

Finance Committee

Meeting Minutes

Meeting Information

Date: January 10, 2023

Time: 6:00 P.M.

Location: 31 Wakefield Street

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

**City staff present:** Finance Director Katie Ambrose. Deputy Finance Director Mark Sullivan. Director of City Services, Peter Nourse. Lisa Clark, Deputy Director of Public Works.

Agenda & Minutes

**1. Call to Order**

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

Councilor Beaudoin led the Pledge of Allegiance.

Deputy City Clerk Cassie Givara took the roll call attendance. All Councilors were present.

**2. Acceptance of Minutes:** December 13, 2022

Councilor Lachapelle **MOVED** to **ACCEPT** the minutes of the December 13, 2022 Finance Committee meeting. Councilor Hamann seconded the motion. The **MOTION CARRIED** by a unanimous voice vote.

**3. Public Input**

There was no one present for public input.

**4. Unfinished Business: None**

No discussion.

**5. New Business-**

**5.1.1 White Farm Auction**

Finance Director Ambrose explained that following Councilors Beaudoin's request at the

December Finance Committee meeting, the City had decided to look into the White Farm Auctions to determine if it could generate higher revenues for the City's surplus property. Ms. Ambrose said that the City had reached out to the auctioneers and reviewed data from prior auctions. The Department of Public Works staff has also reviewed the stats from vehicles they have most recently traded in order to have a comparison.

Deputy Finance Director Mark Sullivan said that he had been in touch with the auctioneers (St. Jean/JSJ Auctions). The auctioneers had indicated that there were both buyers and sellers premiums on each item in the auction. Mr. Sullivan said that he was not certain if the provided list of recent sales from the auction were the gross prices or if they accounted for these fees. The auctioneers offered to host an auction for the City of Rochester if the City desired; however, Mr. Sullivan stated that when the City has had local auctions in the past, they have not been successful. He acknowledged that the White Farm has a larger audience, but cautioned that the additional fees along with transportation costs need to be considered. Mr. Sullivan said that the next time DPW has a vehicle of some value that needs replacement, the City could do a trial at the White Farm as well as checking with local dealership for trade-in values for comparison. Mr. Sullivan said it is difficult to make a comparison on vehicles that have sold at White Farm for a higher value than similar vehicles through trade-in without knowing all the factors such as mileage and vehicle condition. Councilor Beaudoin said that the information received by the auctioneers was inaccurate; he spoke to the administrator of the White Farm and there is no seller's premium for these auctions.

Mayor Callaghan asked about the current surplus equipment policy. Deputy Director Sullivan stated that the City's largest area of surplus equipment is vehicles. He explained that the current procedure is to use vehicles needing replacement as a trade-in for reduction of the purchase price on a new vehicle.

Peter Nourse, Director of City Services, explained that up until a decade ago, DPW hosted their own auctions; however, these auctions were difficult to oversee. DPW then started the "trade up" process with vendors through which new vehicles were being purchased and found that the returns were higher with this process. He explained that typically the vehicles which were being used for trade in value were in rough shape. The average trade in value had been 8% of the new purchase cost over the past 23 purchases. Director Nourse reported that JSJ Auctions also hosts online auctions unaffiliated with the White Farm. These auctions take place year-round with no seller premiums, and the auctioneer claims that vehicles rarely go unsold. Director Nourse explained that the White Farm holds auctions twice yearly, in May and October, whereas JSJ online auctions are year-round. He spoke of the possibility of running a trial with an auction with the next DPW vehicle needing to be replaced.

Councilor Beaudoin posited that an auction at the White Farm might command a higher selling price than an online auction where the bidder is not able to physically view/examine the vehicle in-person. Director Nourse stated that without running a trial, there is no way to determine if this assumption is correct. Councilor Beaudoin asked if there were vehicles due for replacement within the next several months that could coincide with the White Farm auction. Director Nourse stated that the next vehicle replacement would not need to be done until May of 2024.

Mayor Callaghan asked if there would need to be Committee action or a Council vote in order to trial the online auction. Finance Director Ambrose stated that the Deputy Finance Director's purview as purchasing agent would allow him to explore alternative options to the current policy. Director Ambrose

stated that the City also needed to consider that, with the potential of utilizing auctions, DPW would need to wait until they had the replacement vehicle on site so they would not be short a vehicle. She suggested that DPW review the vehicle replacement schedule to determine if any of the replacements could be on the correct schedule for an auction trial.

Councilor Beaudoin asked about the current policy for replacement of items such as printers, computers and other office items used in City departments and whether these items are leased or owned. Deputy Director Sullivan explained which items are leased and which items, such as computers, are owned. However, in the past when the City has included computer equipment in an auction, the results have been underwhelming. He said that typically with items such as computers, it is more common to have to pay a service to remove the items when they are being replaced as opposed to being able to sell them at auction.

Director Nourse stated that with an auction, the proceeds would go to the General Fund as opposed to the Vehicle CIP fund to be used toward the cost of a new vehicle. This would result in DPW needing to approach Council for supplemental appropriations for the purchase of replacement vehicles. Deputy Director Sullivan explained that if auctions are utilized, DPW might need to request more money in their annual vehicle CIP to bridge this gap.

Councilor Beaudoin suggested the City look into auctioning items such as generators, welders, and air compressor, which the DPW may need to replace on a regular basis. Councilor Hamann expressed concern that if there was a 15-months lag between a vehicle auction and the time when the vehicle could be traded in, there could be significant lost value as well as a DPW asset being tied up in the meantime. He felt that the City potentially receiving a nominal increase in money for these vehicles via auction was not worth it.

