pay for itself probably many times over, if we had a skilled grant writer.

Finally the Community Center is in the budget; the Director of Community Center that is on page 86. Last year that was funded through a combination of escrowed funds and Community Development block grant funds. That is a community development block grant eligible expense but when we went before Human Affairs I think last time, and Human Affairs funded that position in part. We said that in following years we would attempt to do it through City funds, so that position appears in this budget for the first time although the position was created and funded through, I think through escrow and through CDBG last year or this current year in Fiscal 19.

Finally as it pertains to the Mayor's Office there is a summer intern program in there. Last year we used escrowed funds for that; we last year had 13 high school juniors come in to City Government across the departments: Engineering, Public Works, 1 person in the Mayor's office or two people but each with a half a job, Economic Development Planning and elsewhere. The reviews from the students and the parents and the teachers who were involved were very strong so we thought we should continue that program. Again that was escrowed funds last year and this year it is just in the budget so we can get started and hire the kids for July 1. It is a great experience for them and I think it just helps the City as far as summer help and just understanding and assisting a group of young people in gathering the skills that they need to later succeed in life.

As far as the salaries in the Mayor's Office it looks like the increase is more than it should be because the raises that were part of the merit plan were left out of last year's budget. So last year's budget did not really reflect what the salaries were, I keep saying last year, last year is Fiscal 19 this year. But the budget for the salaries for Fiscal Year 19 this year were not fully budgeted, the salaries that were in place and the merit increases that take place on our employee's anniversary. So the increase looks like it is more than it really is. The difference was made up in attrition and you will see that when you review the budget.

Really there are no other changes in the Mayor's office other than the internship program which appeared elsewhere last time and everything else is really the same. Chief of Staff Ms. Kleiner can fill you in on any other details that I haven't covered.

One final thing, the Community Center Director wanted to come to the Budget Committee so she could talk to you about what she is up to and you could hear what is happening there. She is in a Master's Program at Suffolk I believe and tonight is one of her classes, so we are hoping we can schedule her for another night when she's not at school so she can go to school and still appear here and talk to you about her activities. I think you will enjoy meeting her, some of you already have. Her name is Megan Caron, she has had some very good experience leading into this position and therefore I was hoping, you know I really want to make sure that she can come in and you can hear first-hand what is going on and what she's doing over at the Community Center.

So I think – do you have anything you want to add? There are other budgets that we are going to cover but that is at least the Mayor's Office.

Chairman Dowd

So we will go one at a time, so we can take Department 110 and hold it to another meeting. On the Department 101, The Mayor's Office, are there any questions?

Alderman O'Brien

Yes I would like to ask the Mayor if I may reflection of the merit, I see what you were saying it wasn't in last year's and that's true with all Division Directors in last year's budget as well, not just your office. When we look at the, let's say, anybody else who works for the City that's in the merit system, that didn't necessarily get dragged over, correct?

Mayor Donchess

Well in this budget the situation was what other term, there was an error in what was proposed last year unlike the other departments. So it goes a little further than that in that the raises that are annual but on anniversary were not included in last year's budget and therefore last year's budget didn't actually capture fully what people's salaries were. I keep saying last year, it's this year, Fiscal Year, this year didn't capture what the salaries actually were and so the increase appears to be more than it would otherwise have been.

Alderman O'Brien

Follow up, for clarify it's not just your division ...

Mayor Donchess

Correct.

Alderman O'Brien

.. it goes to Public Works, and Fire & Police or whatever right?

Mayor Donchess

Ours is more pronounced because even the merit increase issues were not fully captured in the current Fiscal 19 budget.

Chairman Dowd

Any other questions on the Mayor's Office? Ok then we will move on to Administrative Services, Department 106 the appropriations are on Page 75. Who is covering?

Mayor Donchess

This is the Administrative Services position that we spoke about, 75 and 76.

Chairman Dowd

So we are looking at the salary of \$107,295.00 and with benefits \$153,816.00 roughly.

Mayor Donchess

The ordinance authorizing this position it is in the budget but it needs to be authorized by the Board of Aldermen and the Ordinance that would do that goes to the Personnel Committee on Monday. So the decision will be made on that before you get to the final consideration of the budget.

Chairman Dowd

So with the understanding that this hasn't been finalized yet, are there any questions relative to this Department?

Alderman Lopez

I'm just curious about the \$1.00 dollar items. Is that just to keep those items open if ever do put more money in?

Mayor Donchess

Yes it is so that those line items are there in case you ever want to transfer any money into that. It's less red tape sort to speak if you have the line item already there.

Alderman Lopez

I was excited about the \$1.00 dollar phone bill.

Mayor Donchess

Well – Office Supplies \$1.00; Furniture and fixtures \$1.00. So I guess we'll have to use a used desk or something.

