

**MANAGER'S CONFERENCE MINUTES**  
**Portsmouth City Council Meeting on**  
**November 28, 2016 – 7:10 p.m.**

All members of Council were present with the exception of Councilman Meadows who was excused, Manager Allen, Solicitor Haas, Auditor Williams and City Clerk Ratliff.

**2. 2017 Budget**

**CM-16-182**

Councilman Kevin W. Johnson recommended that the Health Department Director Chris Smith start the budget discussion with the Health Department Budget.

**HEALTH DEPARTMENT REVIEW**

Director Smith stated that the budget was much like last years with regard to the amount, although it was \$15,000 more than last year but he was confident that they would be under budget. He pointed out the \$650,000 and reminded Council that the Health Department brought in approximately \$200,000 worth of revenue. They have a budget of \$2,500,000 with \$1,000,000 in salaries. Councilman Kevin W. Johnson stated that he had been attending the State Audit meetings with Auditor Williams and Manager Allen and commended Director Smith on cleaning up the “dings” and he believed that there was only one technical ding this year. Manager Allen said that he and Auditor Williams would be bringing an ordinance to loan grant funds out of the General Fund as they spend money and then seek reimbursement which helped with the negative fund balances at the end of the year which was an audit citation. Director Smith said the goal was to try to build up some of those balances where they wouldn't have to borrow from the city at the end of the year. Manager Allen said that the Rental Licensing would be out of Engineering for 2017 and would no longer be in the Health Department as well as a Code Enforcement employee. Mayor Kalb said he was looking at Fund #253 in the 2017 budget and the 2015 actual wages were \$11,000.00 with medical insurance at \$171.00 and the 2017 request wages were \$5,000.00 but the insurance was \$485.94. Celeste Tucker stated that she had looked over that and it was a mistake in numbers, the \$485.94 was supposed to be in OPERS. The medical Insurance was \$3,127.04 which was listed in OPERS and the \$485.94 was only one employee (Randy Parker) which was his medical fees as he does a buy back and it was a percentage of the \$3,000 of buy back. Mayor Kalb asked if there was a mistake in the 2015 actual as he was looking at \$171.11 for insurance and \$485.94, he wanted to know why the increase. Ms. Tucker stated that at one time the grant only had the one employee who took the buy-back which meant the insurance was low, she now had someone helping her with the fiscal process and hers would be coming out of the grant as well. Mayor Kalb said he didn't know about the rest of Council but this was hard to keep up with when drawing from different grants and different funds. Director Smith stated that whenever they had opportunity to utilize grant fund they do.

Mayor Kalb said he thought the Clinic was doing well but the budget showed a deficit for the Clinic. Director Smith said there would be a \$35,000 carry-over from the previous year. Ms. Tucker said that she had spoken with Auditor Williams because she had listed carry-over amounts within certain funds in the revenue areas so they wouldn't show anything coming out in the red once the expenses came out but Auditor Williams stated that they couldn't be listed that way but could only list the revenues. Mayor Kalb said the bottom line was that the clinic was doing well and that was probably helping with the insurance rates. Auditor Williams suggested using a fund summary. Manager Allen said that in the front, right behind the budget letter was a comparison of 2017 revenues vs. expenses and it does not have the carry-over that Auditor Williams spoke about, but the goal was not to deficit spend in any account and to build the accounts up even higher. Mayor Kalb stated that at the last Board of Health meeting it was discussed that there were no scheduled pay increases, however there were some promotion coming up and those would be the only increases. Director Smith said that he had put in for raises for the bottom three employees but was cut by the Board of Health and he had one person that he put on salary because it was cheaper than paying overtime. He had collapsed one of the divisions to save money but that division was now expanding and they've brought in grants and contract work and he was trying to reinstitute that division but it won't touch the General Fund at all. Mayor Kalb stated that since the raises were budgeted but not given, the budget should be corrected and reflected for future reference. Director Smith said that it wouldn't change the General Fund budget and didn't feel that additional paperwork was needed, but understood Mayor Kalb's point. Manager Allen stated that the needle exchange program does not come from the General Fund budget and Director Smith said they

received another \$25,000 donation and they were covered for 2017. Mayor Kalb asked about the Capital Improvement Fund and Mr. Smith stated that what he requested would cover a new laptop computer for him, three desktops for the Nurses and building maintenance items. He thanked Council for their support.

