

Finance Committee

Meeting Minutes

Meeting Information

Date: July 9, 2019

Time: 7:00 P.M.

Location: City Council Chambers
31 Wakefield Street Rochester, New Hampshire

Committee members present: Deputy Mayor Varney, Councilor Walker, Councilor Gray, Councilor Lauterborn, Councilor Keans and Councilor Torr. Councilor Abbott and Mayor McCarley were excused.

City staff present: City Manager Blaine Cox, Deputy City Manager Katie Ambrose, Deputy Finance Director Mark Sullivan, Fire Chief Mark Klose, Economic Development Specialist Jenn Marsh.

Others present: Ray Barnett and Norm Vetter.

Agenda & Minutes

1. Call to Order

Deputy Mayor Varney called the meeting to order at 7:00 PM.

2. Public Input

Ray Barnett, resident, addressed the Committee regarding the elderly tax exemption and potentially modifying the qualifications for those eligible.

3. Unfinished Business

No Discussion.

4. New Business

4.1 Fire Department FY20 Bid Waiver Request

Mark Klose, Fire Chief, spoke to the committee regarding his request to forgo the sealed bid process for the purchase of a swiftwater rescue boat and to instead go with a 3 quote process.

Chief Klose clarified that the reason that he wanted to forgo the sealed bidding process is due to a new vendor's willingness to include all the necessary swiftwater rescue equipment along with the cost of the boat. Other vendors either did not include the necessary equipment in the quote or didn't offer this type of equipment for purchase. Chief Klose stated that the wait time to have this InMar vehicle manufactured and delivered would be 14 weeks. There was also a quote received for a Zodiac boat, which is a brand name. This boat would be \$5000 more expensive than the InMar, would not include any equipment, and the wait time would be approximately 6 months.

Deputy Mayor Varney inquired if a specification sheet had been provided to each vendor listing what the department was looking for and what would be required. Chief Klose answered that he had provided specifications to each vendor; some of the discussions had been verbal over the

phone and he had been having some difficulty reaching particular vendors and was waiting weeks for response emails.

It was stated that all three quotes the fire department had received did meet the department's requirements. There was a brief discussion on the differences between the quotes. Chief Klose stated that the quote he is recommending is the lowest cost quote.

Councilor Keans expressed concern that the Committee did not have a list of the specifications which the Fire Department was asking of the vendors. She stated that even if the sealed bid process was waived, she would still expect a list of requirements provided to each vendor in order to receive comparable quotes. Councilor Walker asked if Chief Klose had done an RFP (Request for Proposal). Chief Klose answered that he had not done an RFP because to do so would have been through the sealed bid process. Instead he was working directly with the finance department to attempt a three quote process.

There was a discussion in Committee regarding the differing quotes. It was stated that the types of motors quoted contributed to the price differences. Deputy Mayor Varney requested that Chief Klose draft a specification list including the required equipment. This list can be distributed to each vendor for comparable quotes.

Councilor Lauterborn pointed out that item #4.5 on the agenda would involve a discussion on the City's purchasing policy. She suggested that the committee take a look at the big picture as far as purchasing before making a decision on this single item.

Chief Klose clarified stated that he had requested the same items from each vendor. The vendor in Portsmouth, RI could supply the boat, motor, and trailer but does not deal in safety equipment so it would have to be purchased separately. The company the fire department purchases their safety equipment from does not sell boats. IPS, the vendor with the lowest quote, could provide both the boat and the safety equipment.

Councilor Walker **MOVED** to **TABLE** the discussion on the bid waiver request. Councilor Keans seconded the motion. The **MOTION CARRIED** by a unanimous voice vote to **TABLE** the request.

4.2 79E Application 22 So. Main Street

Jenn Marsh, Economic Development Specialist, addressed the committee regarding the request for a 79E application for 22 South Main Street. Ms. Marsh reported that due to the infrequency of these applications, the process had been reviewed by herself along with the Chief Assessor, City Manager and City Attorney. Ms. Marsh outlined the process these applications have to go through within the City prior to final approval, starting with the assessor visiting the property to review condition and make an appraisal before the application appears before relevant City commissions and Boards. Ms. Marsh said they are looking for a recommendation to Full Council on whether or not to approve the application and for how many years.

Deputy Mayor Varney clarified that, if approved, the City Council would be waiving the difference in value between the original value and the current assessed value; the increase in property taxes would be waived for an approved period of time, which in this case is 11 years.

Ms. Marsh stated that if for some reason the project did not get completed, there is a clause in the RSA which would allow for the City to recoup their costs.

Councilor Lauterborn reported that the Community Development Committee did a lengthy site review of the property and unanimously voted to recommend to full Council to approve the

application for the 11-year eligibility.

Councilor Gray stated that approving the 11-year eligibility would not be a large impact on the tax rate due to the HCA merger with Frisbie Hospital mitigating some of this cost. Councilor Gray agreed that the project would be a good addition and would spur further development in the downtown area.

Norm Vetter, 79E applicant and resident, gave details on his proposal for the building; one or two high-end restaurants on the first level and apartments on the upper levels with the potential of using the vaults in the basement for entertainment space.