Chairman Dowd

We have repeatedly done that when we have a line item that at some point may need to have funds put against it we put it in for \$1.00 so it is a holding place and it is easier than going back and adding a line later. Any other questions on Administrative Services? Ok. Next Department is 109, Civic Community Activities, Other Services, Outside Agencies and Equipment on Page 82.

Mayor Donchess

Of course for this we have the Citizen Advisory Committee. What I have done is simply give them a bottom line figure and then they have reviewed proposals from these various agencies and have allocated funds and I've simply followed their recommendations as to how the funds should be allocated.

Chairman Dowd

Questions?

Alderman Tencza

It's not necessarily a question just a request. I know last year we had some comment afterwards about these funds and how they were awarded out. Just based on the Committee's the notes that they took there is not a ton of information from the notes. And I was wondering if at some point in this process, there is some indication that there is some input from the people who reviewed the applications, if those could be made available so that we could briefly take a look at them before we decide this.

Chairman Dowd

President Wilshire who is the Aldermanic Liaison to that?

Alderman Wilshire

Alderman Caron.

Chairman Dowd

So we can get some feedback for her.

Alderman Tencza

Thank you.

Chairman Dowd

One question I have is on line 56211 Holiday Stroll; it's \$18,000.00 that's because that doesn't fit in the Police Department's budget anymore?

Mayor Donchess

Well they are, I should have mentioned that, they are dealing with a lot of overtime issues and of course they want to put as many people on the street as they possibly can. It just seemed to me that given I had not completely met their request that we should relieve them of the obligation of spending part of their overtime money on the Holiday Stroll and instead separately appropriate the money. So the Holiday Stroll goes ahead but it doesn't crimp the Police Department budget. As you know the cost of this thing, the cost of all public events have risen dramatically in recent years because of greater security concerns. So we have more Police Officers on duty and throughout the downtown when the Downtown Stroll is taking place, so the cost has risen quite a bit. So for those reasons I separately indicated it in the budget.

Chairman Dowd

Well this is probably one of the biggest events in the entire State of New Hampshire

Mayor Donchess

Correct and certainly the biggest event in Nashua.

Chairman Dowd

Any questions? Ok thank you very much for that and now we will skip 110 and go to 102 which is the Board of Aldermen and that's on Page 69 – appropriations. Please identify yourself so the transcriptionist won't have to lean over and touch you and say "what's your name".

Susan Lovering, Legislative Affairs Manager

Thank you, good evening. For the record my name is Susan Lovering, Legislative Affairs Manager for Department 102, Board of Aldermen. Just briefly other than the step increase in the merit employees and a \$500.00 decrease in outside stenographic services, we are level funding our budget as we have in past years. Ms. Paquette has been with us now for over a year and possesses excellent transcription skills. She has also acquired a vast amount of knowledge of the legislative process in a short period of time. I believe that the budget in front of you allows us to continue to provide the services to the Board that we currently do. President Wilshire and I are pleased to submit this, which is under the 1.75% guideline of Mayor Donchess. And that's the snapshot.

Chairman Dowd

Any questions on the Board of Aldermen budget? Ok? Thank you.

Ms. Lovering

Thank you.

Chairman Dowd

The next department is the Legal Department on Page 71. Do you want to do it from there?

Steven Bolton, Corporation Counsel

Everyone can see me except you. Well basically the salaries went up according to the merit system formula. I made a few adjustments here and there but the total expenditure other than in the salary and benefits stayed level. As of the end of February which is approximately 2/3 of the way through the year, we were right on target, we had spent about 61.5% of the budget allocated for 2019 Fiscal Year. So things don't go up a great deal higher we can get by with that level funding on these other expenses.

Chairman Dowd

Questions on legal? No questions. Thank you. Next is Department 111, Human Resources on Page 87.

Mayor Donchess

Mr. Budreau is going to handle Human Resources and the Benefits.

Larry Budreau, Human Resources Director

Good evening Chairman. Larry Budreau Human Resources Director.

Chairman Dowd

So if you could just give us an overview of your budget, particularly any increases or decreases, things the stay the same or pretty much flat?

Mr. Budreau

Salaries increased, we are all in now what we are now calling the unaffiliated employee group. All of the non-salary costs went down about \$1,000.00 for Human Resources. Human Resources is comprised of two functional specialties – payroll and human resources administration.

Chairman Dowd

I have one question, the wages full-time went up about \$30,000.00. Is that just because increases weren't taken into account or is this staffing increase?

Mr. Budreau

Those are the increases for 7 and a half people.

Chairman Dowd

Ok, alright. And I noticed that conferences and seminars is reduced \$3,200.00. Just fewer conferences?

