

Finance Committee

Meeting Minutes

Meeting Information

Date: November 12, 2019

Time: 7:00 P.M.

Location: City Council Chambers

31 Wakefield Street Rochester, New Hampshire

Committee members present: Mayor McCarley, Deputy Mayor Varney, Councilor Walker, Councilor Gray, Councilor Lauterborn, Councilor Keans. And Councilor Torr.

City staff present: City Manager Blaine Cox, Deputy City Manager Katie Ambrose, Deputy Finance Director Mark Sullivan. Deputy Police Chief Gary Boudreau, Director of City Services Peter Nourse

Others present: Ray Barnett, resident

Agenda & Minutes

1. Call to Order

Mayor McCarley called the Finance Committee Meeting to order at 7:03 PM. Deputy City Clerk Cassie Givara took a silent roll call. All Councilors were present.

2. Public Input

Ray Barnett, resident, address the Committee regarding the water and sewer rates, establishing a capital reserve fund, and inquired about the status of impact fees.

3. Unfinished Business

3.1 UAB Water-Sewer Rate-Review from 10-8-19 presentation-discussion

Deputy Finance Director Mark Sullivan reported that Finance Department staff had met with the City's auditors to discuss different options for calculating the water and sewer rate increases besides those methods presented at prior Finance meetings.

Deputy Finance Director Sullivan summarized the two funds which are part of the water and sewer funds; the operating account and the capital account. As items become completed in the capital account, they are transferred at the end of the year into the operating account causing a negative effect to the operating and a positive effect to the capital. The auditor stated that it was permissible to combine these two accounts for the purpose of projecting rates and their fiscal effects.

Deputy Finance Director Sullivan showed projections of the budgetary effects over the next five fiscal years based on the increases to the water and sewer rates with the goal in mind of keeping the operating surplus deficit from trending too far into the negative and still having enough available to fund cash CIP projects .

Deputy Finance Director Sullivan discussed how projects which have been authorized yet remain unissued effect these calculations. There is currently \$40 million in “authorized and unissued” projects of which some may become bonded within the next 5 fiscal years.

Councilor Keans inquired regarding the percentages for the DPW facility; both the water and sewer fund being 25% and the General Fund being 50%. Sullivan explained that when the project was appropriated, the estimated cost was \$18 million which was split over these three funds due to the fact that both water and sewer functions would share the facility and occur from that location.

Councilor Lauterborn questioned the percentages from the water and sewer funds and felt that 50% between the two funds seemed an excessive share for the new DPW facility. Councilor Keans agreed and asserted that the burden is being put on a limited number of residents; not every resident of Rochester is on City water or sewer. Councilor Varney acknowledged that these percentages may need to be adjusted, but asked if there could be a more scientific approach to determining the percentages such as parcels served or breakdown of the proposed DPW budget per function.

Deputy Finance Director Sullivan reported that the City has approximately 7500 water customers and approximately 5800 sewer customers, and an indeterminate amount of customers who receive both services. There are just over 13,000 parcels receiving these services.

Director of City Service Peter Nourse stated that although he was not the director when the breakdown of percentages was established, he believed it had been done based on principal; splitting the percentages between the department’s three essential functions. Director Nourse stated he would look into it further to determine how they had arrived upon the percentages.

Deputy Finance Director Sullivan stated he would meet with the UAB on Monday, November 18 and update them on the suggested changes and discuss the numbers.

3.2 Establishing City Capital Reserve Accounts-discussion

Deputy City Manager Katie Ambrose gave examples of types of purchases which could potentially be handled through a capital reserve fund and how the use of such a fund could help stabilize the funding for these large purchases. Deputy Manager Ambrose also supplied averages of what would be appropriated.

Deputy City Manager Ambrose stated that she had met with the Trustees of the Trust Fund to get a better idea of what fees would look like on such a fund. The fees are dependent on the amount deposited and well as the length of time in which the funds remain in the account. She indicated that the City would benefit most from depositing a large amount up front and continuing to deposit smaller amounts ongoing. She stated that it is possible to set up the fund so that the fees and interest would offset.

It was indicated that the fund could be set up in such a way that City Council approval would be required for appropriations as well as the expenditures.

Councilor Varney stated that he is not opposed to the idea of a Capital Reserve Fund and believes that this type of fund can work well; but at this time and in the near future he doesn’t believe Rochester

is in a position to put away a large sum of money to start such a fund.

Deputy Finance Director Sullivan outlined the proposed amounts of funds to be expended to each account if the Capital Reserve fund were to be adopted.