Councilor Gray pointed out that the Finance Department already has the authority to explore alternative options to current policy, such as auctions, for vehicle sales or trade-ins and Committee action is not necessary. He suggested that if these alternative options are chosen, that it is reported back to the Finance Committee how it worked.

### **5.1.2 DHHS Lease Agreement-Community Center**

Director Ambrose explained that DHHS is currently leasing 18,000 sq. feet. of office space and an additional 1,750 sq. feet of storage space at the Community Center for \$302,217.50 annually. Their current lease is a 2-year extension of the original lease, and will expire on April 30, 2024. She said that the State has requested a 10-year extension. The State had originally indicated that there would need to be renovations to the space prior to a lease renewal, however, the Community Center CIP project for carpet replacement and repainting is sufficient for their needs. Mayor Callaghan stated that the current DHHS lease expires in 15-months and the City is looking for guidance on whether this lease should be extended and, if so, for how long.

Director Ambrose stated that the City needed to consider their potential needs for this space moving forward, as well as the health of the Community Center fund. Councilor Larochelle asked if the rent the State is currently paying for this space is market value and if there was a benefit to the citizens of Rochester having DHHS at the current location. Ms. Ambrose said with the lease

extension, the rate could not be increased more than 3% annually; if a new lease is signed instead of an extension, the City might be able to get a better rate. She acknowledged that there is room to increase the rate as it falls below current market value. She said there is a benefit to Rochester residents having DHHS located at the Community Center.

Councilor Lachapelle agreed that 10-years was too long for a lease; the City may have need for this office space at some point in the future. He suggested a 5-year lease as opposed to 10-years and supported negotiating a higher rental fee for the space.

Councilor Beaudoin asked if the cost of utilities were included in the lease. Director Ambrose confirmed they were included. Councilor Beaudoin inquired about the cost of the renovations. Director Nourse said that the CIP project for carpet replacement (along with some flooring replacement) would be a total of \$86,000. He clarified that City staff would do the paintings portion of the project in-house.

Councilor Hamann asked for clarification on whether the proposal was for an extension of the current lease or a new lease. He said he would support a lease extension for a year or two, but if it was anything longer he supported signing a new lease and negotiating an increased rate. Councilor Lachapelle speculated that the lease extension could be amended and revised to better suit the City's needs; otherwise, he would also support an entirely new lease.

Councilor Hailey asked the length of the average lease for other organizations in the Community Center. Lisa Clark, Deputy Director of Public Works, said that most of the current leases are for 5-year terms although some are 2-year leases.

Councilor Gray suggested postponing the decision on how long to extend the lease until they can negotiate the escalator cost. He spoke about revising the contract to potentially raise the 3% annual increase higher, or to increase by the consumer price index (CPI), whichever is higher. He stated that this make could make the lease more attractive to the City. He acknowledged the benefit of having DHHS at the Community Center, close to both City Welfare and on a bus route, and speculated that they would have difficulty finding another location suitable to their needs.

Councilor Larochelle asked if there could be a contract negotiated with annual increases according to the CPI. Director Ambrose said that the City could have some flexibility with terms when negotiating a new lease as opposed to an extension. She clarified that there is a City lease as well as a lease through the State containing some standard language. She asked Deputy Director Clark to speak about how these leases would work. Deputy Director Clark said that the City follows the standard language of the State lease. She suggested reviewing the leases and rates that the State has in other locations throughout the State. She said the last time such a review was done, it was found that Rochester's rate with the State was one of the lowest.

Councilor Hailey asked if there was much empty space in the Community Center currently. Deputy Director Clark said there was not much empty space in the Community Center.

Councilor Beaudoin said his understanding is that the State dictates what they will pay per square foot, although he is unsure if there are escalator clauses built into their contracts. He suggested getting this information and reviewing further before a decision is made on whether to renew the lease and for

what duration. Deputy Director Clark said that DHHS has been leasing the location since the mid-90s. The original lease was negotiated at a price per square foot and has been increased incrementally over the years; the last increase being 2.9% with the 2-year lease extension. She stated that DHHS has been on extensions since 2005. The State had looked for other locations in the past, but had been unsuccessful with securing one.

Mayor Callaghan said the City would do further review before coming back to the Finance Committee for discussion.

## **Reports from Finance & Administration**

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

Deputy Finance Director Sullivan reported that non-property tax revenues continue to be strong with no concerns currently. He explained that he had added a category to the report showing the DPW winter maintenance expenses, which are currently at 7% due to the mild winter.

Deputy Director Sullivan said that the Community Center fund is experiencing some trouble, with expenses exceeding revenues for quite some time; in 2015 there was a fund balance of \$375,000 but at the close of Fiscal Year 2022 the fund ended in the negative. He gave further details and said that the City needs to start considering the future of the property and whether it should eventually become a City facility. Councilor Beaudoin inquired, besides DHHS, what other tenants had space in the Community Center. Deputy Director Sullivan gave an overview of the current tenants. Councilor Beaudoin suggested looking at the current leases and determining if any of the rents can be increased. Director Ambrose said that DPW has an upcoming CIP project to review and analyze City owned facilities to assess not only mechanical needs, but also space needs. She said she would like to include the Community Center in this assessment to determine whether the City should utilize more of the building for City functions or to make the Community Center more self-funding and increase the leases accordingly.

Mayor Callaghan asked if it was likely the Police Department and/or Fire Department would come to Council for a supplemental appropriation based on their current percentage of overtime expenditures. Deputy Director Sullivan explained that they have surplus in their salaries and benefits budget, and unless something significant happened with the bottom-line of their budget, they would not need a supplemental.

## **6. Other**

No discussion.

## **7. Adjournment**

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

Respectfully Submitted,

Cassie Givara, Deputy City Clerk