

CITY OF ROCHESTER
NOTICE of PUBLIC MEETING:
FINANCE COMMITTEE

Meeting Information

Date: October 9, 2018
Time: 7:00 P.M.
Location: City Council Chambers
31 Wakefield Street
Rochester, New Hampshire

Agenda

1. Call to Order
2. Public Input
3. Unfinished Business
4. New Business
 - 4.1 RHA Offer to Sell 59 Columbus Avenue – Stacey Price P. 3
 - 4.2 Rochester School Department – FY20 Budget Guidance – Mike Hopkins P. 7
 - 4.3 Water and Sewer Working Capital Analysis – Mark Sullivan P.9
 - 4.4 Water and Sewer User Rate Methodology – Mark Sullivan P. 11
 - 4.5 Granite State Business Park Water Loop Project – Peter Nourse P. 15
 - 4.6 Standardizing Fire Department Fleet – Mark Klose P. 17
5. Reports from Interim Director of Finance & Administration
 - 5.1 Update on FYE18 Estimated G/F Unassigned Fund Balance P. 19
 - 5.2 Standard & Poors Rating Agency Report and Comments P. 21
 - 5.3 Report on August 21st Bond Sale & Resulting TIC Rate P. 29
 - 5.4 Report on Tax Deeded Property P. 31
 - 5.5 Report on Sale of City Property P. 33
 - 5.6 Monthly Financial Report P. 35
6. Other
7. Adjournment

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Finance Committee

FINANCE COMMITTEE

Agenda Item #4.1

10/04/2018

Agenda Item Name: RHA Offer to Sell 59 Columbus Avenue

Date Submitted: September 4, 2018

Name of Person Submitting Item: Stacey Price, RHA

E-mail Address: Staceyp@rhanh.org

Meeting Date Requested: October 9, 2018

Issue Summary Statement:

The Rochester Housing Authority has notified the City that it would be interested in selling the property located at 59 Columbus Avenue. The City Assessing Department's Property Record Card is attached. The RHA is seeking a selling price of \$125,000. The RHA has invested approximately \$150,000 in the property over the years and has indicated that the structure does need to be rehabilitated.

Recommended Action:

None.

Town of Rochester, NH



CAI Technologies



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Finance Committee

FINANCE COMMITTEE

Agenda Item #4.2

10/04/2018

Agenda Item Name: Rochester School Department – FY2020 Budget Guidance

Date Submitted: September 20, 2018

Name of Person Submitting Item: Mike Hopkins, Superintendent

E-mail Address: hopkins.m@rochesterschools.com

Meeting Date Requested: October 9, 2018

Issue Summary Statement: Superintendent Hopkins will appear to seek guidance from the City Council regarding how to approach building his FY2020 budget vis-à-vis Waste Management Host Community Fee Revenues.

Recommended Action: None.

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Finance Committee

FINANCE COMMITTEE

Agenda Item #4.3

10/04/2018

Agenda Item Name: Water-Sewer Fund Working Capital & Cash Equivalents

Date Submitted: October 1, 2018

Name of Person Submitting Item: Mark Sullivan

E-mail Address: mark.sullivan@rochesternh.net

Meeting Date Requested: October 9, 2018

Issue Summary Statement: Present FYE17 results and forecasts for FY18 –FY19

Recommended Action: None.



City of Rochester, New Hampshire

Office of Finance and Administration

31 Wakefield Street • Rochester, NH 03867-1917

(603) 335-7609 Fax (603) 332-7589

October 1, 2018

To: Mayor McCarley & Finance Committee Members

Fm: Mark Sullivan-Finance

The fiscal year end 2017 (FYE17) Working Capital, and Cash & Equivalents balances for the Water and Sewer funds ended in strong positions, and are as follows;

Water Fund FYE17 audited Working Capital- \$732,482.

Water Fund FYE17 audited Cash and Equivalents-\$1,637,639.

Sewer Fund's FYE17 audited Working Capital- \$ 2,898,881.

Sewer Fund's FYE17 audited Cash and Equivalents -\$4,671,518.

The Working Capital is an operational ratio of current assets over current liabilities. The ratio is a measurement of the short- term financial position, and indicates if short-term liabilities can be easily satisfied. The ratio also identifies if any short term surplus funds exist, which can finance projects without impact to the user rate. The ideal ratio is for every \$2.00 in current assets there is only \$1.00 in current liabilities. The Cash and Equivalent balances represents the overall liquid balance of the funds. FYE17 Water Fund's ratio was \$1.32, and Sewer Fund's ratio was \$1.84.

FYE18 is going to experience a swing in the Working Capital and Cash & Equivalents balances, and both funds will be in negative positions. FYE18 Cash & Equivalents balance for Water Fund is estimated to be a negative \$646,000, and Sewer Fund is estimate to be a negative \$ 2 million to \$3 million. However, this is not bad news as it only represents the position of funds prior to the next bond issue.

However, FYE19 is also anticipated to have negative Cash & Equivalent balances in both funds. Reason being FYE18 realized larger capitalization from completed projects than amounts submitted for the FY19 bond issue. As a result, the funds will not experience positive cash balances until the following bond cycle in FY20. Typically, we only experience one year of negative cash & equivalent balance before a bond issue.

