

CITY OF ROCHESTER
NOTICE of PUBLIC MEETING:
FINANCE COMMITTEE

Meeting Information

Date: November 14, 2023
Time: 6:00 P.M.
Location: City Council Chambers
31 Wakefield Street
Rochester, New Hampshire

Agenda

1. Call to Order
2. Acceptance of Minutes: October 2023. Pg 2
3. Public Input
4. Unfinished Business:
 - 4.1.1 None
5. New Business:
 - 5.1.1 Recreation Department-Lilac Family Fun Festival- 2024 Funding. Pg.7
 - 5.1.2 Waste Management Closure Fund Ordinance-Draft. Pg. 8

Reports from Finance & Administration

- 5.2.1 Monthly Financial Report Summary-October 31, 2023. Pg.11
- 6 Other
- 7 Adjournment

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 Hailey 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

DRAFT

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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FINANCE COMMITTEE

Agenda Item

Agenda Item Name: Lilac Family Fun Festival

Date Submitted: 11/7/23

Name of Person Submitting Item: Lauren Krans Director of Recreation

E-mail Address: lauren.krans@rochesternh.gov

Meeting Date Requested: November 14, 2023

Issue Summary Statement: The 2023 Lilac Family Festival was a large success. With the increase in funding from the 2022 to 2023 event, more live entertainment, family activities and double the amount of kiddie carnival rides were offered. To maintain this high quality, family friendly community tradition, the Recreation Department is requesting \$45,000 for the return of this event in July of 2024.

Finance Comments-MSullivan: The funding for this event has historically crossed fiscal years, and presented funding challenges. The recent practice has been to maintain a level of funding in a non-lapsing multi-year fund. The advantage to this approach is Council can decide on the level of funding for the event, and control annual funding. If funds are not utilized they carry over to the next fiscal year. Beginning in FY25 the funding request will be part of the annual budget process.

Recommended Action: Recommend Approval to Full Council

FINANCE COMMITTEE

Agenda Item

Agenda Item Name: Waste Management Closure Reserve Fund

Date Submitted: 11/9/23

Name of Person Submitting Item: Mark Sullivan Director of Finance

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

Meeting Date Requested: November 14, 2023

Issue Summary Statement: In May 2023 the Finance Committee was presented with a concept of implementing a special closure fund for Waste Management. It is anticipated that Waste Management will be closing landfill operations in 2034. When the landfill closes the host community fee revenue source will cease. The FY24 Adopted Operating budget appropriated \$4.6MM of host community fee revenues as a non-property tax revenue source. In addition it is also anticipated that assessed values related to the Waste Management landfill operations will experience declines. Changes in assessed values will ultimately be determined by what commercial activity remains at the location. The location could still maintain a level of commercial activity as a transfer station. Developing an ordinance to address the loss of non property tax revenues is a critical step to mitigating sharp property tax increases in the years following the closure.

Recommended Action: Review and Comment on Draft, remain in Committee.

Waste Management Closure Fund
Forecast

Annual Tonnage 1,100,000

Year	Fee	Revenue	Budget Commitment	Retained Revenue	Cumulative Principal Captured	Cumulative P&I	Cumulative Interest
2024	\$4.50	\$4,950,000	\$4,600,000	\$350,000	\$350,000	\$360,500	\$10,500
2025	\$4.64	\$5,098,500	\$4,000,000	\$1,098,500	\$1,448,500	\$1,502,770	\$54,270
2026	\$4.77	\$5,251,455	\$4,000,000	\$1,251,455	\$2,699,955	\$2,836,852	\$136,897
2027	\$4.92	\$5,408,999	\$3,500,000	\$1,908,999	\$4,608,954	\$4,888,226	\$279,272
2028	\$5.06	\$5,571,269	\$3,500,000	\$2,071,269	\$6,680,222	\$7,168,279	\$488,057
2029	\$5.22	\$5,738,407	\$3,500,000	\$2,238,407	\$8,918,629	\$9,688,887	\$770,258
2030	\$5.37	\$5,910,559	\$3,000,000	\$2,910,559	\$11,829,188	\$12,977,429	\$1,148,241
2031	\$5.53	\$6,087,876	\$3,000,000	\$3,087,876	\$14,917,063	\$16,547,264	\$1,630,200
2032	\$5.70	\$6,270,512	\$3,000,000	\$3,270,512	\$18,187,575	\$20,412,309	\$2,224,733
2033	\$5.87	\$4,843,970	\$2,000,000	\$2,843,970	\$21,031,546	\$23,953,968	\$2,922,422
2034	\$6.05	\$3,326,193	\$2,000,000	\$1,326,193	\$22,357,739	\$26,038,565	\$3,680,827
		\$58,457,739	\$36,100,000	\$22,357,739	\$22,357,739	\$26,038,565	\$3,680,827

Assumptions

Annual Tonnage	1,100,000
Host Fee-Annual CPI	3.00%
Invest Interest Rate	3.00%

Resolution Pursuant to RSA 34:1-a Establishing an Waste Management Closure Reserve Fund

BE IT RESOLVED BY THE MAYOR AND THE CITY COUNCIL OF THE CITY OF ROCHESTER, AS FOLLOWS:

By adoption of this Resolution, the City Council establishes a Non-Capital Reserve Fund pursuant to RSA 34:1-a for the purpose of creating a financial reserve for the anticipated closure of the Waste Management landfill in 2034. The reserve fund shall be the Waste Management Closure Reserve Fund.

