

Finance Committee

Meeting Minutes

Meeting Information

Date: August 9, 2022

Time: 6:00 P.M.

Location: 31 Wakefield Street

**Committee members present:** Mayor Callaghan, Deputy Mayor Lachapelle, Councilor Beaudoin, Councilor Gray, Councilor Hainey, Councilor Larochelle, and Councilor Hamann.

**City staff present:** Deputy City Manager/Finance Director Katie Ambrose, Deputy Finance Director Mark Sullivan. Chief Assessor Jonathan Rice. Director of City Services Peter Nourse.

**Others present:** Ray Barnett, resident.

Agenda & Minutes

**1. Call to Order**

Mayor Callaghan called the Finance Committee meeting to order at 6:00 PM.

**2. Acceptance of Minutes:** July 12, 2022

Councilor Lachapelle **MOVED** to **ACCEPT** the minutes of the July 12, 2022 Finance Committee meeting. Councilor Hamann seconded the motion. The **MOTION CARRIED** by a unanimous voice vote.

**3. Public Input**

Ray Barnett, resident, addressed the Committee regarding the elderly/veteran/blind/disabled tax exemptions to be discussed later on the agenda. Mr. Barnett inquired about the written public input/publicly submitted documentation and suggested these be available for public review. Mayor Callaghan asked Mr. Barnett to distribute copies of his documentation on tax exemptions to the Committee.

**4. Unfinished Business:**

**4.1.1 Assessing Property Tax Exemptions**

Jonathan Rice, Chief Assessor, summarized the updated documentation he had submitted to the committee comparing Rochester's exemptions versus those of comparable neighboring communities. Mr. Rice also presented a document detailing the exemption denials from 2018

through the present and the reasons for said denials. Mr. Rice addressed the Committee regarding the question posited at a prior meeting in regards to how many residents did not apply for the exemptions, knowing that they did not meet the thresholds. He stated that it was not possible to determine these numbers; however, he did outline the number of residents who had formerly been denied who would have qualified if the single and married income threshold were increased.

Chief Assessor Rice referenced questions that had been raised at a prior Finance meeting in regards to HB 1667, the approved State bill regarding veteran's tax credits. He clarified that the effective date of this bill was July 26, 2022, which took effect after the current year's tax cycle and will not be reflected in Rochester until April 2023.

Mr. Rice gave a brief summary of the criteria considered when determining these tax credits, but qualified that when exemptions are given, there is a cost to the tax payers. He detailed an analysis he had performed comparing Rochester to 14 other NH communities: by taking their total taxable assessed value and dividing it by their total issued exemptions and credits, to come up with a percentage of that total assessed value. He used this percentage to rank Rochester amongst the other communities and to illustrate how Rochester is amongst the more giving communities in the State.

Mr. Rice explained the options for adjusting the elderly/disabled/blind exemptions. He stated that the City could adjust the income and asset limitations, which would potentially allow more residents to qualify. Alternately, the City could adjust the amount that is being reduced for the elderly/disabled/blind assessed valuation; however, this would add to the amount that taxpayers are going to have to make up for these exemptions granted. Mr. Rice clarified that these valuations are based on 2019 revaluation. The only changes since this time are based on physical changes to a property, not increase in value. Mr. Rice further explained the effect if a revaluation were conducted in the current market.

Councilor Larochelle referenced Chief Assessor Rice's credit exemption analysis document. He asked how the exemptions and credits were combined since a credit is a dollar amount off a tax bill where an exemption reduces the taxable property by a particular amount, so it would need to be multiplied by the tax rate to make it somewhat comparable to a credit. Councilor Larochelle questioned the amount of an exemption being granted versus the value of the residence in which the recipient resides. He stated he would prefer to see the actual reduction in taxes resultant from the credit or exemption as opposed to the exemption itself. He felt this would be more comparable. Mr. Rice explained his rationale for combining the exemptions and credits within his analysis, to simplify the data in order to capture how much a community is giving as opposed to the effect on the tax rate. He stated that this data is available and can be easily calculated for this credit amount if desired, however he felt the results would be the same.

Councilor Hamann asked for the definition of assets, as used when determining eligibility. Chief Assessor Rice stated that primary residence, retirement savings, second homes, amongst multiple other items included on an official list.

Mayor Callaghan **MOVED** to recommend to full Council the increase of the single and married

income limitation by 10% each (single up to \$38,500 and married up to \$55,000). Councilor Lachapelle seconded the motion. The **MOTION CARRIED** by a majority voice vote.

## **5. New Business-**

### **4.1.1 FY23 New Positions**

Finance Director Ambrose directed the Committee to the recommendations of the Personnel Advisory Board (PAB) for the job descriptions and classifications of six new positions. These are all positions that had been approved in the FY23 budget process; once the Finance Committee makes a recommendation, the positions can be approved by City Council and posted for hiring. Director Ambrose clarified that the Business Systems Analyst position had no comparable municipal equivalents in the State. Based on discussion with the department head on the position's functions and an updated analysis on the position, City Staff is now recommending that the position be a grade 11 as opposed to the original PAB recommendation of a grade 10.

Councilor Lachapelle **MOVED** to recommend to full Council the approval of all six new positions with the updated recommendation for the Business Analysts Position from Grade 10 to Grade 11. Councilor Hamann seconded the motion. The **MOTION CARRIED** by a unanimous voice vote.

