

Finance Committee

Meeting Minutes

Meeting Information

Date: September 12, 2023

Time: 6:00 P.M.

Location: 31 Wakefield Street

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

City staff present: City Manager Katie Ambrose. Deputy Finance Director Mark Sullivan. Chief Assessor Darcy Freer. Director of Human Resources Kimberly Conley.

Agenda & Minutes

1. Call to Order

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

Councilor Beaudoin lead the Committee in the Pledge of Allegiance.

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

2. Acceptance of Minutes: August 2023

Councilor Lachapelle **MOVED** to **ACCEPT** the minutes of the August 8, 2023 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:

4.1.1 None

5. New Business:

5.1.1 Assessing-Elderly & Disabled Exemptions, Veterans Credits- Update

Chief Assessor Darcy Freer gave an update on the status of the Elderly and disabled tax credits for the 2023 tax period. These exemptions had been expanded the prior fiscal year, and the introduction of the “All veterans” credit was established at the same time. Ms. Freer indicated that the numbers for these exemptions and credits so far have been consistent with what was projected; however, it will take at least one more year to do a proper analysis on the numbers and identify trends. Chief Assessor Freer explained that in the projection for the All Veterans credit, there was an analysis for a 4-year forecast. She estimated that by the end of that period in tax year 2027, there would be between 110-120 qualified applicants, or an increase of 8%.

5.1.2 FYE23 General Fund Unassigned Fund Balance Estimate (*addendum A*)

Deputy Finance Director Mark Sullivan directed the Committee to a summary showing the General Fund Unassigned Fund balance at the close of Fiscal Year 23 and stated there would be a substantial increase to this balance in the current fiscal year, bringing it to just under \$38 million; or 33% of General Fund expenditures. The policy threshold range is between 8% - 17% of expenditures, putting the fund approximately \$18 million over the policy threshold.

5.1.3 Recommended Use of General Fund Unassigned Fund Balance-City

Deputy Director Sullivan gave an overview of the three Capital Reserve Funds that were created the prior year for Public Works, Fire Apparatus, and Public Buildings. Mr. Sullivan directed the Committee to a summary of the current balance of these accounts and explained the request to transfer \$250,000 from General Fund Unassigned Fund Balance to each of these Capital Reserve funds. If this additional \$750,000 in funding is approved by Council, the cash will then be transferred to the Trustees of the Trust Fund to be added into each capital reserve fund. Councilor Lachapelle **MOVED** to recommend to full Council the approval of \$750,000 of General Fund Unassigned Fund Balance for the aforementioned Capital Reserve Funds. Councilor Hamann seconded the motion. The **MOTION CARRIED** by a unanimous voice vote.

5.1.4 Recommended Use of General Fund Unassigned Fund Balance-School

Deputy Director Sullivan spoke about the ongoing discussions with the School Department in trying to determine funding sources for the entirety of the new school project cost and how this total would be reached, as well as strategizing a threshold for debt service that would be manageable for the school department in order to avoid a large increase. Such a spike in debt service could cause problems when calculating the tax cap in future years amongst other considerations.

The estimated project cost for the new school is \$34 million. There is approximately \$15.7 million coming from State of NH Building Aid funding, approximately \$1.3 million from the local school building aid capital reserve fund, and \$1.4 million in State of NH Adequacy funding. There was an analysis completed of several different bonding scenarios, and it was determined that to keep the school debt service in the \$2.5 million annual range, \$8 million could be bonded for this project. Mr. Sullivan presented a chart illustrating the school’s projected 20-year debt service, as it exists currently, as well as with the inclusion of authorized and unissued debt, and the effect of the additional \$8 million in bonding. With this model, the debt service would reach a peak of just over \$2.5 million in FY27, and then gradually decrease over the subsequent years. He then presented the 20-year projection in the scenario of the School Department bonding the entire \$15 million in remaining funds required for the project. With this model, the debt service would spike to over \$3 million and would take much longer to decrease. Based on these projections, he stated that the recommendation is to authorize \$7,540,420 of Unassigned Fund Balance for the new school project. This would save annual debt service payments of \$600,000 as well as saving approximately \$3 million of interest

over this 20-year period, depending on interest rates.