Councilor Keans inquired if the Economic Development Commission had looked at past 79E applicants comparatively and the durations for which they were approved. Councilor Lauterborn answered that the Committee had reviewed previous applications and the Committee felt that the potential of this project to generate further development and change in the downtown area made the 11-year eligibility worthwhile.

Councilor Walker **MOVED** to recommend to full Council to approve the 79E Application for the 11-year eligibility. Councilor Torr seconded the motion. The **MOTION CARRIED** by a unanimous voice vote.

4.3 Veterans Credits and Elderly Exemptions-Discussion

Deputy Finance Director Sullivan directed the Committee to documentation in the packet showing the current veteran's tax exemption as well as comparisons to other communities. He indicated that the tax impact of this exemption since it was implemented in 2017 (the dollar amount which came off the net valuation) was \$7 million. This may be due to more citizens qualifying as well as existing citizens getting the higher thresholds. He clarified that this represents an increase off the net valuation before the City used the valuation to set the tax rate. Prior to changing the thresholds the amount was \$24 million and it is now over \$30 million.

Councilor Gray spoke about the difference between the Veteran's credit, which is only available to those who served during times of conflict, and the "All Veteran's" credit which is available to all those who served active duty during "gap periods" for more than 90 days at any time. He suggested this should be considered before raising the veteran's tax credit because these credits have to be the same once enacted and it would make the step to get to the all veteran's tax credit even higher than it would be now.

Deputy Mayor Varney inquired if this tax credit could be phased in over the course of three years. Chief Assessor Rice confirmed that this can be phased in.

Deputy Mayor Varney stated that it was unknown how many veterans were in the City who would be eligible for the all veterans' credit; it could potentially open the eligibility up to another 800 residents. Chief Assessor Rice confirmed that when his department has researched enacting the all veterans' credit, they had estimated the number in their calculations due to the unknown factors such as how many residents would be eligible, how long it would take them to come in and how proactive the City is to educate the tax payers that this program has been enacted.

It was clarified that to qualify for the veterans tax credit, a resident need not prove income, but rather they need to have been honorably discharged and to have served active duty for at least 90 days.

Councilor Walker suggested that Chief Assessor Rice look at similar sized communities which had

enacted the all veterans' credit and try to extrapolate the increase from the year before and after the credit being enacted. Councilor Gray stated that there would be a Committee at the State House this summer studying Veterans tax credits and he would be able to get this data.

Chief Assessor Rice stated that in order for this change to take effect in FY21, the City would need to give eligible residents the opportunity to apply by April 15 to qualify for the next tax year. Chief Assessor Rice recommended making this change effective at the start of the tax year in order to split the exemption between two tax bills.

Councilor Walker asked if the intention for the elderly exemption was to do the dollar amount or the asset limit. Deputy Finance Director Sullivan stated that the asset limit was recently changed from \$50,000 to \$100,000. Chief Assessor Rice clarified that both the asset limit and dollar amount were increased in 2018 to stay in line with similar sized communities.

Councilor Walker requested information on residents who just missed qualifying for the exemptions or credits by a small amount. Chief Assessor Rice indicated he could compile that data and bring it back to the Finance Committee next month.

This item was held in Committee.

4.4 Non Union Annual CPI Wage Scale Adjustments

Deputy Finance Director Sullivan spoke to the Committee about recommending approval for the Boston-Cambridge CPI wage scale increase. He said that the suggested increase from November 2017 through November 2018 (which would impact FY 19) was 3.2%.

City Manager Cox clarified that this was just a decision on adjusting the wage scales for non-union positions, it does not affect individual employees' pay.

Councilor Gray inquired about the cost breakdown of benefits which Council reviews when approving CBAs and why one had not been provided for this item. Councilor Walker clarified that this was not a merit-based increase or cost of living increase, it was simply adjusting the pay range at which non-union employees would be paid.

There was a discussion regarding how an increase in wage scale would work; it is not similar to approving a union contract. The wage scale would increase by a fixed percentage and there would not have to be any consideration for benefits as there would be in a union contract. City Manager Cox stated that when the Council reviews the CBA cost sheets, those do not take into account the annual CPI adjustment but rather the average merit increase. It was clarified that the new wage scale range would not affect currently employees. It would not automatically give them a 3.2% pay increase.

Councilor Walker **MOVED** to adjust the non-union wage scale by 3.2%. Deputy Mayor Varney seconded the motion. The **MOTION FAILED** by a 3 to 3 voice vote. Deputy Mayor Varney stated that the item would be sent to full Council.

4.5 Purchasing Procedures- Administrative Ordinance 7-40 Discussion

Deputy Finance Director Sullivan indicated that he had gathered information from the larger City departments to determine how the current purchasing process is working for them. In the current system, any purchase below \$1000 can be done at the department's discretion without sourcing quotes. For purchases \$1001 to \$10,000, the department must obtain three quotes, and all purchases over \$10,000 go through a sealed bid process.

The City departments reported that they had difficulty getting vendors to respond to requests in the \$1000 - \$5000 range, with departments often having to send out multiple quote requests in order to get the required 3 quotes.