The use of cash funding CIP projects during FY19 & FY20 is not too much of a concern as long as the amounts remain reasonable. In FY20 cash & equivalent balances will be restored back to approximately \$1M in Water Fund, and \$3M in Sewer Fund.

FINANCE COMMITTEE

Agenda Item #4.4

10/04/2018

Agenda Item Name: Water-Sewer Fund User Billing Format

Date Submitted: October 1, 2018

Name of Person Submitting Item: Mark Sullivan

E-mail Address: mark.sullivan@rochesternh.net

Meeting Date Requested: October 9, 2018

Issue Summary Statement: Discussion on Water-Sewer billing format. Seeking direction to either move forward or table.

Recommended Action:



City of Rochester, New Hampshire

Office of Finance and Administration

31 Wakefield Street • Rochester, NH 03867-1917

(603) 335-7609 Fax (603) 332-7589

October 1, 2018

To: Mayor McCarley & Finance Committee Members

Fm: Mark Sullivan-Finance

Considering Change in User Rate Billing Methodology:

In 2016 previous Director of City Services, Mr. Storer, began plans for modifying the utility billing structure. The change would implement a flat rate component to all accounts based on meter size. The user rate would then be based on a flat rate, plus a volumetric rate for all units consumed. Reasoning was belief overhead related to debt service is not distributed equitably. The project was not completed, and subject resurfaced recently. The topic was briefly discussed with Director of City Services Mr. Nourse, and the Utility Advisor Board. Consensus is a more compelling reason needs to support the change.

A preliminary analysis of the August-18 quarterly water billing was performed in order to understand the relationship in usage within various class codes. In August-18 (2,101) water accounts billed under the residential and elderly classifications, and (282) water accounts billed under the commercial and industrial classification were reviewed. The residential classification includes single family, multi-family, apartments, and condos. The results are as follows;

Residential & Elderly classification- Median-16, Average-24

48% of accounts (1,008) were above the median and generated 80% of revenue.

52% of accounts (1,093) were at, or below, median and generated 20% of revenue.

(Note: multiple accounts exist at the median)

Residential & Elderly classification: Minimum Bill 0-3 units (Included in Median).

7.5% of accounts (159) were at the minimum bill threshold, and generated 1% of total revenue.

Commercial and Industrial classifications-Median-51, Average-123

47% of accounts (134) were above the median and generated 93% of the revenue.

53% of accounts (148) were at, or below, the median and generated 7% of the revenue.

Commercial and Industrial classifications-: Minimum Bill 0-3 units (Included in Median)

12.8% of accounts (36) were at the minimum bill, and generated less than 1% of total revenue.

10/04/2018
In the sample approximately 48% of the account base is generating 80% of the revenues. The equitable distribution view is that capital infrastructure is shared by all customers, and certain overhead costs should be evenly distributed. Moreover, the system is a closed market owned by the users with no alternatives for either the supplier, or consumer. These aspects support the equitable distribution view. However, in a pay for what is used method all costs are built into a uniform rate. Customers only pay for what is used, which can also be viewed as satisfying the equitable distribution argument. Does the pay for what is used system satisfying the way the City of Rochester views equitable distribution of costs ? The direction being sought is either proceed with exploration of alternative billing methods, or table the topic.

Current User Rate Methodology:

Currently water and sewer users are billed on a uniform, or volumetric, basis, with a minimum usage threshold. The minimum bill for water is currently set at \$21.09, and applies to quarterly usage less than or equal to 3 units per quarter. All other users with quarterly consumption greater than 3 units a billed on a 100% volumetric basis. The costs of plant operations, service activities, system maintenance, and debt service are all built into the user rates. In both water and sewer funds the user rates are developed on a cash needs basis. In both funds approximately 50% of the user rate is debt service, 23% is plant operations, and 27% is related to all other general overhead and service activities. Below are brief examples of common billing formats, each has a slightly different philosophical approach.

- A) Minimum Charges-Volumetric:** The minimum charge includes an allowance for a set amount of initial water units. The minimum is the amount that is billed when the actual consumed units are less than the minimum threshold. Once the minimum is met all of the units are billed at the volumetric rate. This is the methodology that our Water and Sewer Funds currently utilize, and our minimum unit threshold is 3 units for water, and 4 units for sewer.
- B) Fixed/Flat Rate + Volumetric:** This billing methodology proportionally distributes specific overhead portions, typically capital costs/ debt service, across all users. An initial flat rate fee is assessed by meter size. A reduced volumetric user fee accounts for plant operations and all other overhead. This is the method former City Services Director Storer was considering implementing, and it would be applied to both water and sewer.
- C) Inclining Block Rate:** This methodology assigns various tiers to quarterly usage, and can have a flat rate component. A minimum tier is set and usage beyond the minimum is assessed at higher user rates, and there can be multiple tiers. This method is typically implemented to encourage water conservation, or when a water or sewer plant is nearing its production/processing capacity and seeks to reduce demands.
- D) Declining Block Rate:** This methodology is the opposite of the Inclining Block Rate method, and pricing tiers step down at higher volumes. The method also assures industrial high volume users receive a price that reflects the cost to supply. It also provides high volume users with an incentive to stay connected to public water and not utilize private wells. Economies of scale are realized as the overall costs of producing larger volumes of water are reduced. Best suited in areas with abundant water supplies. Requires precise analysis in order to assure the declining rates are set appropriately.