Councilor Lachapelle **MOVED** to recommend to full Council the use of \$7,540,420 in General Fund Unassigned Fund Balance for the School building project. Councilor Larochelle seconded the motion. Councilor Gray expressed concerns that, at the time of Council approval for the new school project, the School Board had been comfortable bonding the entire \$15 million and that they were aware at that time of the implications. He questioned if the school board may come back in the future and ask for additional funding beyond the \$7.5 million currently being requested. Councilor Gray also referenced other City projects that have been delayed in order to reduce costs, such as street paving in multiple areas. He speculated that there would be many other projects that would also be a good use of unassigned fund balance. Councilor Hamann reiterated that \$3 million of interest would be saved over 20-years with the reduced bonding amount. He asked what the remainder of the unassigned fund balance would be if Council were to approve the two recommendations being discussed. Deputy Director Sullivan directed the Committee to the chart in the packet showing the outcome of approval of these recommendations, which would leave the unassigned fund balance at \$23,769,314, or 20.85% of expenditures, which still exceeds the upper threshold of the policy. Councilor Hamann pointed out that this would still leave adequate money in the unassigned fund balance in order for Council to approve projects such as the paving referenced earlier. He stated that he would be in support of the proposals due to the substantial savings on interest.

Councilor Beaudoin asked if this vote was to assign the funding to the school project and clarified that it does not include any bonding. Deputy Director Sullivan explained that the Committee would make a recommendation to Council, at which point the recommendation would be drafted into a resolution detailing the funding sources. Councilor Beaudoin clarified that there would still be an additional \$8 million needed for the school project, and the action being taken does not include that \$8 million. Deputy Director Sullivan confirmed that the action being taken is a recommendation to approve the use of unassigned fund balance. The forthcoming resolution will itemize the bonding aspect as well as the other funding sources, subject to Council approval.

Councilor Beaudoin spoke about several other considerations related to the new school build, including turning lanes, sidewalks, and sewer extensions, some of which would require drainage work likely to be covered through the City side of the budget. He surmised that the potential costs were still unknown and the full scope should be understood before moving forward with funding recommendations.

Mayor Callaghan spoke about the large portion of the unassigned fund balance that is resultant from the School Department returning funds at the close of each fiscal year. He felt it made sense to allow the schools to utilize some of these funds that have been returned. Additionally, Mayor Callaghan reported that the required maintenance and repairs on the two Rochester schools currently pending closure would equal over \$600,000. He gave multiple examples of schools throughout the State in busy locations where there are not pedestrian sidewalks. He acknowledged it was the Council's discretion on whether or not to require sidewalks, but stated there is precedence within the state in similarly trafficked school locations without sidewalks.

The **MOTION CARRIED** to recommend to full Council the use of \$7,540,420 of Unassigned Fund Balance by a majority roll call vote with Councilors Hainey, Lachapelle, Hamann, Larochelle, and Mayor Callaghan voting favor and Councilors Beaudoin and Gray voting opposed.

Councilor Gray stated that some of his concerns with the proposal would be alleviated if there were a maximum limit on the Schools' debt service.

5.1.5 City Manager Reorganization Plan-Presentation (*addendum B*)

City Manager Katie Ambrose gave a presentation with a proposed reorganization and restructuring of Finance and Administration as well as the Economic Development, Planning, and Building departments. She explained that her former position of Deputy City Manager and Finance Director was currently vacant, and rather than filling the position, she opted to conduct a needs analysis of the City departments to potentially restructure to fit the needs of these departments as well as allowing for new positions within the organization. City Manager Ambrose clarified that there was not a request to move forward with all phases of the reorganization currently, but she would be presenting the proposal in its entirety.

Ms. Ambrose first gave an overview of the proposed structure of what is currently the Building and Licensing, Planning, and Community/Economic Development departments. She explained that the reorganization includes the creation of a “Chief Community Development Officer” to oversee all of these departments, creating a Community Development Department. . She explained that the request this evening is for a recommendation to create the job description and classification for the Chief Community Development Officer, although the position will not be filled or funded until FY25. There would also be the creation of a new position in the current fiscal year for a separate Plumbing/Mechanical Inspector, moving these functions out of the existing inspector positions due to demand. There are no budgetary impacts with this position in the current fiscal year because the functions are all currently within existing staff positions. City Manager Ambrose detailed the phases of the proposed changes within the Community Development Department, including the transition of the Animal Control Officer and Traffic Enforcement officer from the police department over to the Community Development in FY25, and the relocation of the Community Development Coordinator to the Finance Department.

City Manager Ambrose outlined the proposed structure of the Business and Finance department reorganization, as well as the Administrative Office and the phases of these plans. She summarized the creation of a Deputy Chief Administrative Officer position to oversee HR, IT, City Clerk, and Welfare. This position would be funded and filled in the current fiscal year. The position of Finance Director will be left funded on the books, but will not be filled.

