

Finance Committee

Meeting Minutes

Meeting Information

Date: October 10, 2023

Time: 6:00 P.M.

Location: 31 Wakefield Street

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

City staff present: City Manager Katie Ambrose. Finance Director Mark Sullivan.

Others Present: Tom Kaczynski, resident.

Agenda & Minutes

1. Call to Order

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

Deputy Mayor Lachapelle led the Committee in the Pledge of Allegiance.

Deputy City Clerk Cassie Givara took the roll call attendance. Councilors Gray, Hainey, Larochelle, Deputy Mayor Lachapelle, and Mayor Callaghan were present. Councilors Beaudoin and Hamann were excused.

2. Acceptance of Minutes: August 2023

Councilor Lachapelle **MOVED** to **ACCEPT** the minutes of the August 8, 2023 Finance Committee meeting. Councilor Larochelle seconded the motion. The **MOTION CARRIED** by a unanimous voice vote.

3. Public Input

Tom Kaczynski, resident, addressed the Committee regarding the level of the undesignated fund balance and the use of this money.

4. Unfinished Business:

4.1.1 Review- FYE23 General Fund Unassigned Fund Balance City & School (addendum A)

Mark Sullivan, Finance Director, referred to a summary contained in the packet detailing the forecasted FY23 Unassigned Fund Balance contributions. There is an estimate that this balance will increase by \$8.3 million, bringing the total to an estimate just over \$38 million. He also detailed how the fund is comprised related to current assets versus current liabilities and explained that there should be a healthy ratio between these two; for every dollar of liability there should be at least \$1.50-\$2 in assets to ensure ongoing operations. Director Sullivan summarized the cash flow issues and problems which could be experienced if this ratio falls below the figures referenced. He stated that the \$38 million equates to approximately 4-months of operational cash flows.

Director Sullivan directed the committee to the FY23 Additions to Fund Balance contained in the packet, itemizing the major drivers to annual surplus on both the City and School sides.

Councilor Gray referenced the City Ordinance which governs the threshold limitations of the fund balance and actions which should be taken if this balance exceeds the threshold. He asked that this information be distributed and detail given to the proposed actions that are proposed to be taken to reduce this balance. Director Sullivan referred to the page in the packet detailing the proposed FY24 actions and their subsequent reductions to the fund balance. He explained that there is a plan in place to meet the 17% policy threshold.

Councilor Larochelle spoke about the projections of borrowing rates, which are projected to increase significantly. He emphasized the need for the City to project well into the future for budgeting. He suggested that maintaining a high fund balance level in the present could alleviate the need to borrow money at these high rates in the future.

Mayor Callaghan asked for clarification on how much of the \$38 million fund balance is cash and assets versus liabilities. Director Sullivan stated that the current assets are cash and cash equivalents, meaning there is a pooled cash account encompassing all the enterprise funds, water, sewer, Community Center fund, Arena fund, and all other multi-year funds. The majority of the current assets contain a significant portion of actual cash; however, he reminded that the City raises the property taxes annually in June and these funds received are allocated to the following fiscal year. The current liabilities are the amounts owed as of June 30th to a variety of vendors, payroll, etc.

Mayor Callaghan asked how the interest accrued on investments is reported. Director Sullivan said any interest received on investments comes into the general fund as non-property tax revenue into the General Fund which helps to lower the tax rate in the fiscal year in which it is received.

5. New Business:

5.1.1 NH DHS Community Center Lease Recommendation

Director Sullivan referenced a recommendation from Lisa Clark, Department of Public Works Deputy Director of Operations. The current DHHS lease at the Community Center expires in April of 2024. Deputy Director Clark is recommending a new 5-year term at \$21.93 per square foot. Director Sullivan referred to a memo from Ms. Clark detailing the justification for this increase as well as comparable leases for DHHS throughout the State. The Department of Public Works is requesting that the Finance Committee endorse this increase and direct the City manager to negotiate the new lease terms.

Councilor Lachapelle expressed concern at the requested 3% annual increase. He stated that the City is providing the utilities, snow removal, and custodial staff for the DHHS space, and the City's costs have been increasing steadily. He suggested that the City could request a 5% increase based on these additional services provided. Director Sullivan stated that DPW had completed a comprehensive review to arrive at the requested figures, and he stated that there is a significant increase in the cost being charged per square foot. Given these amounts, DPW felt the 3% annual increase was fair. Councilor Gray reported that he had assisted in the research and gathered the figures for other DHHS leases throughout the State. He stated that the annual 3% escalator seems standard throughout these State contracts. Councilor Gray emphasized the need for these shorter leases to allow for the City to renegotiate if there are increased costs being experienced.