Mr. Budreau

So the two lines, 55400 for Conference & Seminars and the following line 55421 Employer Training & Certifications, I learned as I was doing the budgeting that the first one 55400 was an account set up especially for conferences related to the Lawson Legacy Computer System or Enterprise Computer System. Chairman Dowd you may recall when I first arrived here a few years ago, we were in a real calamity about that and we spent a lot of money for consulting. But we now have a competent group so I thought we could safely reduce that down quite a bit.

Chairman Dowd

Ok sounds good. Any other questions.

Alderman Tencza

Thank you. Mr. Budreau we have mentioned it a couple times about the merit increase that we passed late last year, for most employees how much of an increase in their salary will it be?

Mr. Budreau

For most employees this year it will be 5.7% which is adding together a 4% step and adjusting the salary grid by the three-year trailing average of the CPIU Northeast which is going to be 1.7%.

Alderman Tencza

Mr. Chairman I'll ask Mr. Budreau or anyone who has been here longer than I have, the last time that we did something like this for our unaffiliated employees was – it's not something that happens all the time? I guess is my point? This increase was a long time coming for the folks?

Chairman Dowd

Yeah we hadn't touched the unaffiliated scheduled for quite some time so we just did that this past year but I don't remember exactly when that was but adjusted all the levels.

Alderman Tencza

Another follow up thank you. We've also heard in the budget this year the biggest increase is coming from health care costs and I'm not sure if you are the correct person to ask but can you just tell us a little bit more about that? Was it unexpected, is it industrywide that healthcare costs are rising or is there another reason that it is costing the City more money.

Mr. Budreau

So I am prepared to do that tonight and I can just jump into that now or it is going to be the next section of tonight's discussion.

Alderman Tencza

It can wait then.

Chairman Dowd

Any other questions for Human Resources? Alright seeing none, next is Department 113, Benefits. Now you can ask that question, it's Page 90. I'm sorry, yes Benefits is Page 90. So I think the big question on everybody's mind is, OK the health went up \$3 million dollars, a little over \$3 million, \$3,078,446.00 if I have my math right. So what drove that?

Mr. Budreau

Chairman I brought an exhibit, I'm not sure if I brought quite enough copies but may I distribute them?

Chairman Dowd

Sure. Thank you. One for the record.

Mr. Budreau

If I may Mr. Chair? Workplace Benefits Solutions WBS is the consultant that has worked with the City and its self-funded insurance plans perhaps since their inception but certainly since I've been here. And this is their exhibit for what are or we referred to as the working rates which if we were fully insured would be premiums. In our case they are not actually premiums we are not paying that money outside the City. I brought you this mostly just so you can all drop your eyes down to the bottom right corner. So what WBS is recommending and they have plenty of data to support this, they have an underwriter who does this work for them and we meet with them regularly is that the requirements to fund the health plan this year, that's administration and claims are going to be \$46 million dollars. And you can see that they were \$41 million for 2019.

So that I think directly speaks to the question of why the increase and you know self-insured plans, you can win and you can lose and for a number of years, back until about 2 years ago, we had a pretty flat run for several years. We were beating or we were experiencing less claims than the industry. All the insurance companies calculate what they call "medical trend". They keep track of their claims from one year to the next, to the next, to the next and they calculate the percentage increases and they publish those. And for the first few years that I was here, we were way below, we actually had flat increases for a couple of years and then small ones. And this year we are up significantly, 11%.

Chairman Dowd

My question is when they did their analysis did they do it on just the city workers or is it the larger base?

Mr. Budreau

Well they are doing it on the City and School so they are doing it on all the covered employees and I really can't speak to underwriting. But they go back several, I think about 18 months and they use that data to try to project forward.

Chairman Dowd

Did we not have a special enterprise fund that had money in it that we were using to sort off-set health care costs if necessary?

Mr. Budreau

There is a self-insurance fund, all the revenue and costs that we are addressing when we are talking about the benefits are in the benefits self-insurance fund.

Chairman Dowd

OK do we know what the balance is right now?

Mr. Budreau

I know the balance as of the end of last Fiscal Year is \$7.6 million dollars as of last June 30.

Chairman Dowd

Ok do you have any insight into why the claims have gone up this past year and are projected to continue to go up next year?

Mr. Budreau

Yes I have two different types of insights. First is in a smaller group we are privy to claims utilization reviews and we meet with members of the Anthem organization and we talk about what is happening with claims and trying to figure out where we might go in terms of promoting wellness activities or how we might incent other behavior. But there have been for the last several years, many claims, many, five to ten claims that exceed \$350,000.00. I believe the highest was \$700,000.00 and basically what is happening, I spent a moment researching just what is happening everywhere and the United States spent \$3.5 trillion dollars on healthcare in 2017 which is \$11,000.00 for every single person.