City Manager Ambrose reiterated that there are no funding requests being made. The funding for the reorganization is currently in the FY24 budget through vacant positions, or it will be requested in the FY25 budget. The requests to the Committee are to approve the creation of the Chief Community Development Officer position as well as the Deputy Chief Administrative Officer position.

5.1.6 Job Classifications & Descriptions Changes-Human Resources-PAB

City Manager Ambrose explained the recommendations from the Personnel Advisory Board, which include the two position creations discussed this evening as well as two positions that had been approved as Issues & Options in the FY24 budget.

Kimberly Conley, Director of Human Resources, made a correction to the Description in the packet for the Training Officer position, which had been listed as a Grade 13 in the Middle Management Union; however, this position should be listed as non-union Grade 14. Ms. Ambrose said that action items being requested tonight are the approval of the job classifications for the Training Officer at grade 14, Battalion Chief at Grade 14, Chief Community Development Officer at grade 17, and Deputy Chief Administrative Officer at Grade 18.

Councilor Lachapelle **MOVED** to recommend to full Council the approval of the positions as listed above. Councilor Hamann seconded the motion. Councilor Beaudoin **MOVED** to divide the question. Councilor Gray seconded the motion. Councilor Beaudoin clarified that he wanted to separate the vote on the Deputy Chief Administrative Officer position from the remaining positions being recommended. Mayor Callaghan called for a vote on the motion to recommend the approval of the positions minus the Deputy Chief Administrative Officer position. The **MOTION CARRIED** by a unanimous roll call vote with Councilors Lachapelle, Gray, Beaudoin, Larochelle, Hamann, Hailey and Mayor Callaghan all voting in favor.

Mayor Callaghan called for a vote on the motion to recommend to full Council the approval of the Deputy Chief Administrative Officer. Councilor Beaudoin stated that he felt there had to be a line drawn on new staff positions at some point. He spoke about the need for staff in the Building and Licensing department, specifically the area of code compliance, in order to keep up with the demands of the City. He stated that the position being discussed would need to be budgeted moving forward, when some of these funds could potentially be used for an additional code compliance officer as opposed to another administrative position. City Manager Ambrose clarified that the current motion is to approve the Deputy Chief Administrative Officer position, which is already budgeted for in the current fiscal year and for which there are no additional funding requests. This position would provide the functions that are currently not being handled through the vacancy in the Deputy City Manager position. The **MOTION CARRIED** by a 6 to 1 roll call vote with Councilors Gray, Hailey, Larochelle, Lachapelle, Hamann, and Mayor Callaghan voting in favor and Councilor Beaudoin voting opposed.

Reports from Finance & Administration

5.2.1 Monthly Financial Report Summary-August 31, 2023.

Deputy Finance Director Sullivan reported that revenues are trending to budget. There had been an inquiry at the prior Finance Committee meeting in regards to building permits and whether or not there was concern with the below budget percentage collected after the first month of the fiscal year. Deputy Director Sullivan stated that at the close of the second month of FY24, the building permits are now at 17%, which is trending to budget. He stated there are currently no concerns with the non-property tax revenues.

Councilor Lachapelle inquired about the “Public Works Winter Maintenance” line, which is at 4%. Deputy Finance Director Sullivan stated that this expense was likely for supplies and preparation in anticipation of the upcoming winter.

Councilor Beaudoin inquired about the Cablevision franchise fees. Deputy Finance Director Sullivan stated that these are franchise fees collected on each user’s cable bill, which are then remitted to the City on a quarterly basis from both XFINITY and Breezeline. Councilor Beaudoin posited that, as streaming video services gain in popularity, these franchise fees would likely be reduced. Deputy Finance Director Sullivan agreed that this scenarios was likely.

Mayor Callaghan asked for more information on the following month’s report regarding the reasoning behind the increase in the police overtime budget.

6. Other

No Discussion.

DRAFT

7. Adjournment

Mayor Callaghan **ADJOURNED** the Finance Committee meeting at 6:57 PM.

Respectfully Submitted,

Cassie Givara, Deputy City Clerk

**FY23 General Fund Unassigned Fund Balance Activity
6/30/2023-Activity & Estimate**

Descriptions	GF Expenditures	Amount	Percentage	Notes
FYE22 (MS-535 06/30/2022)-FINAL	\$115,473,598	\$29,873,654	25.87%	Unaudited-Estimate
Unassigned Fund Balance Policy Threshold 8%-17%				
Low 8%		\$9,237,888	8.00%	
High 17%		\$19,630,512	17.00%	
Over (Under) Fund Balance Policy- 17% Threshold		\$10,243,142	52.18%	

FY23 Activity Summary	Amounts
FY23 Adopted Budget City & School	\$3,293,250
FY23 Additional Activities	\$932,000
FY23 Totals	\$4,225,250

