

PORTSMOUTH LISTENS CITY BUDGET DIALOGUE

SUMMARY REPORT

INTRODUCTION

A declining economy has put tremendous pressure on the private and public sectors. Creating the local budget has become a more difficult and contentious process with over 200 people speaking at an FY11 public hearing on the City Budget. People in the community were speaking at one another but not with each other. Facing difficult and often emotional issues, Portsmouth Listens presented the opportunity for Portsmouth citizens to come together, learn more about the City Budget process and collaborate on input for the City's FY12 Budget.

Portsmouth Listens goals for this dialogue were three fold. First and foremost, Portsmouth Listens wanted to create an opportunity for citizens to become more aware and knowledgeable about the City Budget process. Second, Portsmouth Listens hoped to produce good information to help the City Councilors work through the complex and difficult budget process. And third, as with any dialogue, PL sought to create an even stronger community.

The study circle process for the City Budget Dialogue was framed by the following question:

“How do we balance the tax burden and level of services needed to make Portsmouth the best place to live and work for everyone?”

Due to the complexity of the City Budget and budget process, Portsmouth Listens limited the scope of the City Budget Dialogue. The deliberation was limited to the operating budget of the four “Departments” and the County Budget. The “Departments” included Municipal, Fire, Police and Schools. Municipal included the City Manager, Public Works, Recreation, the Library, Finance, Welfare and Human Resources. The operating budgets of the Departments make up over 75% of the total budget.

Participants were tasked to come up with two budgets. First, a Flat Budget based on the City Council's mandate to the Departments to come up with budgets that did not exceed their FY11 budgets, and to come up with an overall budget that would not result in an increase in the tax rate. Not increasing the tax rate is particularly difficult when there are several factors over which the City has no control, such as the County Tax, reduced aid from the state and state downshifting of costs. While the amount of these costs was not known during the dialogue, for the purpose of the exercise, the County Tax was assumed to be fixed at a \$250,000 increase. This created a variable that forced participants to offset these costs through the operating budget.

Next, participants were tasked to create their own budgets with increases or decrease of any amounts. The budgets had to be created and approved by the group. Participants had to get beyond their own agendas to work with their group to create a group budget.

This summary is followed by the written reports from each study circle group. Portsmouth Listens hopes that this information and process will serve the community in a positive way in these incredibly difficult times.

I. THE PROCESS

The process began in January with the City's presentation of "Budget 101", a 90 meeting information session from the City Manager, John Bohenko, and Department heads. It was followed by a 40 minute discussion that set the tone for this Dialogue. Attendees with a very diverse set of opinions engaged the City in a respectful and productive dialogue about the budget process and budget issues. The City taped Budget 101 and made it available on the City website. All participants were asked to watch in so that everyone would be working from the same base. This event alone substantially enhanced community knowledge about the budget.

From there, seven groups of six to twelve participants were formed for a study circle dialogue. They met six times:

- Week 1: The group decided values and priorities to balance services and the tax burden, and broke into teams to do homework on the four departments' past and present budgets.
- Week 2: The teams within each group educated the others on past and present operations and budgets, looking at head count and service increases and reductions over the past few years. They also chose "liaisons" to meet with the leaders of those departments.
- Week 3: The liaisons and leaders of the department met at a work session to learn firsthand what the impacts on services would be in a level-funded budget, and ask questions they had prepared.
- Week 4: The groups deliberated on their Flat Budget and Citizens Budget.
- Week 5: The groups met with several City Councilors at a time in a work session, learning how the council saw the budget versus department managers who owned them.
- Week 6: At this final deliberative session, each study circle finalized their budget proposals and set about writing their reports that follow this summary.

Each group will also report their findings and conclusions to the public on Wednesday evening, May 4 from 7 to 9PM at the Portsmouth High School Library. The general public is welcome to attend.

