

## MINUTES

Fiscal Policy Advisory Committee  
January 15, 2015 / 4:30-6:00 PM  
Second Floor Conference Room

**In Attendance:** Chairman – Allen Bennett; Mayor Bouley; City Councilors – Mark Coen, Jan McClure, Amanda Grady Sexton, Dan St. Hilaire, Keith Nyhan; City Staff – Tom Aspell, City Manager; Brian LeBrun, Deputy City Manager-Finance; Katie Graff, Assistant Finance Director.

**Excused:** City Councilors – Candace Bouchard and Fred Keach.

- 1) **Approval of December 14, 2014 Meeting Minutes:** Chairman Bennett called the meeting to order at 4:41 PM and requested a motion to approve the minutes of the December 14, 2014 meeting. **Councilor St. Hilaire moved to accept the minutes, seconded by Councilor Coen. The minutes were unanimously approved.**
- 2) **Tax Rate Target** – City Manager Aspell noted that, over the past several years, the committee has not set a specific tax rate target for the City Manager to meet for the upcoming budget. The committee discussed the pros and cons of setting a target for the FY16 budget and the consideration of only bringing a target request to the full City Council in future years if a tax rate target increase is desired. The committee noted that they want to be sure that the tax rate target discussion is presented to FPAC, each year, so that they have the opportunity to discuss at the committee level and determine if a tax rate target is desired. For FY16 they recommended that the City Manager present a responsible budget without a specific tax rate target.
- 3) **Quarterly Financial Statements** – Deputy City Manager LeBrun presented the quarterly financial statements for the Fiscal Year to Date ending December 31, 2014. There are no significant events to discuss at this time. The few notable items are identified in the financial statement executive summary, which he briefly discussed.

The committee asked about the 25 of 52 payrolls elapsed, and if the City paid on a biweekly basis. Deputy City Manager LeBrun indicated that the City processes payroll each week, instead of on a biweekly basis. The committee discussed the merits and drawbacks of processing payroll weekly versus biweekly. They determined that there were not significant enough reasons to move to a biweekly payroll at this time.

Mayor Bouley asked about the over-expenditures in Assessing and how they were going to make up that spending. City Manager Aspell stated that this was a result of reporting professional appraisal contract services in the monthly financial statements, instead of in the overlay account. Deputy City Manager LeBrun stated that additional outside legal services were budgeted for in the Legal Department, appraisal services were budgeted for in the Assessing Department, and that any over-expenditures would be made up as part of the overall budget.

**4) FY16 Budget issues** – Deputy City Manager LeBrun briefly talked about the upcoming FY16 budget and several key issues. He indicated that he will provide the GF proforma/ model at the February FPAC meeting. He noted the following issues to think about, which will be included in the proforma and budget. The discussion today is a high level review of what the City is facing.

- a. Health insurance increase – for the past two years, the City has realized a 0% increase in health insurance renewals due to positive experience and trend. For FY16, Harvard Pilgrim presented an initial guaranteed maximum increase of 14.3%. After additional meetings and discussions with Harvard Pilgrim, they have agreed to an increase of 10% and will work with us on some plan modifications that we are hoping can bring the overall renewal down to the 8-9% range. The experience, overall, is good for most enrollees; however, the problem is that the City's high cost claims are averaging about 22 enrollees this year instead of the expected 14-16, and the high cost average is over \$100k. Everything else being equal, the 10% increase represents about a **2.4%** increase to the General Fund tax rate. We will be able to refine this better as we actually put the budget together.
- b. Debt service – the increase for FY16 is expected to be about \$100k. We will not know the final breakdown until after the debt service schedules are compiled based on today's bond sale. This represents about a **.25%** increase on the GF tax rate.
- c. Wages – the anticipated dollar amount for wage changes is approximately \$900k- \$1 million. This will represent about **2.5 -2.7%** on the tax rate.
- d. The new downtown services program (new for FY16) is expected to add \$250k - 275k to the FY16 budget. This adds approximately **.75%** to the tax rate.
- e. To put it into perspective, the total of just these items adds to a **6%** increase on the tax rate. We will still have to deal with all the other budget issues, as well as the items that we generally include in the proforma model, for the full picture.

Again, this is a high level review of a few big items that the City is facing in the upcoming FY16 budget.

The committee asked about the committees being formed at the State level to review the State retirement program, and if that was a good thing. Deputy City Manager LeBrun indicated that looking at issues like the State retirement system is a good thing and that making changes to the system will be a very complicated undertaking due to all the factors involved.

**5) Other –**

- a. Bond Sale – Deputy City Manager LeBrun informed the committee that the City had a very successful General Obligation bond sale today (January 15, 2015), as well as the sale of a Bond Anticipation Note (BAN).
- b. The BAN was sold for a one-year term at .45%.
- c. The Bonds were sold for varying maturity dates at 2.125% and included a partial refunding of bonds sold in 2005, 2006 and 2007, as well as new bonds issued.
- d. Per discussions with the City's Financial Advisor, these rates are very favorable to other bonds sold recently and they are working on the comparison.

- e. Standard & Poors rating agency affirmed the City's AA+ rating for existing bonds and assigned an AA+ rating for this sale. They also issued a rating of SP-1+ for the BAN, which is the highest rating available for BANs.

The committee was pleased with the results of the bond rating and sale and complimented the Finance staff on a job well done. Deputy City Manager LeBrun credited City Treasurer Mike Jache and his staff with preparing all the bond information for the sale. He also thanked and acknowledged all the people that participated in the rating call with Standard & Poors for their contributions, including Carlos Baia, Kathy Temchack, Katie Graff and Matt Walsh.

City Manager Aspell discussed compensation and succession planning strategies, in general. Current trends and varying market approaches were discussed, including personnel recruitment approaches given unique jobs in the marketplace that have limited potential candidates. The conclusion was to continue with existing tools in place and to continue to explore strategies necessary for the continued successful recruitment and retainage of employees.

- 6) Adjournment – A motion was made by Councilor Coen to adjourn, seconded by Councilor Grady Sexton. A unanimous vote brought the meeting to an end at 6:23 PM.**

Respectfully submitted,

Brian LeBrun  
Deputy City Manager – Finance