And the Center for Medicare and Medicaid Services, the Government Agency that administers Medicare and Medicaid and therefore is presumably pretty authoritative assumes that is going to be \$6 trillion dollars by 2027. And they anticipate a 5 ½ % increase year after year in healthcare. And if you Google it, what it jumps to is half of the people in this room, it is the baby boomers, we have an aging population at the same time that there are more and more expensive, effective drugs that can treat people. There are more and more procedures, more and more equipment. Healthcare costs are just likely to keep going like this, in fact they have been going like this all the time, all for the last several years. We just, we enjoyed as a little small microcosm some good experience and we are not enjoying that anymore.

Mayor Donchess

Just one word of explanation, the \$46 million you see on the page is the entire cost of healthcare. We have spoken of the \$33, the difference is what the employees pay as part of their contribution towards healthcare and all their co-pays and all that kind of thing. So the total cost of the insurance is \$40 some million, the City's portion is \$33 million.

Alderman Tencza

So if the projection is that this is going to increase by 5 1/2 % each year from now on, we have been lucky the last couple of years. It's not a question for this budget but should we be looking for some other solution or looking to put money aside maybe to offset the cost of healthcare in the future so we are not hit with this increase every year?

Mr. Budreau

I'm not a financial person but I think that we can anticipate that costs are going to increase at this sort of level for years. And how that money is raised or if the City tries to take some efforts to reduce the increase of that costs which would essentially come through cost-sharing which cannot be done quickly or easily in this organization because we don't have the freedom to change these plans without negotiating. So from a financing standpoint, I'll leave it to other people to help. But in terms of what to expect, I think that a \$3 million dollar increase next year is as likely as it was this year.

Alderman Lopez

Can I ask a dark question, how long is this baby boomer thing going to continue because I literally don't know the projected time-frame. So I am thinking is this something with the landfill for example and recycling, should we look at trying to get over a hump or is this something that like this is the new status quo.

Mayor Donchess

Well of course as the baby boomers get older they leave employment, so the City wouldn't necessarily be involved once the baby boom generation goes by I mean Medicare covers most of those people.

Alderman Lopez

That's why the question is a little dark.

Mayor Donchess

One thing that Mr. Budreau is trying to do is to encourage people to move to the high deductible plan. So there is a plan that has a deductible of \$3,000.00 a year. The incentive for the employee to enter that plan is that they get a cash payment of \$2,500.00.

Mr. Budreau

The deductible is \$4,000.00 and the cash payment is \$3,000.00.

Mayor Donchess

The deductible is \$4,000.00 and the cash payment is \$3,000.00 so if you agree to enter the high deductible plan, you get cash into your healthcare account at the beginning of the year of \$3,000.00. If you do not use that against healthcare costs, you get to keep the money in your account. In addition the benefits it helps people who also have heavy actual use because their co-pays are less. So for many people, they can manage this in a way that their balance accumulates over time and they may end up after a few years with \$5,000.00 or \$6,000.00 or \$7,000.00 in their account, enough to cover the deductible in its entirety for a year or two. And their account would continue to be replenished.

Now the advantage for the City for the high deductible plan is because people get more involved in managing their own healthcare costs under that plan, the cost for each employee that is in that plan is rising at a lower rate than the employees that are not in that plan. So it seems like for various reasons, that is a plan that can

save many employees and the City money. People do build up these balances in their account and then if they leave City employment, they can take that with them.

Alderman Jette

So looking at the thing that you handed out at the bottom in the middle it says \$41 million dollars, is that the total that we paid out for claims?

Mr. Budreau

No that is last year's estimate that we used for the working rates for Fiscal 19. So that was established a year ago and that's the basis for which we created the City employee cost share. I do not have claims numbers for Fiscal 19, if I fumble around here for a sec...

Mayor Donchess

So basically that was the total estimated cost which was made last year at this point. In other words in 2018 at this point, for Fiscal 19. So the estimate was that all healthcare costs would be \$41 million dollars for all employees for Fiscal 19 in the current Fiscal Year. That's what the \$41 million is. And that is a shared number, mostly the City but a good portion by the employees through their contributions, their monthly contribution as well as the co-pays and the other contributions that they make.

Alderman Jette

So we don't know for Fiscal 19, we don't know how much we have paid out?

Mayor Donchess

Well we know how much we have paid out through a certain date but not through the end of the year because we haven't gotten there yet.

Alderman Jette

Do we know what we paid out the year before, Fiscal 18?

Mayor Donchess

Yes but I don't know if we have that figure but certainly that is easily available. Of course it is all an estimate, so one issue that arises is that if we under-estimate then the healthcare, the balance in the healthcare trust fund that you heard about, that goes down. And we are about \$6 or \$7 million so given that we are spending \$40 some million in total on healthcare each year, we need to maintain some balance there so there is a cushion if things go seriously worse than we anticipate, there is a balance there to help cover it. And that's what the trust fund does.