The participants commitment to this process was intense. The material was not easy and the issues were complex. The Exit Survey, completed by 42 of the participants showed that 35 spent an hour or more of their own time outside of the deliberative sessions working on the budget issues. Fifteen of them spent 2+ hours outside time per week on the Dialogue. It is estimated that participants committed over 1000 hours of deliberation to the City Budget Dialogue over the course of eight weeks.

II. THE PARTICIPANTS

By mailing postcard invitations to every city household, 139 citizens initially signed up to be in the study circles. Between signup and the first sessions, the group reduced to 60. In the end, 56 residents in six groups finished. In addition, a group of Portsmouth High School students also met all six times, making total participants 67.

In a follow up survey, explanations for the attrition were “conflicts arose after I signed up” (100%), “was not what I anticipated in terms of time,” (22%) and “did not like the proposed process” (11%).

The final 56 participants had the following demographics:

Gender	<u>City</u>	<u>Study Circles</u>
Male	50%	59%
Female	50%	41%
Age		
18-44	48%	16%
45-65	35%	55%
64+	17%	29%
Education		
High School Only	27.8%	7%
Some College	24.6%	3.5%
College Graduate and higher	51.5%	89.5%
Families with kids <18		
With	25%	35%
Without	75%	65%

Portsmouth Listens was able to balance the groups so each had 1-2 participants from the “scarce” demographics (18-44, and non-college). More important, the groups had diverse views about city services and tax burdens. Notably, many of those with higher education levels were self-employed. Three groups closely matched city demographics: Borthwick, Daniel-Elwyn and Fleet-Gosling.

In final surveys, a striking 81% said they changed their views from the start to finish of the process. As one report said, “Some of us became more liberal and some became more conservative” as they arrived at a balanced

budget. All participants also commented on how much they had learned about the city budget, and many expressed a desire to continue their involvement.

III. PRIORITIES AND VALUES

To guide their deliberations, all the groups began by framing their priorities. Facilitators did open-ended brainstorming, followed by dot voting. By creating a score for each value's place (6 for first, 1 for last) and multiplying by an "intensity factor" (the number of groups that cited that value), the following table reflects the values across all the groups:

Group	Score
Quality education	21
Affordable taxes	17
Infrastructure well maintained	16
Sustainability	13
Public safety	11
Economic growth & vitality	9
Livability/amenities	9
Arts, history & culture	1

Other values and priorities which were represented, but were not in the "top 5" were: attractiveness as a tourist destination, vibrant, walkable downtown, recreation facilities, green space, diversity, a safety net for the disadvantaged, civic dialogue, and support for the arts.

Overall, the groups framed budgets that reflected their top priorities. They held close to the council's level funding objective. Four of six groups added back positions for the schools. Three of six groups chose to increase the fire department budget, two to level fund and one to decrease. Likewise, four groups chose to add back positions for police, and two to decrease further than flat

IV. THE WORK SESSIONS

The Work Sessions with the Departments and City Councilors took dialogue in Portsmouth to a new level. These Sessions crossed the line from the traditional public hearing process to interactive, thoughtful and respectful communication. Participants had the opportunity to ask questions and receive direct and immediate answers. They were able to hear what Department representatives and City Councilors were thinking and why. In past dialogues, questions to city officials were transmitted and answered in writing between deliberative sessions. Study circles were able to report their findings to City Councilors, but there was not much time for interaction, and their reports were already "final". These Work Sessions were completed before final reports

were done and allowed both participants and City officials to drill down to new and deeper levels of understanding.

The Department Work sessions created an opportunity to meet and converse with Department representatives. Typically, there was not enough time to answer all questions. The more participants learned, the more they wanted to know. Many felt the experience could be improved if more information was available ahead of time, such as the Schools' Proposed FY12 Budget Report that came out just prior to the Work Sessions. Because the Municipal Department includes so many different departments, there was not enough time to gain access to more particular information about each department such as Public Works, the Library or the Recreation Department.