Estimated Balance	\$25,648,404
Percentage	22.21%

FY23 Additional Activity	Date	City	School	Water-Sewer	Econ Dev Fund	Subtotal	Notes
Land Purchase 181 Highland Ave	07/05/2022	\$299,000	\$0	\$0	\$0	\$299,000	Council Approved
Recreation-Lilac Family Fun Festival	12/06/2022	\$43,000				\$43,000	Council Approved
City Hall & Opera House Renovations	06/06/2023	\$590,000				\$590,000	Council Approved
						\$0	
						\$0	
FY23 Totals		\$932,000	\$0	\$0	\$0	\$932,000	

FYE23 ESTIMATED ACTUALS	
FYE23 ESTIMATED NET INCREASE (REDUCTION)	\$8,000,000
FYE22 MS535	\$29,873,654
FYE23 ESTIMATED UNASSIGNED FUND BALANCE	\$37,873,654

FYE23 SUMMARY	
FYE23 ESTIMATED GENERAL FUND EXPENDITURES	\$114,000,000
UNASSIGNED FUND BALANCE PERCENTAGE	33.22%
FYE23 LOW ESTIMATE 8%	\$9,120,000.00
FYE23 HIGH ESTIMATE 17%	\$19,380,000.00
OVER (UNDER) POLICY THRESHOLD-17%	\$18,493,654.00

FY24 O&M ADOPTED BUDGET USE	\$5,814,100
FY24 SUPPLEMENTAL RECOMMENDATION- NEW SCHOOL	\$7,540,240
FY24 SUPPLEMENTAL RECOMMENDATION- CITY CRF	\$750,000
FY24 SUPPLEMENTAL RECOMMENDATION-FUNDING SOURCE CHANGE	\$0 PENDING
RECOMMENDATIONS	\$14,104,340

BALANCE	\$23,769,314
PERCENTAGE	20.85%

City Manager Reorganization

Finance Committee
September 12, 2023



City of Rochester - 4 Pillars of Strength

- City & Regional Economics
- Financial Health
- Investment in Infrastructure & Economic Development
- Expertise & Initiative of City Staff