There was a discussion of the interest rate of the undesignated fund balance, which is just under 2%, versus the fee structure through the Charter Trust if a Capital Reserve Fund is established. Deputy Finance Director Sullivan indicated that if it is communicated up front that the funds will not be accessed for 3-5 years, the Charter Trust will invest the funds in longer term instruments, and the interest would offset any fees accrued.

There was a discussion in Committee regarding how the budgetary process works for high value items currently versus the way it would take place with a Capital Reserve Fund.

Councilor Gray stated he felt it was a sound financial decision to set up a singular fund to plan for larger purchases such as equipment or vehicles through the Fire Department or DPW; but he did not feel it was a good choice to set up multiple Capital Reserve Funds.

The sense of the Committee was that, as presented, they could not support the establishment of Capital Reserve Funds at this time. The decision was made to keep the issue in Committee indefinitely.

4. New Business

4.1 Dispatch Upgrade project-Deputy Chief Boudreau-discussion

Deputy Chief Boudreau gave a brief overview of the history of the dispatch center upgrade and the project to replace all the radio infrastructure for Rochester police and fire. The initial projected cost of the entire project was \$1.3 million, which was prior to any design work, contracts, or extensive planning.

Deputy Chief Boudreau indicated that since that time, the department has identified areas where they are lacking in coverage and areas where there has been growth and where additional equipment would be beneficial. It made sense to add a radio tower at the site of the new Department of Public Works to give coverage to the northern part of the City.

Deputy Chief Boudreau outlined ways in which the department was able to save money on the project, but reported that there was still not enough money in the initial \$1.3 million projected cost to complete the project, due in part to the DPW radio tower and switching the fire department from an analog radio system to a digital system. He estimated the department is approximately \$250,000 short of completing the project.

Councilor Varney asked if this was a bonded project and if the request was to increase the bond. It was confirmed that this is a bonded project and the request is a bond increase.

Mayor McCarley indicated that there would be further discussion on this matter included with the next agenda item.

4.2 Use of General Fund Unassigned Fund Balance

Mayor McCarley directed the Committee to a list of CIP bonded projects which are being recommended for a change in funding to the Unassigned Fund Balance.

Deputy City Manager Ambrose explained the information included in the chart and directed the committee to the interest saved by changing the funding of these bonded projects to cash.

Councilor Gray asked if the anticipated Unassigned Fund Balance of 21.5% of the General Fund expenditures included the \$600,000 from the State and what portion of funds being returned from the school is included in that percentage. Deputy Finance Director Sullivan directed the Committee to the portion of the chart in which these funds were accounted.

There was a discussion in Committee regarding how the calculations were made to determine how much above the 8%-17% identified by the City ordinance the Unassigned Fund Balance would be prior to the recommended funding changes.

Councilor Walker **MOVED** to spend Undesignated Fund Balance in the amount of \$4,371,020 to pay down debt service related to the project list supplied. Councilor Lauterborn seconded the motion. The **MOTION CARRIED** by a unanimous voice vote.

Addendum A: List of Proposed projects for funding change

5. Reports from Finance & Administration

5.1 Monthly Financial Report Summaries October 31 2019

5.1 (a) October 31, 2019 Revenues

5.1 (b) October 31, 2019 Expenses

No Discussion.

6. Other

No Discussion.

7. Adjournment

Councilor Walker **MOVED** to **ADJOURN** the Finance Committee Meeting at 8:03 PM. Councilor Torr seconded the motion. The **MOTION CARRIED** by a unanimous voice vote.