The City Council work sessions were terrific for participants and councilors. With the restraints of the public hearing process gone, participants and city councilors engaged like never before. Participant questions were answered with detail that supplemented the Department Work Sessions. Councilors were candid with their opinions and their reasoning. All sides of issues were discussed frankly and openly. There was no tension. There was an unusual sense of commonality in the air. The fact that participants were immersed in a study and dialogue process helped create a more productive environment. More such opportunities need to be created on a regular basis.

V. PROPOSED FLAT BUDGET

All study circle groups were asked to produce a Flat Budget with no tax increase as mandated by the City Council. Based on an estimated 3% increase in fixed costs from FY11 to FY12, the mandate of a Flat Budget means that each Department is facing a 3% cut from the start.

This exercise was limited to the Operating Budget (municipal, police, fire and the schools) and the County Tax. Groups were instructed to assume, for the purpose of this exercise, that the increase in the County Tax would be \$250,000, and would not be made up by non-property tax revenue or reductions in the non-operating budget. The purpose in fixing the County Tax for this exercise was to maintain a variable that accounts for increased costs over which the City has no control, such as the County Tax, decreased financial support from the State or downshifting of costs by the State. It required the groups to make decreases in Department Budgets beyond a Flat Department Budget.

To achieve the mandate of a Flat Budget with no tax increase, the total budget of the four Departments and the County Tax could not exceed the total budget for those five categories in FY 11 or \$71.5 million. Given the assumed increase of \$250,000 in the County Tax, the total Budget for the four Departments had to drop from the FY11 budget of \$67.4 million to \$67.15 million.

Here is what each study circle came up with for their Proposed Flat Budgets:

Service Area	A. FY 2011 Budget	B. Projected Cost FY 2012**	Atkinson/Cabot	Borthwick	Daniel/Elwyn	Fleet/Gosling	Heritage	Islington	PHS
Municipal	\$15.4m	\$15.9m	\$14.6m	\$15.275	\$14.9m	\$15.34	\$15.4	\$14.9m	\$15.37m
Fire	\$6.7m	\$6.9m	\$6.7m	\$ 6.7	\$6.5m	6.68	6.7	\$7.0m	\$6.73m
Police	\$8.4m	\$8.65m	\$8.485m	\$8.275	\$7.9m	8.37	8.4	\$8.5m	\$8.27m
Schools	\$36.9m	\$38.8m	\$37.365	\$36.9	\$37.85m	36.76	36.9	\$37.0m	\$36.76m
Dept. Sub-total	\$67.4	\$70.25	\$67.15	\$67.15	\$67.15	\$67.15	67.4	\$67.15	\$67.13m
County*	\$4.1m	\$4.35m	\$4.35m	\$4.35m	\$4.35m	4.35	4.35	\$4.35m	\$4.35m
TOTAL	\$71.5m	\$74.6m	\$71.5m	\$71.5m	\$71.5m	\$71.50	71.75	\$71.5m	\$71.48m
* County budget for FY12 is set for the purpose of this exercise at a 6% increase or \$250,000.									
** The Projected Cost FY2012 are estimates of what the same services provided in FY11 will cost in FY12 based on increases in fixed costs.									

Each study circle group met the mandate of the Flat Budget with no tax increase (within the parameters of the four Departments and the County Tax). There was variation across the groups as to how they made adjustments to Department Budgets to meet the overall mandate.

For the Municipal Department Budget, one group stayed with the FY11 budget of \$15.4 million. Six other groups proposed reducing the FY12 budget. Three groups proposed decreases of less than 1% (between \$30,000 and \$125,000). Two groups proposed decreases of 3.2% (\$500,000) with the final group proposing a 5% reduction (\$800,000).

For the Fire Budget, three groups kept the Budget flat at \$6.7 million, two groups suggested negligible changes of less than ½% (\$20,000 to 30,000), one proposed an increase of 4.5% (\$300,000) and one a decrease of 3% (\$200,000).