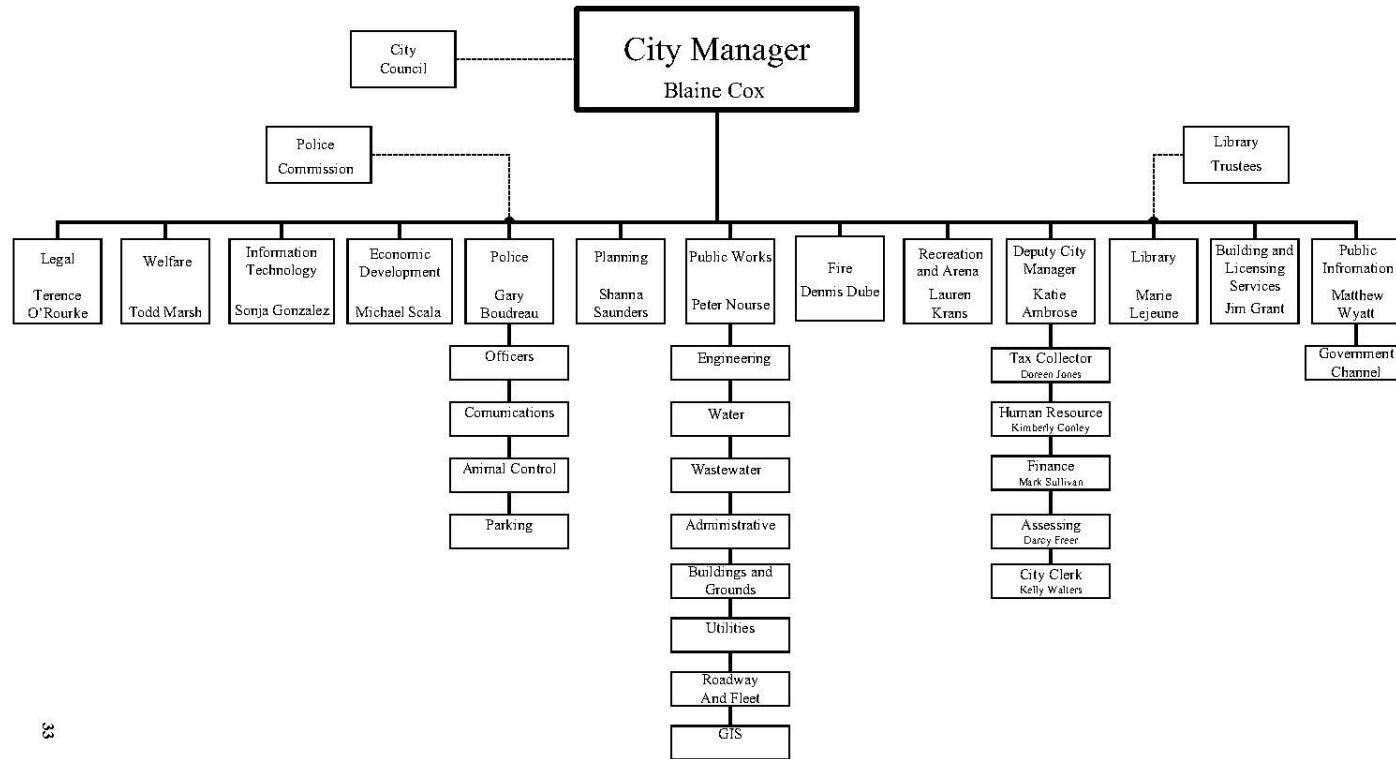
Reinforcement & Expansion

Integration of:

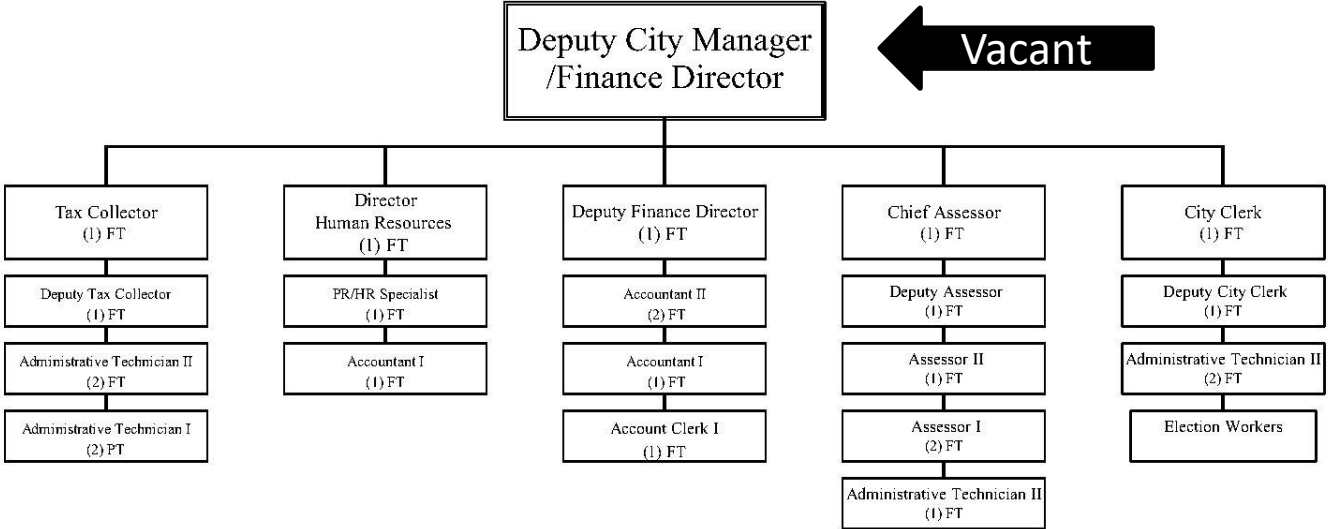
- Supporting Growth & Services
- Fiscal Strength
- Public Engagement
- Retaining Employees