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Finance Committee

Agenda Item #4.5

Agenda Item Name: Granite State Business Park (GSBP) Water Line Extension (Loop)

Date Submitted: October 1, 2018



Name of Person Submitting Item: Peter C Nourse, PE – Director of Community Services

E-mail Address: peter.nourse@rochesternh.net

Meeting Date Requested: October 9, 2018

Issue Summary Statement: The funding of the GSBP Water Main Extension Project has been referred to the Finance Committee to discuss funding options. City Staff had requested GWDW Trust Funds and the project did not make it for funding.

Recommended Action: Recommendation for funding 1.6 million estimated construction costs. Below excerpt taken from Public Works Committee Minutes

“Granite State Business Park (GSBP) Water Loop - Mr. Nourse stated that this project is one of two projects that the City submitted for the trust fund grants. He stated that this was one of 88 submissions and that there were 19 project that were granted some level of funding. He stated that this project was not selected. Mr. Nourse advised that currently the design has been funded for this 1.6 million dollar construction project and he stated that staff will proceed with that design, as it is necessary to market the City owned properties. He also stated that a recent planned sale was lost due to the insufficient water. Mr. Nourse explained that the he has discussed the funding with the staff accountant, and he has been advised that this TIF District could support a 1 million dollar project and as much as a 1.3 million dollar project if the TIF is allowed to go slightly into the negative until the end of the bond. The 1.3 million scenario assumes \$300,000 in additional funding, which would be one property sale within the 10-year bond Cycle. Assuming the one sale, the fund would go back into the positive in the last year of the 10 year bond. Mr. Nourse stated that there are other options for the funding short fall and listed the water fund retained earnings, the economic development funds, and the general fund that would be paid back with any land sale that might happen while in the design is process or in the future. Mr. Cox summarized the issue and stated that staff will proceed with the design and continue to explore options for the six hundred thousand shortfall. Councilor Walker asked if there were other options

for funding. Mr. Cox mentioned that marketing the properties is difficult due to the water issues and Mr. Cox re-stated Mr. Nourse's summary including the Economic Development Fund from Host Fees, the Water Fund Retained Earning, or a transfer from the General Fund might be used. Councilor Walker stated that he is not in favor of the TIF running in the negative. Councilor Keans asked if the front lots along Rt108 in the industrial park would also require the water line extension to be in place. Mr. Cox stated that yes, the water line extension is necessary for development of those lots as well. Mr. Nourse confirmed Mr. Cox's answer. Councilor Varney suggested that this issue go to Finance Committee to explore funding options."

Councilor Walker made a motion to recommend that the full City Council send the funding of the Water Loop Project at the GSBP to the Finance Committee for

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Public Works and Building Committee

September 20, 2018

discussion. Councilor Hamman seconded the motion. The motion passed unanimously.

FINANCE COMMITTEE

Agenda Item #4.6

10/04/2018

Agenda Item Name: Rochester Fire Department. Toyne Fire Apparatus

Date Submitted: September 21, 2018

Name of Person Submitting Item: Mark Klose, Fire Chief

E-mail Address: mark.klose@rochesternh.net

Meeting Date Requested: October 9, 2018

Issue Summary Statement: The Fire Department is seeking City Council Approval to have Toyne Fire Apparatus as the primary fire apparatus for the Rochester Fire Department. The Fire Department currently has two Toyne fire apparatus, an Engine and a Tanker, with an engine on order for FY19.

This would be in line with Public Works as they have chosen Mack for their large apparatus.

Recommended Action: City Council approval to allow the Rochester Fire Department to have Toyne Fire Apparatus be the approved apparatus for the FD.

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Finance Committee

FY18 Use of General Fund Unassigned Fund Balance

#5.1

Description	Date	City & County	School	Subtotal
FY18 Adopted Budget	06/21/2016	1,262,981.00	-	1,262,981.00
Acquisition - 38 Hanson Street	08/01/2017	500,000.00	-	500,000.00
Buxton Contract Renewal	09/05/2017	40,000.00	-	40,000.00
Forest Park Drive Project 15550	09/05/2017	900.00	-	900.00
Comm Ctr Interior Exterior Securty Cameras	10/03/2017	20,646.00	-	20,646.00
Olde Farm Lane Lighting Project 18551	10/03/2017	150,000.00	-	150,000.00
School O&M Special Ed Expenditures	03/06/2018	-	1,200,000.00	1,200,000.00
School Bldg Capital Reserve Fund	03/06/2018	-	173,504.00	173,504.00
Gonic School Roof Trusses	03/06/2018	-	819,835.00	819,835.00
Arena LED Lighting	03/06/2018	60,000.00	-	60,000.00
		-	-	-
FY18 Use of GF Unassigned Fund Balance		2,034,527.00	2,193,339.00	4,227,866.00

Beginning Balance 06/30/2017 (MS-535)				16,796,293.00
FY18 Estimated Expenditures	6/30/2018	38,728,684.05	60,663,896.54	99,392,580.59
FY18 Estimated Revenues	6/30/2018	40,633,824.59	60,334,963.51	100,968,788.10
Increase(Decrease) Unassigned Fund Balance		1,905,140.54	(328,933.03)	1,576,207.51
Ending Balance 06/30/2018 (Estimated)				18,372,500.51