### **MUNICIPAL COURT REVIEW**

Judge Steve Mowery and Judge Russell Kegley were both in attendance to answer Council's questions. Mayor Kalb asked about the Indigent Driver Treatment Fund #219 for \$36,000. Both Judges replied that those were State mandated funds and had to be collected. Manager Allen stated he thought it was for ankle bracelets and Judge Kegley replied "yes" and said that some money was administered through the ADAMSH Board for treatment. Judge Mowery said these were two different items, Alcohol monitoring was for the bracelet in Fund #220 and Fund #219 was for long term Alcohol treatment. These were state mandated funds that must be collected and kept in separate accounts and not General Funds. Manager Allen said that Fund #202 was the part of the general fund that was given to the Courts and it funded those expenses. Funds #203-#208 as well as Funds #219 and #220 we don't have anything to do with but they must be appropriated.

Councilman Kevin W. Johnson asked about the audit report and Judge Mowery said he hadn't seen this years. He also said that Clerk of Court Leroy Kegley hadn't gone to meetings this year but had been to past meetings and the consensus was that the Judges believed that he should be attending those meetings and they would make certain that was done in the future. He said that Clerk Kegley said that the balance issues pre-dated his services as Clerk and there was an issue with outstanding checks of about \$4,000 difference of the State monies and trying to make everything balance to the penny was difficult. There had been checks sent out to lawyers or garnishments and some of those checks don't get cashed; there were outstanding checks from years ago. He said Henchens does their computer programing and they're working on a program that would issue the funds without us going through tracing who the checks were from and who they should go to and it should balance it out. Judge Mowery said that they would try to address all of the issues on the audit. Councilman Kevin W. Johnson explained that the city has unclaimed funds and if a check wasn't cashed within a certain amount of time, it would become a dead check. Judge Mowery agreed and said it would be cleaned up.

Councilman Kevin W. Johnson stated that when he was going through the budget, there were a lot of deficit lines. Manager Allen stated that they have carry-over and after speaking with Clerk Kegley he was told there would be movement money between the funds. Judge Kegley said those were always made up at the end of the year. Judge Mowery said that they operate on a \$1,600,000 budget and receive from the city \$1,000,000. They also have \$2,000,000 in grants, but they do operate at a deficit because they were not self-funded. Mayor Kalb explained for those who may not know that the Judges wouldn't be Judges for the amount listed and they were subsidized around 40% from the State. Judge Mowery said they did not ask for raises although they wanted to but deferred because they know the city's financial position, they also know that there were contract negotiations forthcoming. Their employees have not had raises since he's been on the bench which was 7 years. Back in 2008, they fell behind by 6% of the other union employees and they made up the difference by giving bonuses and they hope that could be addressed by Council in the future.

Mayor Kalb asked about the salary page with the total wage being \$487,046.35 and then on the next page for wages it showed \$497,271.00 which was a difference of \$10,000. There was no answer for the difference and Manager Allen said that Clerk Kegley had been very good to submit numbers when requested. Mayor Kalb continued to look over the 2017 Health Insurance request and Funds #202 and #111 were \$281,904 and the 2016 budget was \$270,000. Judge Kegley said that some of that may be where employees were on a single plan and then needed the family plan. Manager Allen said he also charged everyone the debt reduction fee and in 2016. He budgeted for an 11% increase and this year it was only 8%. Judge Kegley said they were vigilant to try to keep the numbers down. Mayor Kalb asked why there were Capital Improvement items in the General Fund budget, Manager Allen said that the Courts made very reasonable requests for Marks radios and body armor and have been good about Capital expenditures. They realized the financial situation the city was in and have been trying to keep expenses down because they could've ordered a lot more and he appreciated that they were cognizant about spending. Judge Mowery appreciated that Manager Allen had been conversed with the courts. Manager Allen said that some of the building repairs scheduled for next year were to finish the court room. Councilman Kevin W. Johnson asked the Judges if they had given any more thought to looking for other space because at one time they

were looking at the 4<sup>th</sup> Floor of the Court House; Judge Mowery replied that that ship had sailed and there were no other plans. Mayor Kalb said that he and a couple of others had not given up on getting a new space and after the first of the year we should dive into looking for alternatives. Judge Mowery said the biggest detriment was the lack of a restroom in his chambers because he used the public restroom and next to him may be someone he's getting ready to sentence. Mayor Kalb said again that they hadn't given up on the idea because there had been a lot of changes one of them being changing to a Manager form of government. Judge Mowery said that the City environment had improved considerably, the Clerk of Courts office was a lot cleaner and the ceiling tiles have been replaced. Manager Allen said that there was one thing not in the budget and that was court security for City Council meetings. There would be a fee and that would not be part of the Court's budget, it would have to be expensed from somewhere else and not counted toward their operations. He said that the Courts have worked with him to keep their budgets in check and he appreciated it. Judge Kegley said that the guys that work security were at the max hours allowed for part time and anything over that would cost more money with insurance and other benefits, but if we have the other guys do it, the cost would be based on overtime and it would be around \$6,500 - \$7,000.