Mr. Budreau

I do have the claims if you like, the claims last year were \$38,300,000.00 that was for Fiscal 18. The claims this year are projected to be \$41,800,000.00.

Alderman Jette

My rough calculation if the number of enrollees is 2,132 roughly that's like \$20,000.00 per person or per enrollee in claims. I don't know, that sounds like a lot to me.

Mr. Budreau

So there are about 5,051 people because it is the employees that are being counted here on this piece of paper. And when they add their dependents and we also have about 1,000 retirees who have, because of RSA 100 have a right to what is like COBRA. If you retire from a municipality in New Hampshire, you can continue the group health insurance of your prior employer until age 65. And so in addition to the premiums that the employees are sharing we are also receiving premiums 100% of these rates from retirees. So there are really 5,000 members for that math.

Alderman Jette

And that is only until 65 and what happens at 65, they go on to Medicare?

Mr. Budreau

At 65 they go on to Medicare and if they choose, the City also offers a program called Medicare Advantage. That, however, unlike everything else we've talked about is a fully insured plan so we are just passing the premiums through.

Alderman Jette

So it is not the baby boomers Alderman Lopez that are causing the problem.

Mayor Donchess

In terms of the amount that is spent in any year, that is not really determined ultimately for a little bit of time after the year is out because it is done on accrual basis. So if someone went to the doctor in June 20th 9 of a Fiscal Year, 10 days left, that bill doesn't come in until after the Fiscal Year is over but is settled with funds appropriated for that Fiscal Year. So you don't actually get a count, the full count for the year until sometime after the year is over.

Alderwoman Kelly

Thank you, so clarification the updates that we have here are an estimate based on current enrollment, is that correct?

Mr. Budreau

Yes.

Alderwoman Kelly

So in the situation that the Mayor was talking about where we are incentivizing people to move to the higher deductible plan, do we have an estimate of how many people might do that and if that will save us any money?

Mr. Budreau

Well we don't know how many people will go, we can't say that. We are at 415 as of the date of this, I understood that as of yesterday we were at 423. We started this plan a couple of years ago it was as low as 150 I think two years ago. We are having some meetings now because I'll just toss into this conversation two things that – one thing specifically that we did is we have had two carriers for many, many years; the old Harvard Pilgrim Health Plan which became Health Plans Incorporated last Fiscal Year and Anthem. This year we have consolidated all plans to only Anthem and that reduced our administrative cost by about \$400,000.00 of what it would have been.

So we are having special meetings at this school and throughout the City, there are about 250 people who will have to make a change if they choose to stay with the City's insurance. Ms. Kelly there seems to be quite a bit of excitement, a lot of questions at those meetings about the high deductible health plans, I think there is momentum.

Alderwoman Kelly

Thank you.

Alderman Tencza

Just one quick comment about the high deductible plan. If people enroll in that year after year do they get the \$3,000.00 in the health savings account each year?

Mr. Budreau

Yes each July.

Alderman Tencza

So someone who stays with the City for 20 years could have \$60,000.00 to spend on healthcare once they retire already in the bank basically?

Mr. Budreau

Potentially that assumes they never spend any of it. Some people will be fortunate enough to retire with money in the health savings account.

Mayor Donchess

But they do have the \$4,000.00 deductible so if you go to the doctor for \$100.00 you have to pay that out of pocket or out of your account. So if you spend \$3,000.00 on health care, you end up with nothing in the account. But where some people benefit, is if they spend \$2,000.00 or \$1,000.00 then there is a balance left in their account.

Alderman Tencza

If I may just follow up with that, \$3,000.00 is whether you are an individual or whether you get a family?

Mr. Budreau

\$1,500.00 for a family, \$3,000.00 for two person and family. The reason it is the same for two person and family is that the deductible is the same.

Chairman Dowd

So if you are at all familiar with healthcare costs, the minute you step in a doctor's office or a hospital that number is going down fast.

Alderman Jette

So you talk about insurance but we are self-insured aren't we?

Mr. Budreau

Yes.

Alderman Jette

When you talk about Anthem and this other successor to Harvard Pilgrim what do they do?

Mr. Budreau

So they are acting as our third party administrator to the best of my knowledge any organization that has a self-funded health insurance plan contracts with another organization to do the work, the claims processing, the claims verification and that is what Anthem and HPI are doing for us. So our costs are a combination, there are actually two lines on the budget, one is claims administration fee and the other is actual claims.

Alderman Jette

Have we looked at what it would, I know at some point in the past we decided that being self-insured was better for us financially. Do we look at that every year to determine is this the right thing for us to be doing as opposed to buying insurance as opposed to being self-insured?