For the Police Department, one group stayed with the FY11 Budget of \$8.4 million, and two supported increases of approximately 1% (\$85,000 to 100,000). Four recommended cuts to the Police Budget with three of the four proposed decreases in the 1.5% to 6% range (\$125,000, \$130,000 and \$500,000).

For the School Department, two held the line at the FY11 level (\$36.9 million) while two supported decreases of .4% (\$140,000). The other three all recommended increases in the School Budget ranging from .3% (\$100,000) to 1.2% (\$465,000) and 2.6% (\$950,000).

Each group's reasoning for their proposed increases or decreases is set out in their reports. There is no clear cut consensus across the groups for cuts to specific departments. This reflects the complexity of the issues and the difficulty of the task. There is no universal answer to the budget dilemma.

VI. THE CITIZENS' PROPOSED BUDGET

All groups were given the opportunity to build their own Proposed Budget. Groups could increase or decrease the Budget as they saw fit, but were asked to explain "How and Why" they came up with their Budget and calculate the impact their Budget will have on the tax rate and tax bills.

Each group's Proposed Budget is set out in the chart below, along with the impact it will have on the tax rate and a tax bill for a property valued at \$300,000.

Service Area	A. FY 2011 Budget	B. Projected Cost FY 2012**	Atkinson/ Cabot	Borthwick	Daniel/ Elwyn	Fleet/ Gosling	Heritage	Islington	PHS
Municipal	\$15.4m	\$15.9m	\$14.6m	\$15.27	\$14.9m	\$15.34	\$15.4	\$14.9	\$16.4m
Fire	\$6.7m	\$6.9m	\$6.7m	\$ 6.7	\$6.7m	\$6.78	\$6.95	\$7.0	\$7.0m
Police	\$8.4m	\$8.65m	\$8.485m	\$8.075	\$8.4m	\$8.37	\$8.5	\$8.5	\$8.99m
Schools	\$36.9m	\$38.8m	\$37.365	\$37.1	\$37.75m	\$36.76	\$37	\$37.0	\$37.2m
Dept. Sub-total	\$67.4	\$70.25	\$67.15	\$67.15	\$67.75m	\$67.25	\$67.85	\$67.4	\$69.59m
County*	\$4.1m	\$4.35m	\$4.35m	\$4.35	\$4.35m	\$4.35	\$4.35	\$71.5	\$4.35m
TOTAL	\$71.5m	\$74.6m	\$71.5m	\$71.5	\$72.10m	\$71.60	\$72.2	\$71.5	\$73.94m
TAX IMPACT									
Budget change in \$		+\$3.1m	\$0	\$0	+\$.6m	+\$.1m	+\$.7m	\$0	+\$2.44m
Increase in Tax Rate		+\$ 1.07	\$0	\$0	+\$.207	+\$.034	+\$.24	\$0	+\$.84
New Tax Rate FY12 (\$17.41 + Increase)		\$18.48	\$17.41	\$17.41	\$17.617	\$17.444	\$17.65	\$17.41	\$18.25
Tax Bill for \$300,000 Property (300 X Tax Rate)		\$5544	\$5223	\$5223	\$5285.10	\$5233	\$5295	\$5223	\$5475
Increase in FY12 Tax Bill*** (FY12 Bill - \$5223)		+\$321.00	\$0	\$0	+62.10	+\$10	+\$72	\$0	+\$252
<p>* County budget for FY12 is set for the purpose of this exercise at a 6% increase or \$250,000.</p> <p>** The Projected Cost FY2012 are estimates of what the same services provided in FY11 will cost in FY12 based on increases in fixed costs.</p> <p>*** Tax rate for FY11 was \$17.41 per thousand of value. Tax bill for a \$300,000 property was 300 X \$17.41 = \$5223.</p>									

The Tax Rate for FY11 was \$17.41 per thousand creating a Tax Bill of \$5223 for a property valued at \$300,000. If the Operating Budget increased by the estimated fixed costs of \$3.1 million, the Tax Rate would increase to \$18.48 per thousand for a Tax Bill of \$5544 for the \$300,000 property, an increase of \$321 over the FY11 Tax Bill.