Mayor Kalb said that they had gotten two departments out of the way and asked Council how they wanted to proceed with the Enterprise and General Funds. Councilman Kevin W. Johnson said we could start with the general fund but didn't believe we needed to go line by line unless there were specific questions about various departments. He said there were nine departments that had gone down compared to the previous budget, however nine of them were the highest since 2011 but the overall budget only increased \$100,000. Mayor Kalb asked about the legislative budget and he had the \$738 care plan and Councilman Meadows had the insurance but it wasn't reflected in the revenues anywhere. Auditor Williams said that the amount Mr. Meadows was paying would be under miscellaneous. Manager Allen said that it wasn't shown as a revenue because the Charter amendment that was passed stated that City Council would pay 100% of the insurance cost, which hasn't happened. What happened was 100% of the premium with Anthem was being paid, but Council wasn't charged for Avalon fees or the \$738 care plan; the city self-insures and if we were to be compliant and Council was to pay 100% then we should be asking Avalon for all the charges that went against the city's self-insured part. The \$738 for Mayor Kalb was a mistake and shouldn't have been included and the City wasn't charging him anything and Mayor Kalb said that it was taken out of his check every month. Solicitor Haas said that this had been an issue about the way the Charter provision read because it stated 100% of the cost to the city. Councilman Kevin W. Johnson said that it should be brought back with different wording for the voters to decide. Manager Allen said the city's self-insured portion was currently \$5,000 but would be increasing for the upcoming year to \$6,500 and no one that had the insurance was paying it. Mayor Kalb asked what that meant and Manager Allen said your deductible as a Councilman would be \$200 single and \$400 family but the real deductible would be \$6,500/\$10,000 (which was the cost to the city) and the city was buying down the premium by paying that out of our own pockets. In other words, you're paying the premium not the cost. Manager Allen said that Avalon pays the self-insurance claims so that he and Auditor Williams or anyone else couldn't see an employee's medical claims, there were HIPPA laws, but as an employer he could ask about a particular employee to see what the self-insurance charges would be for that one employee so that they could be charged accordingly, which had never been done.

Councilman Kevin W. Johnson commended the finance department for being 3.19% down from last year's budget. He said that income tax was up significantly and asked the reason, Manager Allen said they had one person retire and the position was vacant and whenever that happens, they budget for family insurance for a new hire but if they are single, then we come in under budget. Auditor Williams reminded Council that they've gone several years without filling that 3<sup>rd</sup> position. Mr. Johnson said Civil Service had more than doubled, Solicitor Haas responded that for years the City just hired employees (other than Fire and Police) and never went through Civil Service and now we've given more test this year than in the past 3-5 years. The amount was increased due to the test given, postage etc. Councilman Kevin W. Johnson said that Engineering and Building were up quite a bit and Manager Allen said that was due to a new Code Enforcement Officer and Rental Licensing Department which used to be in the Health Department. Mayor Kalb asked why Income Tax was back behind Capital Improvements, Manager Allen said that 85% of income tax was General Fund and 15% was in Capital Improvement. Mayor Kalb asked if anyone else found the budget hard to follow and Auditor Williams said that was just for informational purposes. He said that Income Tax #101 and #108 had a narrative about that department with every line item and how the money was spent, then you have payroll and fringes and that's total. At the bottom of that was a breakout of 85% and 15% which was the fee that was taken right off the top to collect the income tax (Finder's fee or Collector's fee whatever you want to call it) and it was allocated based on the split of revenue to the General Fund and CIP Fund. The most

important document was the master budget which showed the total cost which in the old budget could never be figured out and out of the master budget they split the percent allocations. It was explained in the General Fund where it was taken out and it was further explained where it was added into the CIP fund, there are both sides, one was where it was taken from, and the other was where the charges were assessed. The State Auditors were questioning how we came up with the allocations, so part of the purpose of the budget was to give to them and it justified how we came up with the allocations and how we moved the money because of their concerns from past practices. At one time we took \$1,000,000 from the Water Fund and put it into the Fire Department Fund, so now they have all of this that documented how the allocation was reached.