Mr. Budreau

We do, it is pretty easy to do because most municipalities in the State are insured through HealthTrust; HealthTrust used to be associated with the New Hampshire Municipal Association. Now it is a standalone, but it is a large, actually a self-insured risk pool of a grander scale, with many municipalities and schools participating. I've been seeing their premiums for years and we have been doing favorably. Our costs have been favorable right along.

Mayor Donchess

I was around I think around the time the transition was being made, because some years ago, decades ago really, the City used to buy insurance, you know, pay an insurance company. And of course they billed in a profit and they don't lose money or they try not to. So they in the end charge you more than the cost of the actual premiums because they are hedging against their risk. At the time the City ended up saving quite a bit of money, in those days a couple million dollars by going self-insured. The pool that Larry is talking about is really a similar thing, it is of self-insured, but a larger group. If you went to some health insurance company and asked for premium quotes, I think you'd get a lot more than \$46 million dollars for the total cost.

Chairman Dowd

Thank you Mr. Budreau. And somehow I skipped over City Clerk. If she could come up now please. And City Clerk, the Revenues, which are always good are on Page 32 and the appropriations are on Page 77.

Patricia Piecuch, City Clerk

Hi good evening everyone, for the record my name is Patricia Piecuch I am the City Clerk. If you want to take the revenues first we can definitely do that. Overall, if you look at the revenues, you'll see that I did decrease a line item in the vendor licenses and everything but otherwise than that, overall I am looking to give a little over \$6,000.00 in additional revenues based on what we are experiencing currently with the office and everything like that and what our actual was last year.

But on that note as well for dog licensing we are in the process of going over a major conversion, it's been 3 ½ months, it's been a very long process, a little difficult process to go through in trying to convert 1,000 records out of our old admin system. We were hoping to go live today I was hoping to give you that news

tonight but we are hoping to go live by the end of the week. We are doing what we call a “soft launch” right now so we are hoping to see where that is. Hopefully that will help us because we still have a lot of dogs that are not licensed for last year and we are hoping this will help us in offering our residents an on-line service to be able to register their dogs on-line. But again with anything that we collect revenues for the dog licensing or vital records, we also still have to give monies to the State on these records as well. So I’d be happy to answer any questions on revenues.

Chairman Dowd

Questions on revenues?

Alderwoman Kelly

Thank you, parking permit fees, is that parking lots, what is that. Is that the parking permit fees?

Ms. Piecuch

That’s the overnight parking fees.

Alderwoman Kelly

Ok so it wouldn’t be adjusted by if we switched the ordinance that we are talking about which is the monthly, that’s someone else’s budget.

Ms. Piecuch

That is correct.

Chairman Dowd

The appropriations are on Page 77.

Ms. Piecuch

Now on to the regular budget. So unfortunately my budget could not come in at the Mayor’s requested rate of only 1.75 as that only would have been like a \$7,400.00 increase. With three elections next year, one being the Presidential Primary as well as the 110th City Inauguration, my budget is coming in at 14.5% or \$61,000.00 over the requested amount. Being such a very small department, it is not \$61,000.00 I would have been able to take out of any line items, not unless I looked at laying off personnel in my office. But if you look on Page 78 you will see all the things that we do in our office and that’d be very difficult to do.

With the Presidential Primary next year, the cost associated with that I am pegging at \$53,366.00 about 88% of the budget increase. But again we have the municipal elections next year as well, so we have to account for the printing of the ballots. And of course with the 110th Inauguration, I was able, that is a line item that deals with, so that’s in the line item of the contracted services, I was able to reduce that line item but still have to increase that line item because of our taxi drivers. We have lost a company and everything like that, we are not having as many drivers. We only have right now 2 taxi cab companies in the City. So we are not having as much drug testing because we don’t have as many drivers. So I was able to reduce that part of the budget but by adding in that Inauguration that put that over \$3,230.00.

I’d be happy to go through the other lines that are over if you would like to do that, some of them are salaries which again are without my control between the unaffiliated and/or the UAW contracts and then we have, I am looking for additional overtime. Again we have those three elections so there’s a lot more processing that we will be doing with ballots and stuff.

Chairman Dowd

For the new Aldermen, the City Clerk's budget does go up and down based on the number of elections during the year. So we have a year with fewer elections, the budget goes down accordingly. So I saw Alderwoman Kelly and then Alderman-at-Large Clemons.

Alderwoman Kelly

So my question is about wages, everyone else we have seen like a step increase, but yours only went up by \$700.00, are you not affected by the increases that were implemented.

Ms. Piecuch

I really didn't pay attention to that.

Mayor Donchess

My guess is there was some turnover in the City Clerk's Office so that is probably that people came in at a lower scale, that's just a guess. But there have been some new people in the last year.

Ms. Piecuch

At the overall salary I thought you said my salary.

Alderwoman Kelly

Oh no I am looking at wages full-time.

