

Finance Committee

Meeting Minutes

Meeting Information

Date: November 15, 2022

Time: 6:11 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 Finance Director Mark Sullivan. Deputy City Manager Katie Ambrose. Kyle Repucci, Superintendent of Schools. Sarah Harrington, Vice Chair of School Board. Matt Beaulieu, School Board Chair.

**Others present:** Councilor Ashley Desrochers. Councilor Tim Fontneau. Councilor Dana Berlin. Councilor Skip Gilman.

Agenda & Minutes

**1. Call to Order**

Mayor Callaghan called the Finance Committee meeting to order at 6:11 PM. All Councilors were present. Councilor Larochelle was connecting remotely via Microsoft Teams. Mayor Callaghan asked Councilor Beaudoin to lead the Pledge of Allegiance.

**2. Acceptance of Minutes:** October 11, 2022

Councilor Lachapelle **MOVED** to **ACCEPT** the minutes of the October 11, 2022 Finance Committee meeting. Councilor Beaudoin seconded the motion. The **MOTION CARRIED** by a unanimous roll call vote with Councilors Hamann, Beaudoin, Lachapelle, Hainey, Larochelle, Gray, and Mayor Callaghan all voting favor.

**3. Public Input**

There was no one present to speak for public input.

**4. Unfinished Business:**

#### **4.1.1 School Department Capital/Non Capital Reserves Presentation**

Finance Director Ambrose directed the Committee to the packet containing the updated information that had been requested from the School department at the prior meeting; including more specific monetary amounts, specifics on the apparatus replacement account, and details on how the department envisions the funds working.

Matt Beaulieu, School Board Chair, addressed the Committee regarding the Special Education cost fund. He explained that this is not a fund that the School Department intends to use unless necessary. Out-of-district placements are often unexpected, and this account will allow the school to have a backup plan for when they occur. He further detailed how the School Board envisioned this fund would work. Mr. Beaulieu gave details on how the proposed apparatus fund would operate in the case that equipment, such as a snow plow, needs to be purchased unexpectedly.

Councilor Beaudoin stated that in the resolution, the RSA cited is 34:1; however, he reported that this particular RSA does not allow funds to be used for these purposes. He read an excerpt from the referenced RSA. Mayor Callaghan responded that RSA 35:1-b states, "Any school district may establish a reserve fund under RSA 35:1 to meet the expenses of educating children with disabilities."

Councilor Hainey asked if the purpose of this proposed fund was specifically for out of district placements or if it will be used for special education programs as well. Sarah Harrington, School Board Vice Chair, answered that this fund would be used to cover out of district special education program placements and transportation costs. Superintendent Repucci said that the fund could also be used for associated special education costs, such as the salary for a teacher for a deaf student placement within the Rochester school system.

Councilor Gray asked the Superintendent to explain how the State would reimburse these associated costs as referenced. Superintendent Repucci stated that the School District would not see any reimbursement funds from the State until the following year when the adequacy grant is recalculated. He further explained how adequacy is calculated including the portions for special education students. Councilor Gray spoke about a method in which this proposed special education fund could be maintained by replenishing any expended funds with the State reimbursement and then the School Board requesting any remaining funds from the City in the following budget cycle. Chair Beaulieu acknowledged that including these funds in the budget is an option; however, the School Department was aiming to avoid using taxpayer money for these expenses and did not feel like adding a budget line item for unexpected costs was the best option. He said the intention was to use this proposed fund for these expenses and to request a supplemental appropriation from the City to restore the expended funds. He clarified that if there was a placement which turned into an ongoing expense, it would be included in the School Department budget.

Councilor Berlin stated that if there were ongoing expenses that were going to be experienced long-term, they should be included in the School Department budget instead of utilizing the

General Fund. Chair Beaulieu reiterated that this proposed fund is intended as an insurance policy or a backup, but the School Department does not intend to use it unless absolutely necessary, at which point they would need to come back to Council for supplemental appropriation.

Councilor Lachapelle inquired if the State reimbursement funds for out of district placements come directly to the City to be placed in Unassigned Fund balance. Finance Director Ambrose stated that her understanding is that these funds are reflected as a revenue in the School Budget. Councilor Gray spoke again about potential ways to manage this proposed fund to make it self-sustaining. Superintendent Repucci clarified that the adequacy received from the State does not equal the cost to educate a student; it is this deficit that the School Department is looking to address and to develop a funding mechanism for these situations.

Superintendent Repucci referenced Councilor Gray's assertion that the Schools had come to Council 3-4 times over the past ten years to request supplemental appropriations; he asked that there also be data pulled on how many times the Schools have returned a surplus at the end of fiscal year.