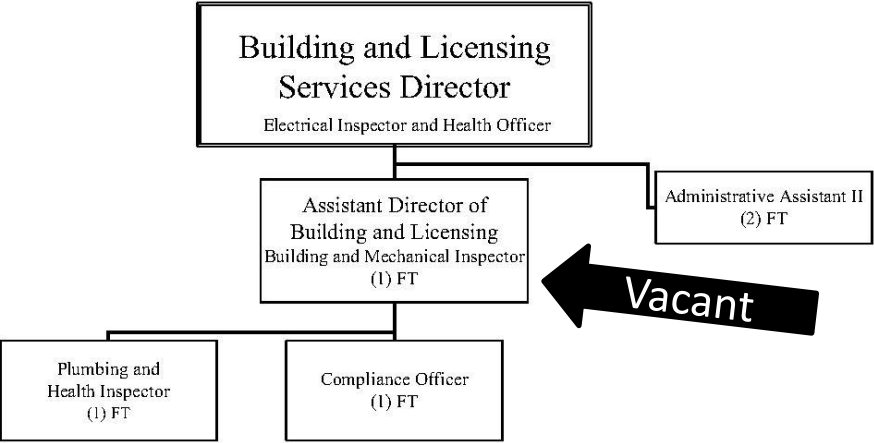
City Manager



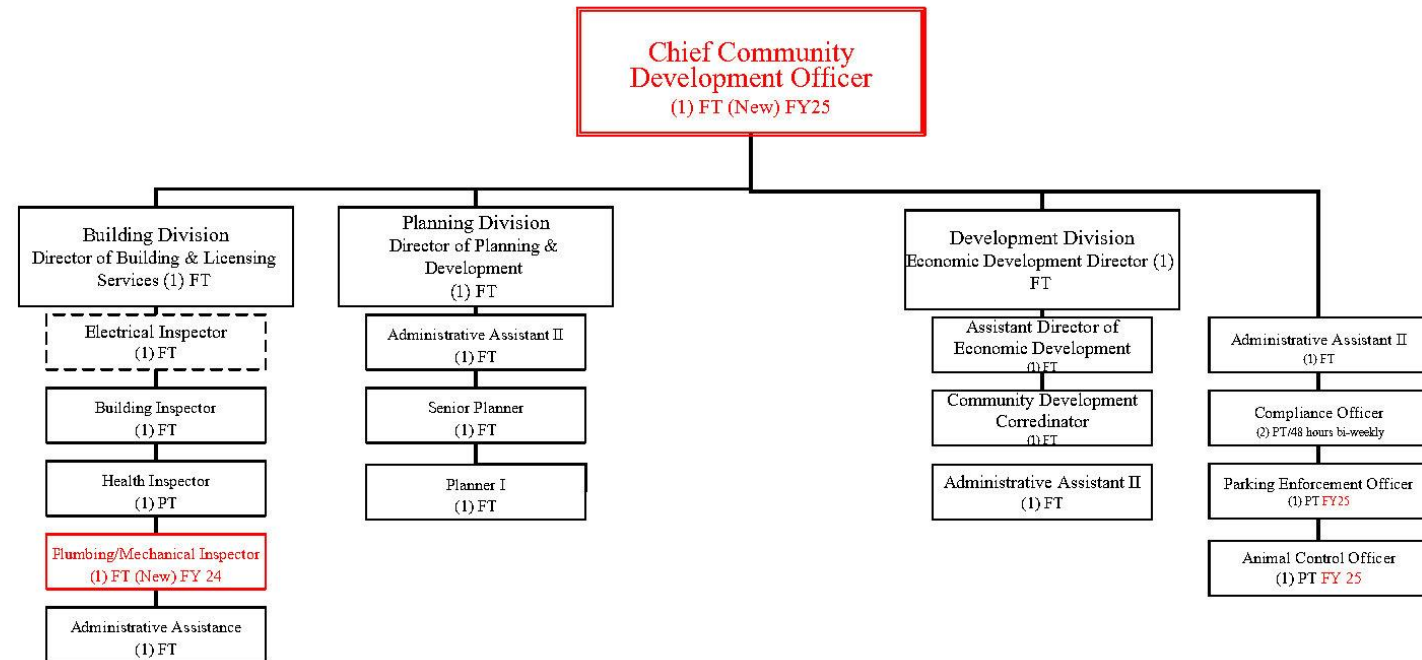
Finance-Business Operations



Building and Licensing Services



Community Development Department



Community Development Department

The Community Development Department consists of: Building & Inspection Division, Planning Division, Economic Development Division, Code Enforcement: Parking, Compliance, and Animal Control.

The Mission

Our Community Development Department is dedicated to improving the quality of life in the City of Rochester for its residents and visitors alike. The Community Development Department works closely & efficiently with other departments throughout the city, as well as local and state partners. The department collaborates with stakeholders within the City of Rochester-to ensure proper noticing, education and problem solving in order to create a welcoming, healthy, and safe environment.



Chief Community Development Officer:

Responsible for: leading, overseeing, and administering the programs, budgets, functions, and activities of the Community Development Department, which include ensuring compliance with local, state and federal requirements, regulations and policies, attending appeals and court hearings and representing the department on code enforcement-related matters to the media, county agencies, community organizations and the public. Works in conjunction with Police and Fire Chiefs.