% of Total FY18 General Fund Expenditures (Revised Bdgt)	39,263,520.00	61,807,020.00	18%
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Finance Committee

RatingsDirect®

Summary:

Rochester, New Hampshire; General Obligation

Primary Credit Analyst:

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Christian Richards, Boston (1) 617-530-8325; christian.richards@spglobal.com

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Rationale

Outlook

Related Research

Summary:**Rochester, New Hampshire; General Obligation**

Credit Profile		
US\$8.68 mil GO bonds ser 2018 due 06/30/2038		
<i>Long Term Rating</i>	AA/Stable	New
Rochester GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AA' rating to Rochester, N.H.'s series 2018 general obligation (GO) bonds and affirmed its 'AA' rating on the city's existing GO debt. The outlook is stable.

Rochester's full-faith-and-credit-GO pledge secures the bonds. Officials intend to use series bond proceeds towards various capital improvement projects.

The rating reflects our opinion of the city's:

- Strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Strong budgetary performance, with a slight operating surplus in the general fund and an operating surplus at the total governmental fund level in fiscal 2017;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2017 of 19% of operating expenditures;
- Very strong liquidity, with total government available cash at 43.6% of total governmental fund expenditures and 6.4x governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges at 6.8% of expenditures and net direct debt that is 62.8% of total governmental fund revenue, as well as low overall net debt at less than 3% of market value and rapid amortization, with 75.4% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

Strong economy

We consider Rochester's economy strong. The city, with an estimated population of 30,406, in southeastern New Hampshire's Strafford County, is the second-largest city in the state's seacoast region. It encompasses more than 46 square miles of rolling hills and rivers, 40 miles east of Manchester, 50 miles from Portland, Me., and 70 miles northeast of Boston. It is in the Boston-Cambridge-Newton MSA, which we consider to be broad and diverse. The city has a projected per capita effective buying income of 93.6% of the national level and per capita market value of \$81,325. Overall, market value grew by 3.9% over the past year to \$2.5 billion in 2018. The county unemployment rate was 2.4% in 2017.

Major employers include Frisbie Memorial Hospital, the school department, Market Basket, and Albany Engineered Composites.

The city maintains a mix of industrial and commercial development with various business parks for business of all types and sizes. This includes Granite State Business Park, a 450-acre multiuse industrial high-technology park which houses more than 1,300 skilled employees at several major companies, including Safran Aerospace Composites, Albany International Inc., and NCS Global. Albany International and Safran also completed a 345,000-square-foot manufacturing facility for composite material aerospace components and have secured a new 20-year contract with Boeing for the production of components for a new engine, which is expected to create new employment opportunities. The city also has 47 additional acres and is planning to acquire more for expansion of the park.

Rochester's downtown area has also seen expansion with new restaurants, retail, and other businesses opening up within the last few years. The city plans to encourage further development and private investments downtown with improvements to infrastructure, diversifying the housing market in the area, and providing more amenities and recreational opportunities to attract more businesses and residential developers.

The city's residential and commercial sector also continues to see expansion across different areas. This includes the recent completion of The Village at Clark Brook, a 144-unit apartment complex with additional single-family homes and duplexes expected, and Highfield Commons, a single-family and townhouse subdivision that is currently in different phases of construction. The city's Granite Ridge Development District is also at different phases of construction which will allow for additional commercial development.

Strong management

We view the city's management as strong, with good financial policies and practices under our FMA methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

Highlights include management's conservative assumptions and three- to five-year historical trend analysis when budgeting for revenue and expenditures. Management reports budget-to-actual results to the city council monthly. In addition, the city has a formal investment policy; it reports holdings to the city council at least annually. Rochester also has a formal five-year capital improvement plan (CIP), with identified funding sources for projects that management updates annually.

The city, however, does not have a formal debt management policy. In addition, it does not conduct any long-term financial planning. The council approved a reserve and liquidity policy that calls for the maintenance of a minimum of 8% of expenditures and a maximum of 17% of expenditures in unassigned fund balance reserves. Should reserves decline below 8% of expenditures, the city manager will develop a plan to replenish shortages for the council's approval. Should reserve balance exceed 17%, the city will consider such fund balance surpluses for one-time expenditures that will not require additional expenses.

Strong budgetary performance

Rochester's budgetary performance is strong, in our opinion. The city had slight surplus operating results in the general fund of 0.8% of expenditures, and surplus results across all governmental funds of 4.0% in fiscal 2017. General fund

operating results of the city have been stable over the last three years, with results of 1.8% in 2016 and 2.1% in 2015.

We adjusted fiscal 2017 audited operating results for recurring transfers and one time capital expenditures paid for with bond proceeds. According to management, the city's positive performance was primarily due to higher-than-expected revenue and expenditures coming in on budget. In particular, the city had favorable variances in motor vehicle permits and host community fee revenues.

