

**MANAGER’S CONFERENCE MINUTES**  
**Portsmouth City Council Meeting on**  
**December 16, 2019 – 9:20 p.m.**

Members present:

Sean Dunne	1 <sup>st</sup> Ward
Charlotte Gordon	2 <sup>nd</sup> Ward
Kevin E. Johnson	3 <sup>rd</sup> Ward
Jerrold Albrecht	4 <sup>th</sup> Ward (Absent)
Vacant	5 <sup>th</sup> Ward
Thomas K. Lowe	6 <sup>th</sup> Ward

Also present was City Manager Sam Sutherland, Solicitor John Haas, and City Clerk Diana Ratliff. Auditor M. Trent Williams came back later.

1. **Repeal Ordinance #63 of 2019 SAFER Grant**

**CM-19-87**

Manager Sutherland explained that the ordinance needed to be repealed because the city is on fiscal watch and in order for the city to be removed from that designation, there had to be a 5-year projection which had to match the 2020 operating budget. In those 5 years, the city had to show a positive fund balance at the end of each year. Currently he was trying to make this grant work in the budget, but as of right now, it doesn't work. He knew it wasn't a popular decision or the most favorable information, but unless there was a way to figure that the revenue would increase or if there was a mistake (but he didn't think so), he's more than willing to look at it with anyone who wants to make sure there was no mistakes. He reminded Council that he didn't believe that the State would allow the city to stay in fiscal watch forever but with that requirement, we have to show a positive balance over a 5-year projection.

Councilman Lowe stated that Council hired Sam to be the City Manager and if the numbers come up the way they come up, it's not anyone's fault, but if the city cannot afford to accept this grant that's the bottom line and when Manager Sutherland tells him that it's not feasible, he's behind him 100%. He added that it wasn't personal and nothing against the Fire Department, but the simple fact that we're in fiscal watch and the numbers have come up short in each of the 6 scenarios presented by Manager Sutherland. He concluded by saying that the ordinance was passed because it was brought to Council at the last minute and they didn't have all of the budget information at that time. He trusts Manager Sutherland's judgement and that's why Council hired him.

Councilman Dunne asked Manager Sutherland to discuss some of the differences between the previous and current discussions with the State Auditor. Manager Sutherland stated that the State would not let the City out of fiscal watch unless the City could show a positive fund balance at the end of the 5-years in each of the six funds. The sewer fund was almost balanced, the water fund was tight but was currently positive; the sanitation, insurance and street funds were fine. He reiterated that in order for the City to be removed from the fiscal watch status, the projection had to show positives in all six categories for the full 5-years. He added that he didn't want to see the EMS go away in 5-years, but he had taken the approach that the city needed to plan on funding the necessities for the future and not so much for the current luxuries. Chief Raison interrupted with regard to the last statement, however Acting Mayor Johnson requested that he wait to speak until Council was done discussing the item. Manager Sutherland stated that he wasn't saying that EMS would go away in 5-years but he doesn't want it to go away, just like he doesn't want to lay off any AFSCME employees or cut any city services. The city was finally getting back to where it needed to be other than the Engineering Department which had been decimated, but he knew that would not be an easy fix. He stated that the Police Chief was leaving and the city would be hard pressed for someone to take that job at the current salary; there were streets caving in all over this town and again, he was looking out for the necessities. He expressed that it was not a dig at the Fire Department because he respected everything that they do, but he doesn't know what else could be done unless there was some revenue that wasn't getting shown, but Auditor Williams was the only one that could determine those numbers. He said that even with the current proposed budget, it would still need to be trimmed.

Councilman Dunne stated that he was the lone “no” vote on accepting the grant and the reason was that he understood the concerns regarding the finances in general. He would like to see services be more from the public sector than from the private sector. He knew the transition with the Fire Department/EMS and supported it, but it wasn’t easy for the Fire Department/EMS because of the stigmas that certain peoples lives were being saved which require the Fire Department/EMS services and that some people were wrongly arguing that those lives be discarded, which made it tougher for the Fire Department to make their argument. He certainly wasn’t in agreement with the people that were counting certain people’s lives less than others. He’s glad that we have a Fire Department that was interested and eager to move forward. His “no” vote was based upon the methodology that had been presented to him and he wasn’t convinced with certain numbers that had been presented or projected based upon the methodology followed in producing those numbers which had him quite concerned. He was concerned because going back to the financial situation of the city, this was a large undertaking regardless of the fiscal situation. He said recently there was an institution in the city that had issues with a grant and it wasn’t good practice to return a grant unless it had been thought out and he acknowledges that, but this was an agency that we would like to continue to work with as a city and the decision could not be made lightly.