Community Development Phases

- Now

1. Create Chief Position
2. Post Inspector positions

- FY25 Budget Process

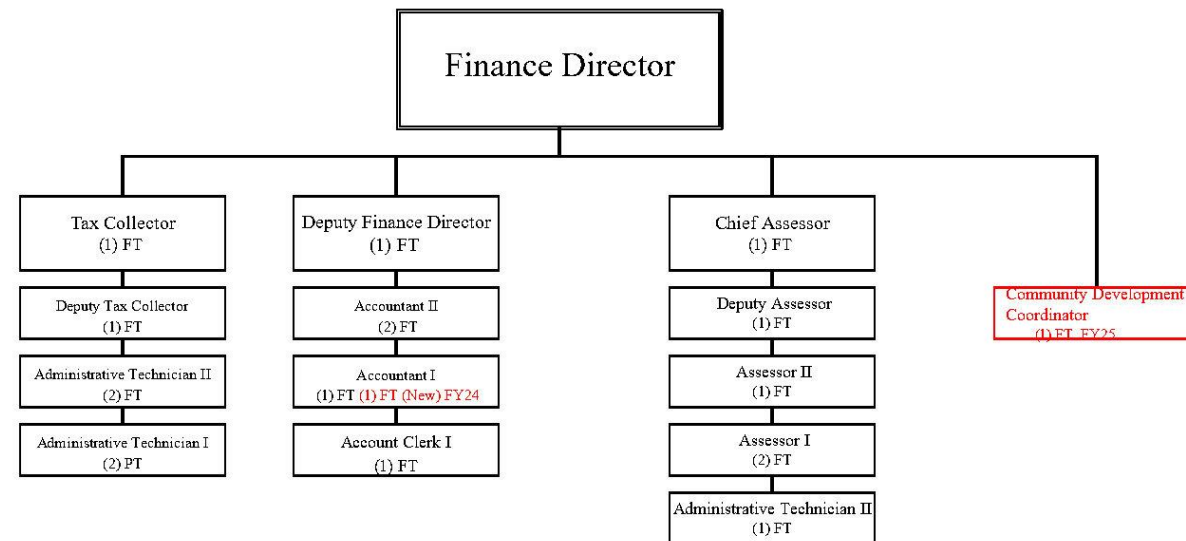
1. Relocate Parking Enforcement Officer & Animal Control Officer
2. Fund Chief Position
3. Relocate Community Development Coordinator to Finance

- Future

1. Create FT Electrical Inspector position



Business/Finance Office



Finance Director:

- Supervision of Budget/Procurement, Treasury, Tax & Assessing
- Maintain the cycles of annual financial activities
- Financial process improvements
- New initiatives such as replacement of CIP database
- Analysis into bond cycles & cash investments. Increase review and analysis of financial risk exposures and develop strategies to mitigate.
- Collaboration with Department heads on operational improvements.
- Assure each department has the necessary tools and training to achieve operational success.



Finance Department Phases

- Now

1. Post Finance Director position
2. Post Accountant I position

- FY25 Budget Process

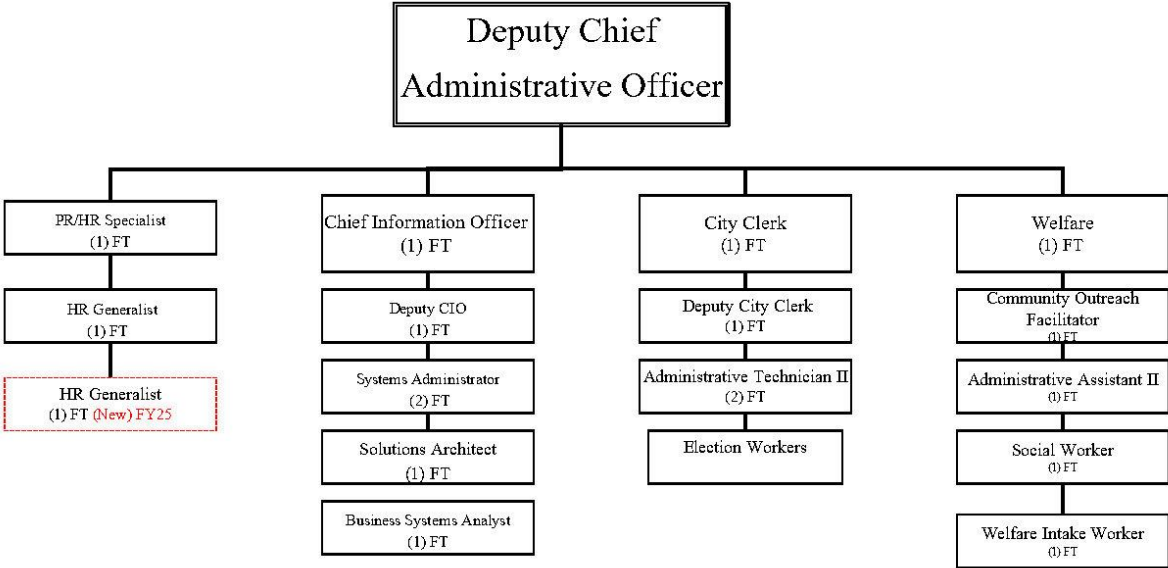
1. Relocate Community Development Coordinator to Finance
2. Funding to convert (1) Accountant I to Accountant II