For fiscal 2018, while results have not been finalized, the city estimates to have ended with a drawdown of about \$1.8 million, mainly due to higher-than-budgeted school expenditures, specifically special education costs. In the past, officials indicate the city and school department have not worked as closely in the past in relation to budget updates and management between both entities. From now on, the city plans to increase collaboration and budget oversight with the school department to better manage the budgets throughout the year.

The fiscal 2019 budget totals \$95.2 million, representing a less-than-1% increase over the prior year and includes a \$1.3 million fund balance appropriation, which it has done historically. The city also approved an override of its local tax cap by more than \$1.71 million for its fiscal 2019 budget for school department costs. While we expect the budget to remain stable, should final fiscal 2018 results represent a general fund deficit of more than 1%, we could lower our assessment of the city's budgetary performance.

Property taxes generate 51% of general fund revenue with intergovernmental revenue accounting for 33%. Collections have averaged 99% over the past three years.

Very strong budgetary flexibility

Rochester's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2017 of 19% of operating expenditures, or \$16.6 million.

The city has improved reserves over the past three years through consistent positive financial performance. However, for fiscal 2018, although results have not been finalized, it projects to have ended with a \$1.8 million drawdown on reserves due to higher-than-budgeted school costs. The city also appropriated about \$1.3 million in fund balance toward the budget, which it has done historically. While we expect available reserves to remain very strong if these estimated figures remain consistent, should available reserves decrease below 15% of expenditures, we could change our assessment of its budgetary flexibility to strong.

In fiscal 2008, residents approved an amendment to the city charter to limit annual budget increases the council could override with a two-thirds majority vote. We understand the city elected to override the tax cap by about \$1.7 million for school-related costs. The city also has a formal reserve policy of maintaining unassigned fund balance between 8%-17% of expenditures, which it adheres to.

Very strong liquidity

In our opinion, Rochester's liquidity is very strong, with total government available cash at 43.6% of total governmental fund expenditures and 6.4x governmental debt service in 2017. In our view, the city has strong access to external liquidity if necessary.

Rochester's issuance of GO bonds and bond anticipation notes during the past 20 years demonstrates its strong

external liquidity. The city does not currently have any contingent liquidity risks from financial instruments with payment provisions that change on the occurrence of certain events. Its series 2016 GO bonds are privately placed with TD Bank N.A., and have a current outstanding balance of \$8.2 million. Its series 2007 GO bonds are also privately placed with Bank of America N.A., and have a current outstanding balance of \$1.2 million. However, based on a review of the documents, there are no adverse covenants or rating triggers and we consider the likelihood of principal acceleration remote. For these reasons, available cash remains, in our view, very strong and stable; therefore, we expect the liquidity profile will not change over the next two fiscal years.

Strong debt and contingent liability profile

In our view, Rochester's debt and contingent liability profile is very strong. Total governmental fund debt service is 6.8% of total governmental fund expenditures, and net direct debt is 62.8% of total governmental fund revenue. Overall net debt is low at 2.6% of market value, and approximately 75.4% of the direct debt is scheduled to be repaid within 10 years, which are, in our view, positive credit factors.

Following the current issue, Rochester will have approximately \$98 million of total direct debt outstanding. Over the next two years, officials expect to issue about \$48 million as part of its CIP with the majority intended to fund water- and sewer-related projects which are expected to be fully self-supported through user fees. We also do not expect new financing to have a material effect on the city's debt profile.

In our opinion, a credit weakness is Rochester's large pension and other postemployment benefit (OPEB) obligation. Rochester's combined required pension and actual OPEB contributions totaled 6.9% of total governmental fund expenditures in 2017. The city made its full annual required pension contribution in 2017.

Rochester participates New Hampshire Retirement System for pensions, a cost-sharing, multiple-employer, defined-benefit retirement system. Using updated reporting standards in accordance with Governmental Accounting Standards Board Statement nos. 67 and 68, the city's share of the unfunded liability was about \$87.6 million with 58% funded as of fiscal 2017 based on an assumed rate of return of 7.25%. We believe this low funding ratio is a result of numerous years of underfunding, aggressive assumptions, and weak market performance. Due to the low funded ratio, we believe contributions will continue to rise over the next few fiscal years. While the costs remain manageable, we believe the city has limited ability to control future growth of pension liabilities. In addition, we believe its large proportionate share of its pension liability and low funded ratio could pressure the budget in the long term.

The city offers OPEBs through an implicit rate subsidy. It does not generally pay for health care and life insurance benefits for retirees or their dependents or survivors. However, retirees could purchase health care and life insurance benefits at the city's group plan rates.

Strong institutional framework

The institutional framework score for New Hampshire municipalities is strong.

Outlook

The stable outlook reflects what S&P Global Ratings views as Rochester's very strong flexibility and liquidity supported by historically strong budgetary performance, and strong management conditions. Although we expect finances to

remain somewhat pressured in the short term, we expect management to continue to make the necessary budgetary adjustments to maintain, at least, strong reserve levels. Therefore, we do not expect to change the rating over the next two years.

Downside scenario

Although unlikely, should the city experience continuous negative financial results, leading to decreases in available reserves, we could lower the rating.

Upside scenario

Should economic indicators improve to levels comparable with those of higher rated peers while increasing available reserves through strong budgetary performance and managing its increasing retirement costs, we could raise the rating.