Mayor Callaghan asked if the Trustees of the Trust Fund would maintain these two proposed reserve funds and if they would be interest-bearing. Director Ambrose answered that both funds would be held by the Trustees of the Trust fund. The trustees would need to be given guidance on the timeline of the Apparatus Replacement reserve fund and potential expenditures in order to determine how to best invest the funds. The Special Education non-capital reserve fund, however, would need to have more flexibility and more readily accessible. Vice Chair Harrington explained that the Apparatus Replacement fund was also intended to be used on an emergency, as-needed basis as opposed to a replacement schedule. She clarified that vehicle replacements are in the School Department Budget.

Deputy Finance Director Sullivan explained that the School's apparatus fund would need to be set up differently than similar funds for City Departments which contain replacement schedules. The School's apparatus replacement fund would need to be shorter term, more liquid fund. He advised that the City would need to look at the interest earned in said account versus the fees to maintain the account.

Councilor Beaudoin stated that he envisioned these as "in and out" funds; with the initial costs being seeded by the Unassigned Fund Balance and the subsequent replacement for any expenses used should be replaced through the School budget to avoid tax cap implications. He felt that the way the resolution was currently written needed to be restructured because it implies that the City is funding \$3 million each year. Vice Chair Harrington pointed out the document provided which contains a paragraph outlining how the School intends to replenish any expended funds; with a suggestion that a supplemental appropriation could be taken from the surplus returned by the Schools at the end of the year.

Councilor Gray spoke about legislation which allowed the City to provide services such as snow plowing and property maintenance to the schools and would allow the schools to reimburse the

City after the fact. Councilor Gray spoke about the possibility of combining the purchase and maintenance of the City and School vehicles and equipment instead of having redundancy in equipment when it could be shared, which would also be a cost savings for tax payers. Superintendent Repucci acknowledged that this possibility had been discussed and spoke briefly about why it may not have been accomplished. He stated that City Departments typically purchase only what is needed and do not have “spare” equipment which can be shared as needed.

Councilor Lachapelle asked if there needed to be a recommendation to full Council. Mayor Callaghan stated that this is on the agenda as a discussion, although a recommendation could be made if the Committee desires.

Councilor Fontneau agreed with Councilor Beaudoin’s assertion that the resolution would need to be reworked to clearly show the structure of the funds being replenished and to be more clear with the wording so it does not appear that the City is restoring \$2 million each year. Chair Beaulieu acknowledged that if the entirety of the \$2 million fund was expended, the School Board would be coming to the City for replenishment of that amount. However, this is not the intention. Funds are to be used only as needed, and the request is that the funds be restored with supplemental appropriation out of the School Department end-of-year surplus.

Councilor Desrochers asked how the process would work if these funds were not established and the need arose to handle out of district placements. Superintendent Repucci stated that in the past when this has occurred, the School Department enacts a budget freeze and spoke about the related consequences of a budget freeze.

Councilor Hamann referenced prior years’ supplemental appropriations for special education costs to illustrate the need for this funding. He speculated that whether or not the fund is established, the City would need to cover these costs, and he stated it is better to plan ahead and establish these funds to avoid larger, unexpected supplemental appropriations. He clarified that it would be unlikely that this request would be made annually, as the Schools have had many years where they did not need to come to Council for funding.

Councilor Beaudoin suggested it be written into the resolution that the State reimbursement money be returned into the special education fund, with the remaining deficit to be replaced through the School Department’s budget.

Vice Chair Harrington suggested that the City legal department adjust the wording of the resolutions to include the funding mechanisms as discussed.

Councilor Gray asked about a circumstance where the School Department ended their fiscal year in a deficit and money was automatically transferred, without Council action, to cover that deficit. City Manager Cox stated that he was not aware of any years in which the School Department ended in a deficit.

Mayor Callaghan stated that these two funds would be kept in Committee and requested that

Councilors state the concerns and issues they would like addressed when this item is next discussed. Councilor Beaudoin stated that he would like draft verbiage for the points both he and Councilor Gray made regarding the funding process. Councilor Lachapelle asked for an accounting of interest rates versus expenses for the more short term fund which would be held by the Trustees.

Mayor Callaghan asked if it is financially plausible to take the surplus funds from the school department and apply them to replenish expended funds from these accounts. Deputy Director Sullivan confirmed that the Council would be able to authorize supplement appropriations from the General Fund unassigned fund balance at any time; the resolution could be written to establish this process. The surplus could not go directly into the fund, but would need to go into the Fund Balance and then an appropriation made from that account.