Three of the seven study circle groups recommended a Flat Budget that would not result in any increase in the Tax Rate or Tax Bill for the Operating Budget (and County Tax in this exercise). A fourth group

proposed a \$100,000 increase in the Operating Budget that would only increase the Tax Rate by a little over three cents. Two of the remaining three groups proposed increases of less than .1% resulting in increases in the Tax Rate of approximately \$.20 to \$.24 per thousand, impacting the Tax Bill on a \$300,000 property by \$62 to \$72 per year. The seventh group proposed an increase of \$2.44 million that would result in a \$.84 increase in the Tax Rate, adding \$252 onto the annual Tax Bill for the \$300,000 property.

There appears to be very strong support across the study circles for maintaining a Flat Budget that will have little or no impact on the local property tax for FY12. The groups do differ on how to distribute the Budget dollars. Their specific choices are detailed in their attached reports.

VII. LONG TERM ISSUES AND SOLUTIONS

Throughout the City Budget Dialogues, each group kept a “Parking Lot” list of long term issues affecting our city budget. Here is a summary of those, based on how many groups mentioned the issue.

Issue	Mention
Contract labor costs – “city is hamstrung,” “work rules that require overtime,” “pensions and benefits above private sector”	6
Further creative ways to find efficiencies – participants want to see “out of the box thinking” to keep services without continue cost escalation	4
Pensions and benefits – concerns about health care and pension costs that drive up cost	4
State downshifting – Concord reducing aid to cities and towns for pensions, other	3
Fee for services – “pay per throw” trash, recreational fees, parking, etc. to raise revenue	3
Visitors to Portsmouth help share cost burden they create	2
Lower cost, on-call help for police and fire (requires contract changes)	2
Review capital spending and attendant costs for new or expanded facilities	2
Use surplus “rainy day” funds to reduce taxes	2
Regionalizing services to reduce cost	1

Participants said contract labor cost growth is the number one long-term issue. No reports spoke against collective bargaining, but nearly every group urged labor and management cooperate to reduce the growth in cost. If this is not done, the city will have to continue to reduce staff to hold the tax rate down, and gradually dismantle services, participants noted. Likewise, they urged efficiency studies (such as that being done for the Police Department) and even citizen involvement in efficiency task forces. A significant number of participants sought a moderation of high benefit costs, and ways to reduce high pension burdens such as limiting pensions to be based on straight pay, not W-2 income, ending the practice of “spiking” an employees last three years of pay

with overtime and sick-time buybacks, etc. On the revenue side, there appeared to be support in several groups for a fresh look at pay-per-bag trash, parking fees, and other ways to recoup revenue for usage of services.

CONCLUSIONS

There is no substitute for reading all of the group reports in their entirety. The quality and quantity of the information conveyed in the reports provides the City and City Councilors with good information to consider in finalizing the FY12 Budget as well as important information on going forward. The goal of this summary is to highlight some of the more common and important conclusions from the City Budget Dialogue.

1. **The FY12 Budget** – The reports consistently acknowledge the vastness and complexity of the City Budget, making it extremely difficult, if not impossible, to digest in eight weeks. There is near unanimity that the FY12 Budget should be flat or minimally increased. One group reflected that they did not have enough time or information “to make fully valid recommendations as to exact dollar figures.” Nevertheless, the exit survey showed that the Dialogue increased participants’ knowledge of the Budget (90%) and changed their opinions about the City Budget (81%). The groups’ stated “Priorities and Values” demonstrate the commitment of Portsmouth citizens to a high quality of life that is affordable. Through the exercises and dialogues with Departments and City Councilors, the groups’ gained substantial insight enhancing their input about what they considered to be some of the most important services or positions.