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Incorporating GASB 67 And 68: Evaluating Pension/OPEB Obligations Under Standard & Poor's U.S. Local Government GO Criteria, Sept. 2, 2015

Ratings Detail (As Of August 9, 2018)		
Rochester GO		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Rochester GO rfdg bnds		
<i>Long Term Rating</i>	AA/Stable	Affirmed

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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Finance Committee

PROPOSAL FOR BONDS – SERIES A

August 21, 2018

Roland E. Connors
 City of Rochester, New Hampshire
 31 Wakefield Street
 Rochester, NH 03867

Re: \$8,040,000 General Obligation Bonds, 2018 Series A of the City of Rochester, New Hampshire,
 Dated August 30, 2018

Dear Mr. Roland Connors:

Subject to the provisions and in accordance with the terms of the Notice of Sale dated August 10, 2018, which is hereby made a part of this proposal, we hereby offer to purchase all of the \$8,040,000 Series A Bonds of the City of Rochester described in said Notice of Sale, and to pay therefore the price of \$8,040,000 plus a premium of \$729,634.90 provided that the Series A Bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

Maturity August 15	Principal Amount	Interest Rate	Maturity August 15	Principal Amount	Interest Rate
2019	\$650,000	5.000%	2029	\$235,000	5.000%
2020	650,000	5.000	2030	235,000	3.000
2021	650,000	5.000	2031	235,000	3.000
2022	650,000	5.000	2032	235,000	3.000
2023	645,000	5.000	2033	235,000	3.125
2024	490,000	5.000	2034	235,000	3.125
2025	490,000	5.000	2035	235,000	3.250
2026	490,000	5.000	2036	235,000	3.250
2027	490,000	5.000	2037	235,000	3.250
2028	485,000	5.000	2038	235,000	3.375

We acknowledge receipt of the Preliminary Official Statement referred to in the Notice of Sale. The following is our computation of the true interest rate, computed on a true interest cost (TIC) basis, as provided in the above - mentioned Notice of Sale but not constituting any part of the foregoing proposal of the purchase of \$8,040,000 General Obligation Bonds, 2018 Series A under the foregoing proposal:

Interest: 2.7959%
 (to four decimal places)

Robert W. Baird & Co., Inc.

By: _____

Approved
 City of Rochester, New Hampshire

By: _____
 City of Rochester, New Hampshire

August 21, 2018

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Finance Committee

FY19 1000-114001 Tax Forclosure Account Reconciliation

Map	Lot	Block	Name	No.	Street	Deed Date	Principal	Interest	Utility Bill	Costs	Original Amount	Jul-2018 Balance	Aug-2018 Activity			Aug-2018 Balance	Note
													Add	Remove	Adjust		
0105	0020	0000	Royal Corson	0	Autumn Street (ER)	09/23/1993					545.53	545.53	-	-	-	545.53	
0141	0027	0000	Kane Gonic Brickyard	58	Pickering Road						112,319.02	112,319.02	-	-	-	112,319.02	
0141	0027	A000	Q-ten (combined with Map 141 Lot 27 Ap	58	Pickering Road	07/30/1996					9,604.10	9,604.10	-	-	-	9,604.10	
0211	0016	0000	G & A Enterprises Corp	141	Salmon Falls Road	05/26/2016					7,437.82	7,437.82	-	-	-	7,437.82	
0115	0008	0000	Rand Betty D & Welch Heidi M	5	Lois Street	07/14/2016					24,170.55	24,170.55	-	-	-	24,170.55	
0235	0030	0000	Donald Dusseault	82	Strafford Road	08/28/2017	11,205.76	8,391.03	-	26.49	19,623.28	19,623.28	-	-	-	19,623.28	
0203	0001	0024	Hamilton David E & Cassandra L	3	Atwood Street	10/18/2017	3,915.80	1,063.01	-	26.49	5,005.30	5,005.30	-	-	-	5,005.30	
0100	0010	0000	Spaulding Ave Industrial Complex LLC	20	Spaulding Ave	11/01/2017	2,389.00	87.18	-	-	2,476.18	2,476.18	-	-	-	2,476.18	
0201	0022	0000	Spaulding Ave Industrial Complex LLC	10	Spaulding Ave	11/01/2017	7,684.35	4,177.13	-	-	11,861.48	11,861.48	-	-	-	11,861.48	
0201	0023	0000	Spaulding Ave Industrial Complex LLC	20	Spaulding Ave	11/01/2017	463,159.54	407,551.93	-	34.69	870,746.16	810,746.16	-	(10,000.00)	-	800,746.16	Monthly Payment Per Court Decision
0201	0024	0000	Spaulding Ave Industrial Complex LLC		Milton Road	11/01/2017	1,797.34	410.91	-	-	2,208.25	2,208.25	-	-	-	2,208.25	
0201	0025	0000	Spaulding Ave Industrial Complex LLC	25	Spaulding Ave	11/01/2017	66,370.66	59,538.12	-	-	125,908.78	125,908.78	-	-	-	125,908.78	
0121	0010	0000	Akerman Heidi	12-14	North Main Street	11/21/2017	26,702.80	15,408.24	150.82	36.49	42,298.35	42,298.35	-	-	-	42,298.35	
0121	0185	0000	Patricia A Cameron	58	Maple Street	10/06/2017	30,390.86	28,576.41	149.49	26.49	59,143.25	59,143.25	-	-	-	59,143.25	
0235	0026	0000	Samuel Bagdon	70	Strafford Road	03/12/2018	39,938.49	27,791.22	-	-	67,729.71	67,729.71	-	-	-	67,729.71	
0136	0070	0011	Yee Family Revocable Trust	11	Bramber II	03/12/2018	34,637.27	36,596.40	-	-	71,233.67	71,233.67	-	-	-	71,233.67	
0222	0004	0119	Donna Hussey	9	Downfield Lane	07/25/2018	4,385.48	3,948.87	-	40.95	8,375.30	-	8,375.30	(8,375.30)	-	-	Redeemed 2018-08-24
0253	0065	0123	Shannon O'Brien	108	Briar Drive	07/25/2018	7,974.59	8,873.70	-	40.95	16,889.24	-	16,889.24	-	-	16,889.24	
0241	0004	0023	Doris Welch & Lois Dixon	23	Cleo Circle	07/25/2018	4,534.82	1,462.42	-	40.95	6,038.19	-	6,038.19	-	-	6,038.19	
											-	-	-	-	-	-	
											-	-	-	-	-	-	
			Totals								1,463,614.16	1,372,311.43	31,302.73	(18,375.30)	-	1,385,238.86	