## **5. New Business-**

### **5.1.1 Exemptions & Veteran Tax Credits Mayoral Ad-Hoc Committee Recommendation**

Councilor Larochelle reported that the Committee had reviewed Rochester's offering for tax credits and exemptions and determined that there should be a guideline to keep Rochester within 20% of the numerical average of the reference communities used in the analysis. The Committee determined that Rochester was coming in below this 20% and has made five recommendations to bring Rochester into this range. Councilor Larochelle **MOVED** to recommend the items as follows:

1. 20% increase to the asset limitation for Elderly, Disabled and Blind exemptions. This would increase the current asset limitation from \$100,000 to \$120,000.
2. 10% increase on single and married income limitations for Elderly, Disabled and Blind exemptions as previously discussed by the Finance Committee. This would increase the Single Income Limitation from \$35,000 to \$38,500 and the Married Income Limitation from \$50,000 to \$55,000.
3. Increase the Elderly Exemption amount for the 65-74 age bracket from \$75,000 to \$90,000, the 75-79 age bracket from \$100,000 to \$120,000 and the 80+ category from \$125,000 to \$150,000.
4. Adopt the All Veterans' Tax Credit at the Optional Veterans Tax Credit amount of \$300.
5. Allow the Ad-Hoc committee to remain formed and reconvene after the next revaluation (2024)

Councilor Beaudoin seconded the motion. Councilor Larochelle summarized the above recommendations. In reference to #4, he explained that the "All Veterans Tax Credit," if adopted, would qualify more residents because it includes those who served outside of the timeframes detailed by the State for the optional veteran's credit, as well as qualifying those on active duty. He stated that the City would see the impact of opening this credit to all veterans, and will potentially

increase the credit amount in the next fiscal year.

Councilor Lachapelle inquired about the legality of item #5. He stated that in 2024, there will be a new Council seated. An ad hoc committee is “as needed” and dissolved after their service has been completed, so the current Committee could not make determinations on future Councils. Councilor Larochelle agreed and stated that his motion was for items 1-4.

Finance Director Ambrose said that technically blind exemptions do not have an income and asset limitation and would not be necessary in this situation. She recommended that the word “blind” be struck from recommendations one and two. Director Ambrose reported that the State had changed the definition of “veteran” in the current RSAs to expand eligibility to include those who have continued to serve, who previously did not qualify. Due to this change, the City will need to readopt the Optional Veterans Tax credit. She gave options for the re-adoption of this credit and potentially phasing over to the All Veterans Credit over the course of three years.

Councilor Gray suggested the motion be amended to send the recommendation to the City Attorney to update the verbiage to match the State RSA and to remove the reference to blind exemptions before coming back to the Committee for action. Finance Director Ambrose stated that a legal review by staff would be part of the process and reminded the Committee that they were looking for a recommendation at this evening’s meeting so there could be a Council decision in December for implementation in January, due to the Assessing qualification period.

Councilor Gilman asked why the Rochester veteran’s tax credit was so much lower than other neighboring municipalities. Councilor Beaudoin stated that the City does not yet know the impact of enacting the All Veterans credit due to the large amount of potentially qualifying individuals in the City. He said that once the credit is enacted, the City will have a better idea of how many will be eligible and what the cost to the taxpayers will be before they increase the credit.

The **MOTION CARRIED** by a unanimous roll call vote with Councilors Larochelle, Hailey, Gray, Beaudoin, Lachapelle, Hamann, and Mayor Callaghan all voting in favor.

## **Reports from Finance & Administration**

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

Deputy Finance Director Sullivan stated that non-property tax revenues are strong. No sign that inflation has impacted these revenue sources at this time. Department expenses are trending to budget and departments are doing well to stay within guidelines. Enterprise funds are doing well.

## **6. Other**

### **6.1.1 Councilor Beaudoin Request to Discuss Surplus Property**

Councilor Beaudoin reported that the State of NH has a site called the “White Farm” which is

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available to all municipalities and allows them to bring surplus equipment to be auctioned. There is no fee for the service. Councilor Beaudoin reviewed the data from prior sales of City equipment versus similar sales through the White Farm and speculated that the City could be potentially collecting tens of thousands of dollars more each year by utilizing this resource. He clarified that it is not only for heavy equipment and vehicles, but also for office equipment, furniture, and other items. Councilor Beaudoin suggested that a resolution be drafted to send Rochester's surplus equipment to the White Farm, even just for a year, to determine if the financial return to the City could be greater.

## **7. Adjournment**

Mayor Callaghan **ADJOURNED** the Finance Committee meeting at 7:10 PM.

Respectfully Submitted,

Cassie Givara  
Deputy City Clerk