Ms. Piecuch

Wages full time that is correct what the Mayor has stated, we have three new staff from last year.

Alderwoman Kelly

I think you answered my second question if I could have a follow up? I noticed that almost double and I think you were talking ... I believe that you answered my question but I just want to clarify, so it looked like the wages and elections almost doubled and I am assuming that's overtime because of the additional elections, is that correct?

Ms. Piecuch

So the overtime is one line item where it is being increased by \$3,500.00 whereas the election officials, because of a Presidential Primary, I get to hire additional or I should say the moderators and will work with the moderators to hire additional personnel. So in lieu of having four ballot inspectors per Ward, I am able to hire up to 12. The smallest Ward would be Ward 4 where they get to have 8 and then most of the other Wards between 10 and 12 ballot inspectors per Ward

Alderwoman Kelly

Thank you.

Ms. Piecuch

You're welcome.

Chairman Dowd

Alderman Clemons.

Alderman Clemons

I just want to say you do an excellent job and I am going to fully support your budget because I know that the numbers don't lie, you definitely do a great job every election. The Presidential Primary is no exception and you know I think the money that is in here is well spent because we are privileged to be the First in the Nation Primary. We have to take that seriously and I think this budget does that. So thank you.

Ms. Piecuch

Thank you.

Alderman Lopez

I have a question for Attorney Bolton, is it even possible to tax or perhaps register political parties for their primary since it is their primary?

Attorney Bolton

You mean for us to do that locally? No it is not possible.

Alderman Jette

I noticed under revenue that "Taxi and Chauffeur Licenses" you budgeted for \$3,000.00 and you've only collected \$506.00. Is that because there are fewer taxis.

Ms. Piecuch

Because we are not into our licensing season for that, we are just approaching our licensing season for that now. Most of our licenses are all becoming due in April, that's when we will start seeing the revenue.

Chairman Dowd

So you still anticipate the \$3,000.00 that you've got budgeted? What about Uber and Lyft, are they licensed?

Ms. Piecuch

They are not licensed through us, State Law passed that now regulates that and they have to be licensed through the Department of Transportation.

Alderman Jette

Ok and we can't, there's no way for us to piggyback on that or collect some of that.

Ms. Piecuch

Unfortunately no.

Chairman Dowd

If we only knew a State Legislator.

Mayor Donchess

We should get half, don't you think? We should get half.

Alderman Lopez

Maybe 75/25.

Alderman Jette

If it's in the City why not all of it?

Mayor Donchess

Well all of it, I'll take that too. That'd be great.

Chairman Dowd

Any other questions for the City Clerk? Thank you very much. Ok the next department that we will be discussing is 156, Emergency Management and the appropriations are on Page 165.

Justin Kates, Emergency Management Director

Alright, good evening, so our budget this year, the significant differences are expenses related to our part-time employee position. Over the last year, Matt Chigas from our office has been working off of some federal grants that we've been operating on, one being from EPA, another one being from FEMA and we've been able to be pretty frugal with our part-time wages because we've needed to move forward with the deliverables for those grants first; close those grants out. The challenge with that though is in order to keep that person at that 34 hours a week, there are no grants for that position for next year, so we'd like to try and ensure that position stays funded at the same level.

With that some expenses for mileage, training, and our travel expenses are more accurately, well they are put in so that they are more accurate for two positions. The last time those line items were at those levels was Fiscal Year 17 and the reason we had those at those levels back in Fiscal Year 17 was because we shifted money towards our part-time budget in Fiscal Year 18 and continued that way in 19.

Other than that, the other line items are the same. We did have a slight reduction in software maintenance, we are working on the Code Red contract right now but that is anticipated to be around the \$22,000.00 a year range if we continue on with that service. The other line items are the same as they have been in previous years. So I'd be happy to answer any questions.

Chairman Dowd

Any questions?

Alderman Kelly

I noticed that emergency preparedness almost doubled, can you talk about what you are anticipating there?

Mr. Kates

Yes so Emergency Preparedness was another line back in Fiscal Year 17 that we basically reduced to a very small amount to shift that towards the part-time position. That funding for Emergency Preparedness is typically used for any unanticipated expenses that we might have for an incident during the year. So if we end up opening up a shelter and there is no Federal Disaster Declaration where we can get reimbursed for

those costs, we might pull that out of that fund. Any expenses for feeding or any equipment or supplies that would be necessary during the year from an emergency we would pull it out of the Emergency Preparedness fund. So it is a smaller amount but we increased it so that it more accurately fits within the types of responses that we deal with throughout the year.

Alderwoman Kelly

Thank you.

Chairman Dowd

Any other questions? No? Ok thank you.

Mayor Donchess

So Mr. Chair we expected Mr. Mansfield on Citywide Communications but he apparently is not here. He really should address you on that so we need to reschedule that and we will make sure he is here the next time. And with that, that is all that we have got unless you've got other budget questions.