The City Council, at its sole discretion, may appropriate monies to said Waste Management Closure Reserve Fund through the annual budgeting process, however, in no case shall said annual appropriation be less than One Million Dollars \$1,000,000. Revenue sources can be Waste Management Host Fee Revenues, or General Fund Unassigned Fund Balance. Upon 2/3 Council vote General Fund Unassigned Fund Balance contributions outside of the annual budget appropriation may occur after the annual fiscal year audit confirms the net changes to General Fund Unassigned Fund balance, and results are presented by the independent auditor. Other unanticipated revenue sources may also be transferred to the fund upon a majority vote of Council.

The City Council, at its sole discretion, may assign portions of the General Fund Unassigned Fund Balance as a reserve commitment to the Waste Management Closure Fund. This assigned status assures that an allocation of the General Fund Unassigned Fund balance is reserved for the Waste Management Closure Fund.

Pursuant to RSA 34:6, the Trustees of Trust Funds shall have custody of all non capital reserves transferred to the Waste Management Closure Reserve Fund. The Trustees of the Trust Fund will hold the monies appropriated to the Waste Management Closure Reserve Fund in a separate liquid investment account. Appropriations made to the Waste Management Closure Reserve Fund will be submitted to the Trustees of the Trust Fund after July 1 but prior to June 30 of the fiscal year of the appropriation.

The City Council may dissolve the Waste Management Closure Reserve Fund at its sole discretion. Upon dissolution all available funds will lapse to the General Fund Unassigned Fund balance.

To the extent not otherwise provided for in this Resolution, the Finance Director is hereby authorized to designate and/or establish such accounts and/or account numbers as necessary to implement the transactions contemplated by this Resolution.

FINANCE COMMITTEE

Monthly Financial Summary Report

Agenda Item Name: Monthly Financial Statements Summary – as of October 31, 2023

For the full detail report, click here: [October 31 2023 Financial Detail Report](#)

Name of Person Submitting Item: Mark Sullivan Deputy Finance Director

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

Issue Summary Statement

Below are the revenues & expense highlights through October 31, 2023, which represents approximately 33% completion of FY24.

GENERAL FUND NON PROPERTY TAX REVENUES

	FY24			
	ADOPTED	RECEIVED	PERCENT	NOTES
Motor Vehicle Registrations	\$5,500,000	\$2,086,664	38%	
Waste Management Host Fees	\$4,600,000	\$2,244,164	49%	City-\$3,722,000 School-\$878,000
Building Permits	\$550,000	\$189,371	34%	
Interest Income	\$750,000	\$479,503	64%	
Interest on Delinquent Taxes	\$360,000	\$106,893	30%	
State of NH Rooms & Meals	\$2,867,759	\$0	0%	Payment December-23
Highway Block Grant	\$635,000	\$387,871	61%	Quarterly cycles
Cablevision Franchise Fees	\$235,000	\$0	0%	Quarterly cycles
Recreation Programs	\$122,400	\$93,376	76%	

ENTERPRISE FUNDS REVENUES

Water	\$7,544,084	\$888,118	12%
Sewer	\$11,744,213	\$1,089,943	9%

SPECIAL REVENUE FUNDS REVENUES

Arena	\$413,290	\$55,618	13%
Community Center	\$894,759	\$272,237	30%

	FY24 ADOPTED	EXPENDED	ENCUMBERED	PERCENT
GENERAL FUND EXPENSES	\$51,704,514	\$18,190,198	\$2,390,661	40%
OVERTIME & WINTER MAINTENANCE				
Police	\$111,546	\$62,189		55.75%
Dispatch	\$44,000	\$60,205		136.83%
Fire	\$240,000	\$195,834		81.60%
Public Works Winter Maintenance	\$541,218	\$23,999	\$11,625	7%
ENTERPRISE FUNDS EXPENSES				
Water	\$7,544,084	\$1,976,170	\$200,260	29%
Sewer	\$11,744,213	\$4,207,420	\$270,049	38%
SPECIAL REVENUE FUNDS EXPENSES				
Arena	\$413,290	\$114,386	\$90,573	50%
Community Center	\$894,759	\$267,103	\$111,290	42%

FINANCE COMMITTEE

Agenda Item

Agenda Item Name: Proposed Transfer of City ARPA Funding to a Like Project

Date Submitted: 13 November 2023

Name of Person Submitting Item: Peter C. Nourse, Director of City Services

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

Meeting Date Requested: 14 November 2023

Issue Summary Statement:

City ARPA funding in the amount of \$2MM was provided to the Water Main Transmission Pipe Relining Project. This water main is one of two that provide drinking water to the City. It was believed that this water main was over 100 years old and required replacement or relining to stay in service. City ARPA funding was provided in 2021. This project was started and completed in the spring of 2023. The City ARPA funding was used to inspect the water main with a CCTV camera, cleaning of the main and the installation of new infrastructure so that it could be isolated for future cleanings or repairs if needed. Funding was also used to relocate a portion of the main and demolish the defunct 1943 Chlorinator Building. The main was found to be in very good condition and did not require the relining. As of this date the project is mostly complete with the demo of the building remaining. A balance of approximately \$1.5MM unused funding remains. The project was discussed at the April and May 2023 Public Works Committee. It is proposed to transfer the remaining funds to another drinking water project. This project is the replacement of the Salmon Falls Booster Pump Station. The existing Salmon Falls Booster Pump Station was built in 1985. Intense development pressures along Salmon Falls Road to include the further build out of Tara Estates, the new Elementary School, and increasing water demand within Granite State Business Park necessitates this need. This proposed transfer was discussed with the Public Works Committee in October 2023. The Committee agreed that this would be a worthy action.

Recommended Action:

Allow the transfer of the remaining balance to the Salmon Falls Booster Pump Station project. This project is targeted as the ARPA funding needs to be obligated by end of 2024 and spent by end of 2026. The replacement pump station will be a largely factory manufactured system and therefore construction will be minimized. It is believed that the funds can be used for this project within the required time frame.