2. **The Current Reality** – The reports reflect a clear understanding that, “in the long term, downward pressure on the tax rate and increasing wages and benefits in contracts will force continued reductions in staff and cuts to vital services” adversely impacting the quality of life the community desires. It is not enough to address the current economic crisis on annual basis. The problems require long term solutions necessitating a “new creativity”, thinking “outside the box”, and breaking the “old paradigm”. The “status quo is no longer an option the community is willing to accept”.

There was rightful frustration from the fact that the Dialogue, due to time constraints, limited deliberations to the Operating Budget. Groups recognized the necessity to think and act beyond the current budget year. Each group maintained a “Parking Lot” listing of long term issues and recommendations. The groups’ expressed significant interest in further exploration of the “Parking Lot” for long term, sustainable changes in how our City can meet the needs and desires of our citizens. For example, City presentations and citizen input recognized that Portsmouth is a city of 21,000 residents that support an average daily population of 42,000 that explodes to over 100,000 several times during the year. This makes it difficult to compare Portsmouth with other communities. The revenue side also needs to be explored with one group suggesting that Portsmouth must “look for ways to increase revenue to the City from the ‘people who PLAY here’ but don’t live here”.

3. **Citizen Input** – After eight weeks of complex and time consuming deliberations, virtually every group indicated that they were ready to do more. They are prepared to do more study circles, particularly to mine the collective wisdom of the community reflected in the “Parking Lot” of long term issues and recommendations. Budget 101, the Department Work Sessions and the meetings with City Councilors created a new and deeper knowledge base. Citizens enjoyed and want more interaction with elected officials and City departments. The City must supplement the traditional public hearing process to engage citizens in a meaningful and productive way. Citizens must be prepared to think and act beyond their own agendas to find common solutions. The synergy of City and citizenship partnerships that have made Portsmouth what it is will also provide the creativity and community capital for Portsmouth to not only survive current economic difficulties, but prosper.
4. **The Contracts** – There is no escaping the reality that salaries and benefits drive the budget. One group aptly described the common sentiment about current times as follows:

“We remain in difficult economic times which require **shared sacrifice**. Many capable individuals remain unemployed, social security recipients and individuals who are employed have gone without any increases in their retirement benefits or salaries for several years while the cost of food, gasoline, etc. and the City’s share of county and state expenditures have increased ... many people will no longer be able to live in Portsmouth.”

Groups expressed a strong and common desire to learn more about employee contracts and the collective bargaining process through a dialogue structure. Union employees did not participate in the Dialogue. Perhaps a dialogue among union employees and citizens would provide the needed opportunity to learn more about the contracts and share the common experience of these difficult economic times. By working together, citizens and employees may be able to come up with a common understanding that will lead to creative solutions and permit Portsmouth to maintain its desired quality of life in an affordable way.

Portsmouth citizens are fortunate to enjoy a quality of life that is among the best in the nation. It got there through the common efforts of citizens and government working together. The participants in this Dialogue, including the City, reflected the same commitment and intelligence that made Portsmouth what it is today. By continuing to work together, there is little doubt that this community can overcome the current financial dilemma and maintain a high quality of life that is affordable. If nothing else, this Dialogue demonstrated that people with very diverse opinions have a lot to offer and can work together to find common solutions. Portsmouth needs to continue to explore and utilize this community capital to continue to make Portsmouth the best place to live and work for everyone.

Portsmouth Listens extends its gratitude and appreciation to everyone that participated in the City Budget Dialogue or made it possible. Thank you to the 56 citizens and 13 high school students that committed an extraordinary amount of time and energy to the Dialogue. Without the efforts and skills of our eleven facilitators, the Dialogue would not have happen – they are the best! Special thanks to John Bohenko, the Department representatives and City Councilors who took this process to a new level through their collaboration and commitment. Thanks to Portsmouth High for making their facilities available and engaging PHS students in this process. And, thank you to Portsmouth for being Portsmouth. Let's all continue to work together to keep it that way for everyone.