Chairman Dowd

Any other questions for any of the departments that we have covered?

Alderman Jette

Going back to the new Administrative Services Position, the cost that you put into the budget for that, I know that the assessors aren't before us tonight, but what reductions do you expect in the assessing department that would counterbalance this new position?

Mayor Donchess

Well the audit, which we've spoken about before, recommended that elimination of the Chief Assessor's position which has at least now been done. So the salary offset is about the same, the Assessor Position paid somewhere in the higher \$90's and this is \$105 or something so that's relatively the same, the benefits would be the same cost and so that is how we proposed it on a cost neutral approach. Now again we are saying there could be additional costs in Assessing if we bring KRT in during the year to help with supervision and any other assessing work that needs to be done but it would be less than the Assessing Manager's position, the Chief Assessor's position.

What we are proposing is that the Administrative Services Director and everyone else get deeply involved in the department so we can report to you periodically as to what we think the needs are. I can tell you that since the audit was completed and since at least the first step in the reorganization was implemented, that there have been many more meetings with the Assessing Department, very frequent meetings as to what is going on and how things are going, the morale and the organization of the department. So I think that already we have seen changes and improvements in the Assessing management.

Chairman Dowd

One question following the legislative process of Concord, it looks like, there is a good possibility of some additional funding coming from the State. Do we anticipate any of that?

Mayor Donchess

Well in what form.

Chairman Dowd

One is pension cost and the other is school construction aid.

Mayor Donchess

Well pension cost I'd say is still, well Representative Schmidt can fill us in as one of our primary, our leader up there on that issue so maybe she can fill us in. But I think it still hasn't gone through House Finance, so there has been no money attached to that. So it went through the House in principal but no money at this point right?

Alderman Schmidt

It's in the Finance Committee, it will come back to the floor of the House and we will send it over to the Senate and will keep our fingers crossed, knock on wood and testify.

Chairman Dowd

If that were successful would that money come to the City in any form in FY 2020?

Alderman Schmidt

That's a good question, I do not know.

Mayor Donchess

It depends what they do right? It depends when they say it would take effect.

Alderman Schmidt

It still has to pass the Governor and he told us that he has got a lot of red pens.

Chairman Dowd

Thank you Mayor.

Mayor Donchess

Thank you Mr. Chair.

Chairman Dowd

Next item on the agenda is general discussion. Anyone have any topic they want to talk about? No. Ok.

GENERAL DISCUSSION - None

PUBLIC COMMENT - None

REMARKS BY THE ALDERMEN - None

POSSIBLE NON-PUBLIC SESSION None

ADJOURNMENT

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

The meeting was declared closed at 8:25 p.m.

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



City of Nashua - Total Enrollment
Development of Needed Premium Equivalents
RFP Results - Combine to Single Carrier
Effective 07/01/19 - 06/30/20

Premium
Equivalents
Revised
01/31/19

COMBINED POPULATIONS			
	Current Enrollment	Current Working Rates	Needed Working Rates With RFP for Single Carrier
POS			
Single	46	\$ 942.45	\$ 1,056.16
Two Party	22	\$ 1,897.23	\$ 2,126.15
Family	<u>14</u>	<u>\$ 2,540.62</u>	<u>\$ 2,847.18</u>
	82	\$ 1,447,925	\$ 1,622,630
			12.1%
HMO			
Single	549	\$ 850.53	\$ 953.15
Two Party	393	\$ 1,713.41	\$ 1,920.15
Family	<u>670</u>	<u>\$ 2,290.96</u>	<u>\$ 2,567.39</u>
	1,612	\$ 32,103,052	\$ 35,976,595
			12.1%
HSA			
Single	120	\$ 734.44	\$ 807.62
Two Party	94	\$ 1,474.74	\$ 1,622.16
Family	<u>201</u>	<u>\$ 1,886.57</u>	<u>\$ 2,083.68</u>
	415	\$ 7,271,507	\$ 8,018,604
			10.3%
HDHP			
Single	21	\$ 606.49	\$ 679.67
Two Party	1	\$ 1,221.79	\$ 1,369.21
Family	<u>1</u>	<u>\$ 1,633.62</u>	<u>\$ 1,830.73</u>
	23	\$ 187,100	\$ 209,675
			12.1%
	2,132	\$ 41,009,584	\$ 45,827,504
Overall Change in Needed Premium Equivalents			11.7%

Notes and assumptions:

1. Annualized premium based on applying premium equivalents to current enrollment for the 12 month policy period.
2. HSA Premium Equivalents include the employer contribution to the employees' HSA fund of \$1,500 for singles and \$3,000 for families.
3. Consolidating to one carrier results in total savings of \$1.9M, based on the improved contract terms associated with the consolidation.