

MINUTES

Fiscal Policy Advisory Committee
October 18, 2012 4:30-6:00 PM
Second Floor Conference Room

In Attendance: Chair – Councilor Allen Bennett; City Councilors – Jan McClure, Fred Keach, Mark Coen, Dan St. Hilaire, Steve Shurtleff and Mayor Bouley; City Staff - Tom Aspell, City Manager; Brian LeBrun, Deputy City Manager Finance; Carlos Baia, Deputy City Manager Development; Bob McManus, OMB Director; David Gill, Recreation Director

Excused: Councilors Keith Nyhan and Candace White Bouchard

- 1) **Approval of September 20, 2012 Meeting Minutes:** Chair Bennett called the meeting to order at 4:38 PM and requested a motion to approve the minutes of September 20 and October 3, 2012. **Councilor St. Hilaire moved to accept the minutes, seconded by Councilor Keach. The minutes were unanimously approved as presented.**
- 2) **Retirement Rate increase impact** – Councilor Shurtleff was in attendance to discuss the status of the Special House Committee work on developing a Defined Contribution Plan for new State/local employees.

He described how the issue goes back to an original shortfall in the New Hampshire Retirement System and this shortfall was to be made up with increased rates and dedicated amounts to bring the retirement fund back to 100% funded by 2039. However, based on changes made in the House, it looked as if it was going to be a stretch to try to get there and discussions started to see what the cost would be to move State employees to a defined contribution plan. The first actuary that was hired by the State, Gabriel Roeder Smith estimated the cost would be \$1.2 billion to convert the State employees to a defined contribution plan. Councilor Shurtleff said that they did not necessarily like/agree with that number and hired a second actuary, the Segal Group, to develop the actuarial estimate and it basically confirmed the number developed by the first actuary. The Special House Committee determined that with a cost of \$1.2 billion the State could not afford to move to a defined contribution plan.

Councilor Shurtleff also stated that the LGC had stated that the retirement system has a \$4 billion bill to pay to bring the retirement fund to a fully funded level and the concern is that if the State walks away from the retirement plan and moves to their own DC plan, that would leave the locals responsible for the liability.

He indicated that the Special House Committee will reconvene the week of October 22, 2012 and that some members are willing to support the State moving to a defined contribution plan. He anticipates that the committee will recommend bringing this issue back next term for reconsideration.

Councilor Coen expressed concern about not moving to a defined contribution plan for both State and local NHRS applicable employees and wanted to know what it would take for the City to exit the NHRS plan in favor of a DC plan. Councilor Shurtleff indicated that approximately \$900 million is the responsibility of the State and \$250 million is the responsibility of the employees. Mayor Bouley indicated that the City will have a better

indication of the direction after the election and how the legislature may look at a DC plan.

Deputy City Manager LeBrun stated that for Fiscal Year 2015, GASB 68 requires communities to disclose their prorated portion of the State retirement system liability. That number will have to come from the State and we will know at that time.

Chair Bennett discussed his concerns regarding the retirement rate increases and the dollar impact on the City budget. He indicated that administration and FPAC needs to start reviewing options because this is a big problem. He also distributed an article that was in the Town and Country magazine that was written by Barbara Reid from the LGC that gave a great description of the issues surrounding the State Retirement unfunded liability and the challenges of moving to a defined contribution plan.

- 3) **Golf Update** – Recreation Director Gill updated the FPAC on Beaver Meadow Golf Course. He indicated that he had informed the current golf professional Ed Deshaies that the City is not exercising its right to extend his contract for another season. The City is presenting a plan that will change the structure of the Golf Pro relationship and operations of the pro shop to come under the direct management of the City and to hire a golf professional as a City Employee and all other pro shop staff as City employees as well. Mr. Gill presented a packet that included a press release, which is scheduled to be distributed to the membership, City Council, Golf Course Advisory Committee and City Staff on Friday; a summary of the projected annualized financial ramifications of this change; and a revised proforma.

The committee had significant discussion about the proposed changes and the benefit to the Golf Fund and what the membership/golfers can expect due to the changes. Councilor Coen indicated that the losses suffered by the fund in the past few years were not a reflection of the current Golf Pro but due to the economy, reduced revenues and overall management of the course.

Mr. Gill highlighted that this makes good business sense for the City to help bring the fund back into a profitable position. He anticipates that having the pro shop operation under direct control that the City will be better able to capitalize on increasing various revenues as presented, improve accountability for operations and is part of the continuing operational changes to the course. When the fund becomes profitable again, it will be able to support various capital projects for course improvements and equipment purchases to replace and maintain the excellent course conditions that were achieved this year.

Councilor McClure moved to recommend the changes to the full City Council, seconded by Councilor Keach. The motion passed unanimously.

- 4) **Quarterly Financial Statements** – Deputy City Manager LeBrun distributed the quarterly financial statements. The most significant item in the executive report attached to the front of the statements is that the City received a \$315,000 premium holiday from Primex for Workers Comp premiums and the \$25,080 received as advertising revenue from Grappone Group for an insert in the motor vehicle renewal notices. There were no

other significant issues to report at this time.

- 5) **Goals Revision Updates** – Delayed for discussion at the November FPAC meeting.
- 6) **Target Tax Rate** – Delayed for discussion at the November FPAC meeting.
- 7) **Adjournment - A motion was made by Councilor Keach to adjourn, seconded by Councilor McClure, and a unanimous vote brought the meeting to an end at 6:00 PM.**

Respectfully submitted,

Brian LeBrun
Deputy City Manager – Finance