Updated as of 09-25-2018

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Finance Committee

FY19 11081-405801 Sale of City Property[illegible]

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Finance Committee

Agenda Item #5.6

Agenda Item Name: Monthly Financial Statements Summary – as of September 30, 2018.

For the full detail report, click here: [September 30, 2018 Financials](#)

Revenues Summary – General Fund, Enterprise & Special Revenue Funds

ACCOUNT DESCRIPTION	REVISED REV	ACTUAL YTD REV	REMAIN REVENUE	% COLL
11011 ECONOMIC DEVELOPMENT REV	0	165.00	-165	100.0
11031 CITY CLERK REVENUE	113,210	29,621.45	83,589	26.2
11051 ASSESSORS REVENUES	0	75.50	-76	100.0
11061 BUSINESS OFFICE REVENUE	100,000	105,845.59	-5,846	105.8
11062 BUSINESS OFFICE REVENUE	1,000	0.00	1,000	0.0
11071 TAX COLLECTOR REVENUE	31,147,131	14,300,185.62	16,846,945	45.9
11081 GENERAL OVERHEAD REVENUE	3,826,605	811,922.61	3,014,682	21.2
11082 GENERAL OVERHEAD REVENUE	1,547,810	0.00	1,547,810	0.0
11101 PLANNING	16,250	7,412.69	8,837	45.6
11201 REV LEGAL OFFICE	50,000	12,508.00	37,492	25.0
12011 POLICE CITY REVENUE	277,850	93,005.47	184,845	33.5
12021 FIRE CITY REVENUE	23,000	21,677.00	1,323	94.2
12022 FIRE STATE REVENUE	52,668	0.00	52,668	0.0
12031 DISPATCH CENTER	60,290	59,354.91	935	98.4
12041 CODE ENFORCEMENT REVENUE	394,025	121,980.60	272,044	31.0
13011 PUBLIC WORKS REVENUE	33,700	10,225.30	23,475	30.3
13012 STATE HIGHWAY SUBSIDY	610,000	190,383.51	419,616	31.2
14011 WELFARE REVENUE	5,000	662.18	4,338	13.2
14021 RECREATION REVENUE	122,000	76,666.79	45,333	62.8
14031 LIBRARY REVENUE	16,050	2,760.57	13,289	17.2
1000 GENERAL FUND	38,396,589	15,844,453	22,552,136	37.6
ACCOUNT DESCRIPTION	REVISED REV	ACTUAL YTD REV	REMAIN REVENUE	% COLL
5001 WATER ENTERPRISE FUND	7,119,368	1,295,570.31	5,823,798	18.2
5002 SEWER ENTERPRISE FUND	8,819,805	1,401,644.50	7,418,161	15.9
5003 ARENA SPECIAL REVENUE	393,979	70,202.26	323,777	17.8
6000 COMMUNITY CENTER	841,000	145,028	695,972	17.2