Auditor Williams said that this was different than previous administration's budget because you had both the allocated budget and the master budget, so you would see a reduced budget in the General Fund but in the next pages you would see the exact cost for the entire operation of each department. He said that he didn't bring the whole budget but only brought pages with the actual appropriations and when comparing the two, he condensed the pages with what he needed. He made a summary where he pulled out pages of what he thought he would need and everything he considered pertinent and came up with about 100 pages in lieu of 300 pages. He gave an example as "the appropriation ordinance was the answer and when the teacher asked "how did you come up with that answer" the big budget was how you came up with it." Councilwoman Aeh asked Auditor Williams for a copy.

Councilman Kevin W. Johnson asked what we did under miscellaneous last year that kicked it up to \$1,500,000 and now it's down to \$880,000. Manager Allen replied that the transfers were in there such as compensated absences because we had a bunch of employees planning on retiring. We done a one-time only transfer of \$250,000 to the Street Department as part of the recovery plan to fix the street fund. A one-time transfer of \$200,000 to the cemetery trust fund for money that had been taken out and used in other departments. The only transfer for this year was for compensated absences of the employees that were planning on retirement this year and Auditor Williams said that would be a reoccurrence every year. The Service garage dropped 25% from last year, Manager Allen said it was because he wasn't sure how fuel purchases were being charged off. He said at one time the fuel at the garage was only supposed to be for their vehicles when they had only two or three vehicles and then at some point we were charging all of the gas and expensing it off to each department for the gasoline that they used. He had reviewed prior budgets and there wasn't an expense there and that was the reason for the change, it still needed to be determined how they were going to charge-off the gasoline charges to each department. Councilman Kevin W. Johnson asked what the jump in Public Service administration #114, Manager Allen replied that was due to a change in allocation because the Director is over Sanitation, Traffic, Streets, Cemetery and his cost were all split across the number of employees in each section. He reminded Council that the previous secretary passed away and a new secretary was hired. Her pay had been going up due to the step increases. Mr. Johnson added that he was very glad that there were five vacancies being filled in water distribution.

Councilman Kevin E. Johnson asked when we went from \$25,000 to \$40,000 for SOPA and Manager Allen replied that it hadn't been done yet and it would be coming to Council as a new agreement. He also said that there was a commitment made prior to his arrival that we would give \$25,000 per year. He had taken a price per capita based on population. He said it was a good deal if you knew all of the things he was doing within the city and that he had spent most of his time in Portsmouth. Councilman Kevin W. Johnson said that when Mr. Kester worked in a certain ward, he shared that information with that particular Councilperson.

Manager Allen said that he would like to change #101 and #119 the community groups especially if North-end Reunion was going to be added as well as the Basketball Tournament. He also said that in the past we had given \$5,000 to the fireworks however Civic Forum said they weren't doing it anymore so he put \$10,000 in the budget and he contracted directly with the Fireworks Company. He said there were two other organizations that donated to the fireworks, he believed it was SOMC and someone else and they would have to ask if they wanted to donate again and if not the full amount would be there to cover the cost. Manager Allen asked what they wanted to discuss about the budget at the next meeting, Councilman Kevin W. Johnson said that he had nothing further and Mayor Kalb said that if there were further questions, they could contact his office and get the answer. Manager Allen said that the next conference agenda would be free so it could still be discussed.

Police Chief Ware was in attendance and he said that most of his budget was used for subscription rates and safety equipment. Manager Allen said that he put some of the items that normally would've been put in CIP #301 directly into their departments.

Councilwoman Aeh said there was funding for an Engineer and she didn't believe that we needed one, she believed that we need Code Enforcement before we need an Engineer. Manager Allen said the Engineer's position was budgeted for but we haven't hired anyone. Mrs. Aeh said it's funded but she doesn't believe we should hire one right now because it ends up being a high paid Office Manager's job and currently there's nobody to supervise. Solicitor Haas was speaking but his microphone was off and he could not be heard. Manager Allen said the Commercial Building Inspector was \$110.00 per hour.

The meeting adjourned at 8:25 p.m. on a motion by Councilman Kevin W. Johnson.

Submitted by: *Diana Ratliff* – City Clerk