

Finance Committee

Meeting Minutes

Meeting Information

Date: October 8, 2019

Time: 7:00 P.M.

Location: City Council Chambers

31 Wakefield Street Rochester, New Hampshire

Committee members present: Mayor McCarley, Deputy Mayor Varney, Councilor Walker, Councilor Gray, Councilor Lauterborn, and Councilor Keans. Councilor Torr was excused.

City staff present: City Manager Blaine Cox, Deputy City Manager Katie Ambrose, Deputy Finance Director Mark Sullivan. CIO Sonja Gonzalez, Recreation & Arena Director Chris Bowlen

Others present: Ray Barnett, resident

Agenda & Minutes

1. Call to Order

Mayor McCarley called the Finance Committee meeting to order at 7:00 PM.

2. Public Input

Ray Barnett, Resident, addressed the Committee regarding the funds which would be coming to the City following the recent passing of the State budget, and some suggestions on how these funds would be best used.

3. Unfinished Business

3.1 UAB Water-Sewer Rate-Review from 9-10-19 presentation-discussion

Deputy Finance Director Mark Sullivan addressed the Committee regarding the suggested rate increases which had been presented by members of the Utility Advisory Board in September.

Deputy Finance Director Sullivan stated that when setting the rates, the idea is to make sure the water fund is cash neutral and does not take any more money from the general fund than is necessary. Mr. Sullivan explained the calculations behind the recommended 7% rate increase and how it is effected by bond issues. Mr. Sullivan demonstrated the impact on the O&M Surplus deficit if the rate is adjusted, keeping the goal in mind to move this deficit in a positive direction over the next 3 fiscal years. The Committee discussed potential effects to the surplus deficit with varying rate increases and bringing in revenue from Undesignated Fund Balance.

Councilor Varney stated he felt that a 5-7% rate increase was too much at once.

Deputy Finance Director Sullivan discussed how the rates in the City of Rochester compare to other neighboring communities.

The Committee discussed sewer CIP projects which have been authorized over the past several years but have not yet been bonded, and how this effects the calculations and rates. Councilor Varney suggested the Public Works & Buildings Committee take a look at the list of CIP projects to ensure the City is not taking on too many projects while not completing the older authorized projects. Deputy City Manager Ambrose stated that the finance department would be starting to report back to the Committee regarding the status of CIP projects.

Deputy Finance Director Sullivan reported that there is \$1 million in debt service which is expiring in FY22 which is related to water plant upgrades in past fiscal years. Mr. Sullivan stated there would also be debt forgiveness of that item in the form of cash.

There was a discussion regarding high volume users and their rates.

Deputy Finance Director Sullivan stated he would bring the discussed information back to the UAB, and would consult with the finance department as well as the auditors to determine a course of action.

4. New Business

4.1 IT Security-CIO Gonzalez, discussion/presentation

CIO Sonja Gonzalez addressed the Committee in regards to cyber security and best practices for personal protection as well as security for City systems. CIO Gonzalez spoke about the increased prevalence in cyber attacks and the various methods which attackers use to gain access to systems, as well as the potential cost of these attacks.

Councilor Lauterborn inquired if the City carried insurance to cover cyber attacks. CIO Gonzalez replied that the City does have insurance through Primex for such an attack. City Manager Cox noted that although insurance would help in recovering from an attack, the system may be down for an extended length of time with loss of business while the recovery is taking place.

Councilor Keans asked if the City's system backups are susceptible to attack. CIO Gonzalez stated that the City does multiple backups, one of which is an "air gap" back-up which is not connected to the network for a length of time and is more secure against attack. CIO Gonzalez also clarified the distinction between backing up and the cloud.

CIO Gonzalez gave suggestions on how the City can stay protected and ward off potential issues.

4.2 Establishing City Capital Reserve Accounts-discussion

City Manager Cox gave an example of how a Capital Reserve Account could be used for high cost equipment. A set amount could be budgeted year after year which would have a leveling effect on the budget and tax cap, and would allow for funds to build for higher cost items without effecting the budget .

Councilor Lauterborn stated that she felt these situations had been handled well by money taken from the undesignated fund balance. She asked for clarification on how a Capital Reserve Fund would be better, especially because there would be fees involved.

City Manager Cox answered that the City can't always count on an ample amount of money in the Undesignated Fund Balance.