- Future

1. Fund Deputy Finance Director position



Administration Office



Deputy Chief Administrative Officer:

- Supervision of Human Resources, IT, City Clerk & Welfare
- Organization-wide strategy, policy & risk management

Including: safety program, staff development, community engagement, legal services, process improvement.

- Centralization

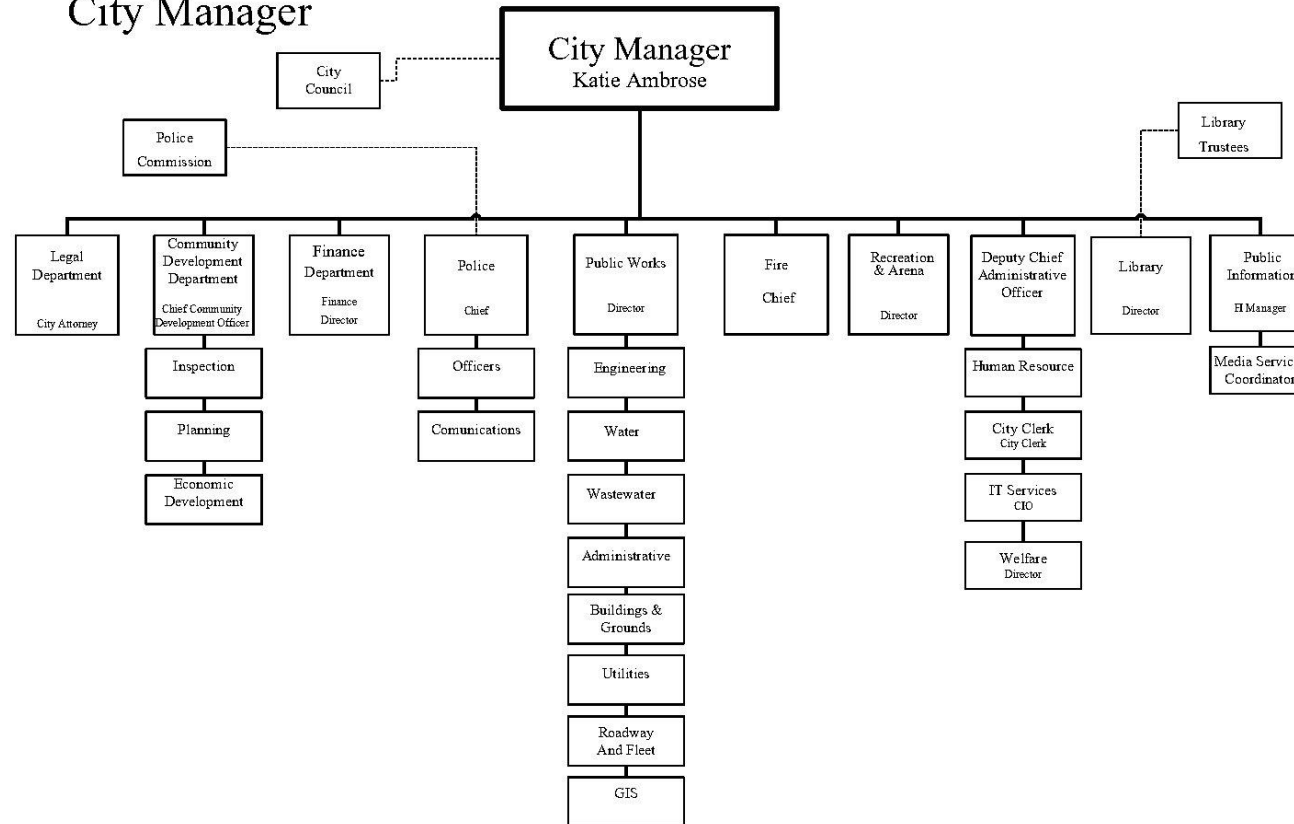


Administration Office Phases

- Now
 1. Create & post Deputy CAO position
- FY25 Budget Process
 1. Fund 2nd FT HR Generalist



City Manager



Council Action Items to Move Forward

- Approve creation of Chief Community Development Officer position
- Approve creation of Deputy Chief Administrative Officer position

No funding requested