Councilwoman Gordon stated that she had spent hours going over everything and she agreed with Councilman Dunne in that this was an agency that we would have to work with in the future and to return a grant would not bode well. She said there were a lot of numbers she still wasn’t sure about, for instance, some of the time Dispatch is counted with the Firefighters and sometimes it’s counted with the Police. She expressed concern over the increases of overtime within three-years and how they rise, and wasn’t sure how in keeping the grant for three-years that transcended to millions. She felt that once Council does vote on something, they should stand by their vote and it goes back to methodology and that Council should have had three readings on it and the consequences of the grant should have been known.

Councilman Lowe stated that he wasn’t one to renege on something but the fact of the matter is, when the vote was taken, Council didn’t have all the information and unfortunately it had come in after the fact. He added that since he had been on Council, they had never denied the Fire Department anything and he never wanted to deny them anything, but when it comes to feasibility “we either got the money or we don’t or its going to put us in trouble, keep us in fiscal watch longer”, that was one of his goals on Council was to get out of fiscal watch so that we could control our own destiny. We pay the City Manager to do a job and if he tells us that it’s not feasible, then we take his word for it and he had an obligation to his constituents and if we have to renege on it, that’s just the way it is. Council made an ill-informed decision whenever it was passed because we didn’t have all of the information.

Chief Raison stated that Councilman Lowe said that a decision was made without all the facts and he feels that Council was making a decision now when they don’t have all of the facts. He added that part of it was because the City Auditor was conservative in his revenues, which he should be, and the expense estimates were a little on the aggressive side because this City doesn’t want to be where they were. He said that he would be retiring in a couple of years and doesn’t want to see what was built cease to exist because we built it on something that wasn’t solid. He said in looking at the 5-year projection, the City Auditor was projecting that the revenues to be less than it currently was this year. He questioned how revenue was going down, was the economy tanking, were there less developments or investments in Portsmouth? Revenue for 2019 was 16.1 million that was 1.5 million less than 2018’s actual revenue and 1 million less than 2017. The Auditor’s projection for revenue in 2024 is 17.6 million, however, 2019’s actual revenue currently was \$17,879,000 in the General Fund. He did some research on the State Auditor’s webpage regarding forecasting and found different methods of forecasting, one which was trend analysis compared historical information; he went back 20 years on city revenue and calculated the increase or decrease because there were times that it decreased over that twenty-year period. He calculated the annual change in revenue for each of those years and there were two years where there were tax increases passed which skewed the numbers so he threw those out and then averaged them, and in the past twenty-years the city revenue had increased 2.17% on average. If you take where we are at right now with general fund revenue and put that 2% factor and forecast forward the General Fund revenue in 2024 is \$19,739,000 and not the 17.4 million that was being projected. He would hate to return the grant and then three-years from now revenue projections continue like they historically have for the past twenty-years and there’s plenty of money, as opposed to the City Auditor’s proposal but we gave away a \$1,000,000 grant and could’ve expanded the Services Department. He would like the city to explore all options.

Councilman Dunne stated that our City Auditor had given his projections and the State Auditor had reviewed those projections and they were in agreement with those numbers when reviewing them with the City Manager. He said “no disrespect” for the research that Chief Raison had but Council had to work with the numbers that have been given to them by the City Manager. He suggested an outside source to review the numbers because each side was saying different things because Council had to make a decision based on numbers.