Councilor Lachapelle **MOVED** to recommend that the City Manager negotiate the DHHS lease as detailed in the DPW memo. Councilor Gray seconded the motion. The **MOTION CARRIED** by a unanimous voice vote.

Councilor Hainey asked if the current DHHS lease includes storage space or if this was an addition in the new lease term. Director Sullivan stated that the current lease does include storage space and that the cost per square foot is requested to be increased from \$3.29 to \$3.39.

City Manager Ambrose clarified that she is able to negotiate this lease without a recommendation to full Council for a vote; however, she will report back on the outcome of the new lease in the City Manager's report in the City Council packet.

Reports from Finance & Administration

5.2.1 Monthly Financial Report Summary-September 30, 2023

Director Sullivan explained that the month of September ended approximately 25% completed and the non-property tax revenues are trending to this 25%. Expenses on the General Fund are slightly higher at the start of the fiscal year due to multiple items being encumbered; however, this is not a concern at this point and is typical at this stage of the fiscal year. Police and Fire dispatch continue to trend over budget. This will continue to be monitored and reviewed. Enterprise funds are trending to budget on expenses as well as the special revenue funds.

5.2.2 NHMA Article – Taking the Mystery out of Fund Balance

There was no discussion on the NHMA article included in the packet.

6. Other

There was no discussion under “other.”

7. Adjournment

Mayor Callaghan **ADJOURNED** the Finance Committee meeting at 6:25 PM.

Respectfully Submitted,

Cassie Givara
Deputy City Clerk

FYE23 ESTIMATED ACTUALS	AMOUNTS	NOTES
FYE22 MS535	\$29,873,654	Audited
FYE23 Estimated Change in Unassigned Fund Balance	\$8,379,450	Unaudited
FYE23 Estimated Unassigned Fund Balance Total	\$38,253,104	
FYE23 SUMMARY		
FYE23 Estimated General Fund Expenditures	\$114,000,000	Unaudited
Unassigned Fund Balance Estimated Percentage	33.56%	Unaudited
Unassigned Fund Balance Policy Low Balance 8%	\$9,120,000.00	Unaudited
Unassigned Fund Balance Policy High Balance 17%	\$19,380,000.00	Unaudited
Over (Under) High Policy Threshold-17%	\$18,873,104.00	
FY24 ACTIVITY		
FY24 O&M Adopted Budget Use of Fund Balance	\$5,814,100	Adopted
FY24 Supplemental Recommendation New School Building	\$7,540,240	PENDING
FY24 Supplemental Recommendation City Capital Reserve Funds	\$750,000	PENDING
FY24 Supplemental Community Center Solar Project	\$546,000	Adopted
FY24 Supplemental Recommended Bond Funding Changes	\$0	PENDING
FY24 Transfer to Waste Management Closure Fund	\$0	PENDING
Recommendations	\$14,650,340	
Balance	\$23,602,764	
Percentage	20.70%	

Estimated Additional Allocation to Meet 17% Policy High Threshold	\$4,222,764
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FYE23 ADDITIONS TO FUND BALANCE (Unaudited)	AMOUNTS
City Largest Contributions (Reductions)	
Interest Income Revenue	\$1,179,673
Motor Vehicle Permits Revenue	\$728,112
Building Permits Revenue	\$586,832
Host Community Fees Revenue	\$265,995
Salary & Benefits	\$1,196,515
Property Tax Abatements	(\$848,118)
Transfer to Economic Development Non Capital Fund	(\$1,382,928)
All Other City Net Changes	(\$1,763,092)
Net City Contribution (Reduction)	(\$37,011)
School Largest Contributions (Reductions)	
State of NH Adequacy Grant Revenue	\$889,831
Local Property Tax Reduction-DRA	(\$889,831)
Esser Funding	\$1,375,370
Salary & Benefits	\$5,656,664
Tuition to Private Schools/Student Transportation	\$2,028,875
All Other Net Changes	(\$644,448)
Net School Contributions (Reductions)	\$8,416,461

Net City & School Contribution (Reduction)	\$8,379,450
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