Expense Summary – General Fund, Enterprise & Special Revenue Funds

ACCOUNT DESCRIPTION	REVISED BUDGET	YTD EXPENDED	ENCUMBRANCES	AVAIL BUDGET	% USED
11000051 CITY MANAGER	438,369	115,753.93	55,447.81	267,167	39.10
11012351 ECONOMIC DEVELOPMENT	480,918	166,929.23	70,770.39	243,218	49.40
11020050 MUNICIPAL INFORMATION	634,414	148,419.54	32,397.89	453,597	28.50
11030051 CITY CLERK	314,946	72,348.98	13,997.22	228,600	27.40
11040050 ELECTIONS	49,277	19,692.11	3,611.50	25,973	47.30
11050070 ASSESSORS	438,675	97,206.70	24,067.39	317,401	27.60
11060051 BUSINESS OFFICE	532,313	118,130.23	7,316.18	406,867	23.60
11063151 HUMAN RESOURCES	179,129	39,492.36	18,385.08	121,252	32.30
11070070 TAX COLLECTOR	352,603	89,337.97	3,828.63	259,436	26.40
11080050 GENERAL OVERHEAD	900,352	184,492.93	50,781.20	665,078	26.10
11090050 PB CITY WIDE 50	655,952	157,780.16	4,114.58	494,057	24.70
11090051 PB CITY HALL 51	60,635	14,377.93	24,697.95	21,559	64.40
11090052 PB OPERA HOUSE 52	44,815	10,465.88	11,116.97	23,232	48.20
11090054 PB CENTRAL FIRE 54	10,959	2,754.50	3,744.50	4,460	59.30
11090055 PB GONIC FIRE 55	10,544	3,255.81	4,026.10	3,262	69.10
11090056 PB LIBRARY 56	18,920	8,630.98	8,745.74	1,543	91.80
11090057 PB DPW GARAGE 57	11,874	4,903.95	5,229.50	1,741	85.30
11090059 PB ER FIRE STATION 59	750	80.96	142.75	526	29.80
11090061 PB HISTORICAL MUSEUM	1,440	120.50	1,119.50	200	86.10
11090063 PB HANSON POOL 63	5,005	955.00	-262.36	4,312	13.80
11090064 PB GONIC POOL 64	7,380	510.18	-115.03	6,985	5.40
11090065 PB EAST ROCHESTER POOL	2,650	447.79	-76.78	2,279	14.00
11090068 PB GROUNDS 68	9,285	2,095.32	878.84	6,311	32.00
11090069 PB DOWNTOWN 69	17,000	4,089.00	527.80	12,383	27.20
11090070 PB REVENUE BUILDING 7	22,170	5,648.21	7,047.12	9,475	57.30
11090071 PB PLAYGROUNDS 71	1,000	0.00	0.00	1,000	0.00
11090075 PB NEW POLICE STATION	21,160	6,421.44	7,864.65	6,874	67.50
11090077 PB OLD POLICE STATION	29,022	778.50	1,250.30	26,993	7.00
11102051 PLANNING	388,048	87,920.57	8,412.49	291,715	24.80
11200051 LEGAL OFFICE	562,815	121,909.66	3,786.25	437,119	22.30
12010053 PD ADMINISTRATIVE SER	1,906,242	654,706.52	106,514.57	1,145,021	39.90
12012453 PD PATROL SERVICES	4,825,062	979,620.15	11.00	3,845,431	20.30
12012553 PD SUPPORT SERVICES	413,351	89,137.74	0.00	324,213	21.60
12020054 FIRE DEPARTMENT	4,552,980	1,066,853.22	56,054.96	3,430,072	24.70
12020055 FIRE DEPT 55 GONIC SU	28,735	3,293.02	14,537.04	10,905	62.00
12020754 CALL FIRE	31,207	2,222.00	0.00	28,985	7.10
12023354 EMERGENCY MANAGEMENT	56,168	0.00	0.00	56,168	0.00
12030153 DISPATCH CENTER	746,982	185,567.32	3,195.48	558,219	25.30
12040051 CODE ENFORCEMENT	580,962	155,197.87	8,310.08	417,454	28.10
12050050 AMBULANCE	59,874	0.00	59,874.00	0	100.00
13010057 PUBLIC WORKS	2,131,690	485,713.80	559,019.78	1,086,956	49.00
13010957 WINTER MAINTENANCE	507,413	3,610.00	7,245.26	496,558	2.10
13020050 CITY LIGHTS	243,000	34,620.62	39,832.95	168,546	30.60
14010051 WELFARE	483,357	114,841.46	9,292.47	359,223	25.70
14022072 RECREATION ADMINISTRA	620,637	146,102.33	3,826.09	470,709	24.20
14022150 RECREATION PLAYGROUND	96,665	78,761.68	-1,047.78	18,951	80.40
14022250 RECREATION POOLS	81,025	67,366.48	-824.00	14,483	82.10
14030056 LIBRARY	1,233,378	317,301.88	72,680.08	843,396	31.60
15000051 COUNTY TAX	6,551,172	0.00	0.00	6,551,172	0.00
17010051 TRANSFERS/PAYMENTS DE	4,295,199	1,324,858.80	0.00	2,970,340	30.80
17030050 OVERLAY	92,256	38,412.16	0.00	53,844	41.60
17040051 TRANSFER TO CIP & OTH	2,656,814	2,656,814.06	0.00	0	100.00
1000 GENERAL FUND	38,396,589	9,889,951.43	1,311,376.14	27,195,261	29.20

Expense Summary – General Fund, Enterprise & Special Revenue Funds

ACCOUNT DESCRIPTION	REVISED BUDGET	YTD EXPENDED	ENCUMBRANCES	AVAIL BUDGET	% USED
5001 WATER ENTERPRISE FUND	7,119,368	1,582,297.59	172,844.90	5,364,226	24.70
5002 SEWER ENTERPRISE FUND	8,819,805	2,604,380.93	258,054.59	5,957,369	32.50
5003 ARENA SPECIAL REVENUE	393,979	83,643.09	91,062.86	219,273	44.30
6000 COMMUNITY CENTER	841,000	178,481.55	70,514.70	592,005	29.60