Auditor Williams arrived in Council Chambers and Councilman Dunne summarized what had been discussed. Mr. Williams stated that the upcoming year for 2020 was not conservative but in 2019 they had been conservative and there was a reason for that; in 2016 there was an income tax increase which was only 75-80% of what you should normally get from the increase and then the following year it would be 100% of what you should get from the income tax increases, from the 2016 increase and he always used five-years of history and had all the numbers of income tax revenues for the past twenty-years, and he used the historical numbers to project the future and then took in factors that might increase or decrease those that may not have been in those historical years. He said in the most recent tax increase, there were two-years of increase and then a dip. So, the city had two-years of tax increases in 2017 and 2018 which showed increases and historically in that third year in this case 2019 there would be a dip if trends held but it didn't so he was conservative by about \$500,000 in 2019. He did not take that conservative approach in 2020. The County Auditor only certifies 95% of the taxes that might come within the year. He gave examples of his projections and stated that he could modify the revenues some time in 2020, but only after it was received from the County Auditor because he will not certify what he (Trent) thinks that we will receive, but will only certify the County Auditor's projection.

Councilman Dunne advised that the idea of having an outside source come in and look at the numbers and Auditor Williams stated that if they go line by line other than income tax, there would be no differences and if you paid to have someone look at income tax, they would come up with about what he was giving Council. He said no one would go out on a limb and take that risk, he said that you would rather not budget something and not spend it than to get into August and have to tell the City Manager that he needs to lay-off 40 people. Mr. Dunne said obviously from the Fire's point of view, this is a program they want to advance and they're confident in the ability to generate revenues and would it be worth paying someone \$10,000 to review the numbers, Auditor Williams stated that he certainly wouldn't want to see the city pay \$10,000 because he is confident in the numbers he has given to Council. Auditor Williams stated that he doesn't believe that Chief Raison could tell Council that his program will generate over \$300,000 in revenue with adding 6 more people, he can tell you “he thinks” he will collect more. Chief Raison stated that he could not see EMS going away because it was generating more than what they were spending. Auditor Williams stated that EMS had \$259,000 in 2018 and they may hit \$340,000 in 2019, he has projected \$300,000 with an increase in 2021 to \$350,000 and followed that with \$400,000 and he hoped that they hit or exceeded that amount, but the five-year projection will change because it's a living document and was updated every year. He added that when he sees that the Fire Department has brought in \$500,000 in 2020 then he would be comfortable increasing that particular line item because of the current performance, but he would not go above \$350,000 for 2021 at this point. He said if the amount comes in at \$340,000 for 2019, then he could change the revenue projection for 2020 but everything else will be consistently the same. He concluded that he was confident in the numbers that were given and the State Auditor that he's been working with, feels the same. Councilwoman Gordon stated that she would like to see someone from the outside look at both the city's numbers and the EMS numbers to see if they were correct. This is taxpayer money and we do want to grow; we have projections to grow and momentum to grow and this is Portsmouth's chance to get it right and part of growing, is growing the infrastructure and departments. Auditor Williams agreed with that but that was not something the city would want to do every year, maybe have someone look at them once every so many years and he would be very confident that he would be close. He said the concern was that if you start dipping operationally into the surplus, he doesn't see the city at the end of five years with a surplus and he didn't know where the additional revenue would come from to cover that because he doesn't see another tax increase. Mrs. Gordon ask how long it took to accrue the six-million dollars and the reply was 3-4 years but the issue was that departments had been gutted to do that. Manager Sutherland stated that there were other departments that have to make this city thrive and he was trying to get some of that put back. He said it was nothing against the Fire Department, he respected everything they do, they are a great asset to the city but there were other things going on in this town that we need to be concerned about. Councilman Lowe asked what it would take to get the city

out of fiscal watch, Auditor Williams stated that the sewer fund had to be out of the red and the five-year projections of an operational balance in the six major operating funds being out of the deficit. Five-year projection of solvent operational funds at the end of that five-years.

Councilman Dunne motioned to adopt alternative #1.

There were no questions or comments: **VOTE: 4 Ayes – 0 Nays**

**Discussion**

**Rental Licensing and Code Enforcement** – Did not discuss due to length of meetings.

The meeting adjourned at 10:25 p.m. on a motion by Councilman Dunne.

Submitted by: *Diana Ratliff* – City Clerk