Councilor Varney asked what the City was currently paying for fees to the Charter Trust and inquired about receiving an updated report from the Trustees. Deputy Finance Director Sullivan stated he would look into this and report back to the Committee.

Councilor Varney asked if the Capital Reserve Fund would requires a 2/3 vote in order to remove funds. City Manager Cox stated that the School Department Capital Reserve Fund does require a 2/3 vote in order to remove funds. City Manager Cox clarified that by statute, the City could assign an agent to expend funds on their behalf. This agent could be the Finance Committee, for example.

Councilor Walker stated that he felt there was more control and flexibility in the budgeting process when using the undesignated fund balance for such purchases.

Deputy City Manager Katie Ambrose stated that her recommendation would be to tie the Capital Reserve Fund with the CIP plan so if unassigned fund balance is used, it's being used in a strategic manner; as part of an established process in which Council would take part in the decisions.

There was a discussion in Committee regarding the Capital Improvement Projects plan process and how it is utilized by departments.

4.3 Personnel Advisory Board Recommendations

Councilor Keans questioned the pay rate suggested for the Community Center attendant position and suggested that the required skills should command a higher starting rate than a custodial position, which is not the case. She suggested that the Community Center Attendant position be graded higher. City Manager Cox stated that the Personnel Advisory Board makes recommendations, but the Finance Committee can recommend a higher pay grade.

There was a discussion on how the pay grade for positions is determined and the ranking scale to which they are subject.

Chris Bowlen, Director of Recreation and Arena, confirmed that there was already a person in the Community Center attendant position, but they are considered a part-time seasonal employee and therefore has no grade level.

Councilor Lauterborn **MOVED** to send the recommendations from the Personnel Advisory Board for the two positions to the full City Council (library attendant and community center attendant). Councilor Varney seconded the motion.

Deputy Mayor Varney requested the matter be discussed in a non-public session with staff from HR to discuss the pay grade study for the recommended positions. It was clarified by the Committee that it was only the Community Center Attendant position grade which was in question. The Committee determined the recommendation could be sent to Council as long as it was going to be discussed with HR staff in non-public as well.

The **MOTION CARRIED** by a majority voice vote to send the PAB recommendations to Full Council.

There was clarification made to the first motion made by Councilor Lauterborn and whether or not it had been for both of the recommended positions of just the Community Center Attendant. Councilor Lauterborn **WITHDREW** her motion. Councilor Varney **WITHDREW** his second to the motion.

Councilor Keans **MOVED** to send the PAB's recommendation for the Library Emerging

Technologies Specialist to full Council. Councilor Varney seconded the motion. The **MOTION CARRIED** by a unanimous voice vote

Councilor Lauterborn **MOVED** to send the PAB's recommendation for the Community Center Attendant to the full Council. Councilor Varney seconded the motion. The **MOTION CARRIED** by a 3 to 2 hand count.

5. Reports from Finance & Administration

5.1 Monthly Financial Report Summaries September 30 2019

5.1 (a) September 30, 2019 Revenues

5.1 (b) September 30, 2019 Expenses

5.2 FY19 Unassigned Fund Balance Estimate

5.3 Report on Sale of City Property

No Discussion.

6. Other

Councilor Gray stated that he felt the Committee should have a discussion regarding the money Rochester would be receiving from the State following the passing of the State budget. He noted that the state was nearing the time when the DRA would set tax rate, and it should be discussed how the money should be applied relative to the schools.

Mayor McCarley indicated there had been a meeting with school officials to discuss numbers as well as the reduction in Medicaid reimbursement. City Manager Cox gave a synopsis of what was discussed at the meeting and what the school board would be requesting in regards to fund transfers and budgeting for the next fiscal year. City Manager Cox stated that if the City receives their portion of the funds before the 15th of October, it can be recorded as an unanticipated revenue.

Councilor Gray addressed Council regarding what was intended for the Waste Management host fees which had originally been earmarked for the school department, but would likely not be transferred due to the money allocated from the State. It was stated that there would be a revenue cut to the school department from the City side replaced with revenue from the state, with the host fees being placed in undesignated fund balance.

7. Adjournment

Councilor Walker **MOVED** to **ADJOURN** the Finance Committee meeting at 8:35 PM. Councilor Lauterborn seconded the motion. The **MOTION CARRIED** by a unanimous voice vote.

Respectfully Submitted,

Cassie Givara
Deputy City Clerk