Respectfully Submitted,

Cassie Givara
Deputy City Clerk

Projects Recommended for Change of Funding

Rank	Entity	Org	Object	Project	Account Name	Amount	Note	Est. Annual P&I	Interest Saved
1	1 City	15011090	772000	16559	City Hall Annex Project	56,317.09	Partially Bonded - remaining likely taxable		
1	1 City	15011090	772000	17551	Community Center Facility Renovation	68,356.00	Amount not yet bonded - may be taxable		
1	1 City	15013010	772000	16522	EPA MS4 Stormwater Permit	147,836.94	Amount not yet bonded - may be taxable		
1	1 City	15011020	773800	16504	Employee Time and Attendance	50,000.00	Kronos software & implementation		
1	1 City	15013010	771000	16533	Woodman Myrtle Area Reconstruction	22,466.48	Partially Bonded		
1	1 City	15013010	771000	17579	Dewey Street Pedestrian Bridge	29,713.48	Partially Bonded		
1	1 City	15013010	771000	18524	Corrective Drainage	33,644.53	Partially Bonded		
					Sub-Total City-Rank 1	408,334.52	10 Year Amortization 3% Interest	\$62,834	\$67,375
1	3 Water	55016010	771000	13523	Berry River Dam Construction	196,022.00	Partially Bonded		
1	3 Water	55016010	771000	13551	EDA Salmon Falls Rd NH Rte 125	105,519.36	Partially Bonded		
1	3 Water	55016010	771000	16533	Woodman Myrtle Area Reconstruction	21,523.00	Partially Bonded		
1	3 Water	55016010	771000	16536	Groundwater Development	35,834.26	Partially Bonded		
1	4 Sewer	55026020	772000	13551	EDA Salmon Falls Rd NH Rte 125	397,311.81	Partially Bonded		
1	4 Sewer	55026020	771000	16533	Woodman Myrtle Area Reconstruction	22,466.50	Partially Bonded		
1	4 Sewer	55026020	772000	14530	Wastewater Interceptor Upgrade	129,652.07	Partially Bonded		
					Sub Total Water-Sewer-Rank 1	908,329.00	10 Year Amortization 3% Interest	\$120,470	\$152,904
1	2 School	15019000	743000	16105	SHS Sprinkler Upgrades	427,545.19	Amount not yet bonded - may be taxable		
1	2 School	15019000	743000	17105	SHS Sprinkler/Alarm Upgrades	642,401.42	Amount not yet bonded - may be taxable		
1	2 School	15019000	743000	17104	Roof Upgrade	92,324.52	Amount not yet bonded		
1	2 School	15019000	743000	18101	Stage Rigging	27,301.39	Amount not yet bonded		
1	2 School	15019000	773500	18401	Café Tables	44,783.51	Amount not yet bonded		
					Sub-Total School-Rank 1	1,234,356.03	10 Year Amortization 3% Interest	\$160,466	\$203,669
					ALL TOTALS RANK 1	2,551,019.55	10 Year Amortization 3% Interest	\$343,770	\$423,948
					NEW PROJECTS				
1a	City				Dispatch Project	250,000	10 Year Amortization 3% Interest	\$32,500	
1a	City				CTE Renovation-Additional Equipment	270,000	10 Year Amortization 3% Interest	\$65,000	
1a	City				Pavement Rehabilitation	1,300,000	Cash	\$0	
					Sub-Total New Projects	1,820,000.00		\$97,500	\$85,800
					Total Recommended	\$4,371,020		\$441,270	\$509,748

					RECAP-UNASSIGNED FUND BALANCE			
				A	UNASSIGNED FUND BALANCE RECONCILIATION	AMOUNT		
					Jun-18 MS-535-Unassigned Fund Bal	16,796,293		
					FYE19 Unassigned Fund Bal-Est. Increase	4,734,317		
					MS-535 Est. Unassigned Fund Balance-Total	21,530,610		
					FYE19 Unassigned Fund Balance Percentage	21.50%		
					Maximum Per Ordinance	17.00%		
					Unassigned Balance Amount Exceeding 17%	\$4,509,334		
				B	FY20 COUNCIL COMMITTED			
					FY20 Council Committed	(\$2,959,966)		
					11-6-19 Supplemental Downtown Revitalization	(\$300,000)		
					Unassigned Balance Exceeding 17%-Bal	\$1,249,368	Unassigned from less already committed	
				C	FY20 ANTICIPATED OTHER REVENUE ADDITIONS			
					Add-WM Host Fees-School	\$878,127	FY20 Amount School will not need	
					Add-Municipal Aid	\$686,077	Municipal Aid to City	
					FY20 Anticipated Other Revenue Additions	\$1,564,204		
				D	Unassigned Balance Exceeding 17%-Bal (B+C)	\$2,813,572		
				E	Additional FB to meet recommendations	\$1,557,448		
				F	REVISED UNASSIGNED FUND BALANCE RECONCILIATION			
					Estimated FYE19 Unassigned Fund Balance	\$21,530,609		
					FY20 Council Committed/Assigned	(\$3,259,966)		
					FY20 Recommended Use of Unassigned Fund Bal	(\$4,371,020)		
					FY20 -ADD WM Host Fees-School	\$878,127		
					FY20-ADD Municipal Aid	\$686,077		
					Revised Est. Unassigned Fund Balance	\$15,463,827		
					Estimated percentage	15.50%		