Deputy Finance Director Sullivan stated that he had looked at data from the past three years in the sealed bid process for purchases over \$10,000 and found that in 50% of these bids, the City had only received one or two responses each. Of these bids, 67% were under \$50,000. He specified that in this sealed bid process, more is asked from the vendor and there is more paperwork involved to determine references and insurance. He also compared the City of Rochester's purchase policy to other local municipalities.

Mr. Sullivan spoke specifically regarding the vehicle purchasing process, where departments will sometimes send out up to 14 request to dealerships and only receive one or two responses.

Deputy Finance Director Sullivan suggested that the Committee look at changing the minimum threshold from \$1,000 up \$5,000. This would allow departments to use their discretion and trusted vendors for purchases in this range without having to go through a lengthy process of waiting for quotation responses. He recommended departments use three competitive price quotations for items in the \$5,000-\$10,000 range. The \$10,000 – \$49,000 range will mandate that there be a specification list with all requirements itemized and then supplied to all vendors to determine if they qualify; there must be at least 3 quotes received. The purchases over \$50,000 would go through the sealed bid process.

Deputy Finance Director Sullivan said that the current purchasing thresholds are governed by City ordinance, although there is also City purchasing policy which can be more restrictive. He stated that there are some things that are missing from the policy, such as bid alternatives and purchasing groups.

Mr. Sullivan briefly covered some other factors to be considered when looking at the purchasing policy such as bid waiver requests, requests for standardization of equipment, and sole source vendor relationships.

There was a discussion regarding how the departments proceed when only receiving a single bid for the purchase of a vehicle and whether or not the requirements have been met by requesting multiple bids and only receiving one. Mr. Sullivan said that with this issue it is hard to know if the City is getting a good price as there is no base for comparison.

There was a lengthy discussion regarding the shortfalls on the current purchase policies and potential reasons why departments are not getting good responses from vendors.

Councilor Walker recommended that the City develop a qualified vendor list based on trusted relationships which departments already have with certain companies. The vendors on this list could supply information upfront which would decrease the paperwork for each individual bid which may be prohibitive for certain vendors.

Councilor Walker stated that he felt the threshold for sealed bids should remain at \$10,000 and other aspects of the purchasing policy can be adjusted in order to get better results. Councilor Keans agreed that the sealed bid process should remain around \$10,000.

The Committee recommended that the thresholds should be adjusted as follows: \$1,000 -\$5,000 purchases can receive verbal quotes. Purchases from \$5,001 – \$15,000 will require the department to source three comparative, written quotes. Purchases greater than \$15,001 will go through the sealed bid process.

Deputy Finance Director Sullivan requested the opportunity to gather more information and data on the sealed bid process and come back to present to the Committee. It was also requested that he gather information about the School Department's purchasing process.

There was a brief discussion regarding the legality of the Finance Committee making decisions about buying groups rather than recommendations to be sent to Full Council. It was determined that the City Attorney could look into this item.

The item was held in committee until the next Finance Committee meeting.

Councilor Walker **MOVED** to remove the Fire Department's bid waiver request from the **TABLE**. Councilor Lauterborn seconded the motion. The **MOTION CARRIED** by a unanimous voice vote.

The Committee discussed Chief Klose developing an RFP or specification sheet to be distributed to each vendor to ensure they are all quoting for the same items. It was discussed how broad of detailed the spec sheet should be. Chief Klose was directed to work further with Deputy Finance Director Sullivan and City Manager Cox on this process.

5. Reports from Finance & Administration

5.1 Report on Tax Deeded Property

5.2 Report on Sale of City Property

5.3 Monthly Financial Report Summaries June 30,

2019 FY19 Revenues

FY19 Expenses

FY19 General Fund Salary & Benefits

Councilor Keans inquired about the charts contained in the packet showing the Tax Foreclosure account reconciliation and the Sale of City Property. She asked if there were duplicate items contained in both tables. Deputy Finance Director Sullivan explained what each chart contained and how to interpret the data. Councilor Keans asked if there was a way to see if the purchased properties sold for below or above market value. Deputy Sullivan stated that the charts could be reformatted to more easily convey this information.

6. Other

Councilor Lauterborn spoke to the Committee regarding a recent report on Rochester's water in regards to PFA levels (polyfluoroalkyl /perfluoroalkyl). She stated that the new regulations for PFAs will go into effect on October 1, 2019 and requested that this item be taken up at a future Finance Committee meeting. Councilor Lauterborn asked for a report of data from the Water Department showing the current PFA levels in the 4 different categories and, if not, what it would take to get this information and what the future expense would be to obtain this data.

Councilor Gray addressed the PFA item as it pertains to homeowners with private wells. He recommended that there be a PR campaign encouraging homeowner's to have their wells tested. Councilor Keans spoke regarding the expense of having wells tested at the State recommendation of twice yearly.

7. Adjournment

Councilor Walker **MOVED** to **ADJOURN** the meeting at 8:39 PM. Councilor Torr seconded the motion. The **MOTION CARRIED** by a unanimous voice vote.

Respectfully Submitted,

Cassie Givara
Deputy City Clerk