### **4.1.2 Bid Waiver-Katie Lane Drainage Project**

Peter Nourse, Director of City Services, explained that this item had originally come out of the Public Works Committee and been referred back to Finance by the full Council. Katie Lane is a subdivision off Salmon Falls Road accepted in 2005 prior to completion of drainage and infrastructure work on the road. Shortly after the subdivision was developed, residents on a portion of Portland Street near East Rochester School began to experience significant increase in surface water coming into their back yards. Director Nourse explained that the issue was reported to him in 2020 and he leveraged the department's construction services contract to review the concern. This contract goes out every few years and is awarded to the lowest bidder. However, upon further review, it was determined that the Katie Lane issue could not be resolved with modest improvements. It was discovered that the pond is overwhelmed with storm water and there are also extensive wetlands in the area, which DES prohibited from being impacted. Director Nourse explained the scope of the construction services contract, which covers smaller scale projects of a 4-week or less duration, that the department is not able to handle on their own. This project, however, is more complex. It is going to be on a larger scale and will likely turn into multiple phases taking longer than 4 weeks, necessitating the bid waiver. Director Nourse explained the drawbacks that would be experienced if the department were required to go to bid for this project.

Councilor Lachapelle asked if, when the street was accepted, they retained any money from the surety bond from the developer. Director Nourse stated that he was not aware of the specific details from the timeline of the street acceptance besides the residents being eager to receive City services and the City Manager at the time wanting to push it through to provide those services despite the objections of public works. Director Nourse said it was acknowledged in the minutes of the time period that there were issues in the area which would need to be followed up and addressed, but there was never a plan moving forward.

Councilor Lachapelle **MOVED** to authorize the bid waiver for Katie Lane. Councilor Hamann seconded the motion. The **MOTION CARRIED** by a unanimous voice vote. (*\*this item did not require full Council approval*)

#### **4.1.3 City Energy Rates Update**

Mark Sullivan, Deputy Finance Director summarized the City's positions in regards to energy and natural gas rates. He explained that Eversource has increased their supply rate by .23 cents per kilowatt hour. However, the City negotiated long term contracts around 2019-2020 to lock in the current 7.5 cents per kilowatt hour rate through 2023, and thereafter 6.8 cents through 2025. With the volume of approximately 6 billion kilowatt hours per year to put out into the market, The City will be able to command a better rate. He said the intention is start negotiating early and have the City's energy brokers lock in for the future (2025/2026) at the generator's overhead rate. If this is done, the suppliers will consider the City more favorably when they are trying to lock in the variable costs of the supply. Mr. Sullivan stated that for natural gas, the City's current rate at which they are locked in is 67 cents per therm, while the market rate is around 90 cents per therm or higher. Deputy Director Sullivan explained the cost savings experienced from locking in these rates.

Councilor Larochelle asked if the School Department negotiated their rates separately and if this could be combined with the City. Mr. Sullivan reported that in 2019 when the City was working on their contract, they approached the School Department and were told that the Schools already had a multiyear agreement in place. He stated that the City could reach back out to the School Department to determine the status of their current agreement. Councilor Larochelle suggested the potential of collaborating with the Cities of Dover and Somersworth as well. Deputy Director Sullivan confirmed there were other options that could be explored and it would be worthwhile to discuss this with the brokers when the meetings take place.

Councilor Hamann asked if a motion was required to authorize the Finance Department to start negotiating rates early. Deputy Director Sullivan stated that there was no vote required and these preparations are already underway.

### **Reports from Finance & Administration**

#### **5.2.1 Monthly Financial Report Summary-July 31, 2022**

Deputy Finance Director Sullivan explained that there was not much to report for July due to it being the first month of the fiscal year and there are many revenues not yet received and posted, although motor vehicles and building permits are trending high. The City received the first payment of slightly over \$1 million in August for Waste Management host fees, but that was received after the report included in the packet.

Councilor Larochelle inquired about the last time the City negotiated their contract with Waste Management and when it would occur next. Deputy Director Sullivan stated he was not certain when

DRAFT

the current contract needs to be re-negotiated, however when the cell Waste Management has constructed is ready to receive waste, it will go from the current rate of \$3.50 per ton to \$4.50 per ton along with an annual CPI escalator, and that he believed this agreement is for a 10-year term.

Councilor Lachapelle stated that the contract could be reviewed every 5 –years. If everything goes according to plans, the \$4.50 rate referenced by Deputy Director Sullivan will go into effect in September of 2023, followed by an annual increase on the tipping fee. Councilor Lachapelle stated that, to his knowledge, the agreement does not contain an end-date. Councilor Larochelle emphasized the need to stay on top of the schedule and be aware of re-negotiation timeline so it is not missed. Deputy Director Sullivan stated that the City Attorney and the City Manager are aware of the timeline and are being proactive in the process. Deputy City Manager Ambrose read a portion of the 2017 contract detailing the re-negotiation timeline, set to occur 2028.

**6. Other**

No discussion.

**7. Adjournment**

Mayor Callaghan **ADJOURNED** the Finance Committee meeting at 6:37 PM.

Respectfully Submitted,

Cassie Givara  
Deputy City Clerk