

FINANCE COMMITTEE

Meeting Minutes

Meeting Information

Date: February 9, 2016
Time: 7:00 P.M.
Location: City Council Chambers
31 Wakefield Street
Rochester, New Hampshire

Committee members present were: Mayor McCarley, Deputy Mayor Varney, Councilor Keans and Councilor Torr. Committee members excused were: Councilor Lauterborn, Councilor Hamann and Councilor Gray. Other city Councilors present were: Councilor Barnett. City staff present were: City Manager Fitzpatrick, Deputy City Manager Cox, Senior Accountant Sullivan, Recreation Director Bowlen and Public Works Director Storer.

Agenda & Minutes

1. Call to Order

Mayor McCarley called the meeting to order at 7 PM.

2. Public Input

Mayor McCarley announced that the meeting was open for public input. However, no members of the public addressed the committee.

3. Unfinished Business – none.

4. New Business

4.1 Summer Lifeguard Program

Recreation Director Bowlen appeared before the Committee and requested that the Recreation Department be authorized to proceed at this time with their summer lifeguard hiring process. He indicated that this is the same request made each year so that lifeguards can be hired for the upcoming summer pool season before the budget is approved. Mayor McCarley informally polled the Committee and

determined that the sense of the Committee was to grant the Recreation Department's request.

4.2 Arena Fund Budgeting

Deputy City Manager Cox provided the committee with a three-page handout (copy attached) regarding Arena Fund budgeting. He explained that the information showed that for fiscal year 2015 the arena had an operating surplus of \$40,705. In addition, the arena had debt service expenses of \$111,203. The net of these two figures resulted in a fiscal year 2015 deficit of \$70,498. Mr. Cox reminded the committee that the Council had discussed during the fiscal year 2016 budget development process the idea of offsetting Arena Fund deficits with General Fund funding. The two options outlined were: (1) a retroactive supplemental appropriation from General Fund fund balance and (2) budgeting during the budget development process a transfer from General Fund to Arena Fund. **Deputy Mayor Varney moved to recommend to the full City Council a supplemental appropriation from General Fund fund balance to the Arena Fund in the amount of \$70,498 to offset the Arena Fund's fiscal year 2015 deficit. Councilor Keans provided a second to the motion which was then adopted.**

4.3 CIP Projects & Debt Service

Deputy City Manager Cox and Senior Accountant Sullivan distributed and reviewed a 10-page handout (copy attached) regarding the City's General Fund statutory debt limit as well as the tax cap implications of the City's current and proposed bonded debt. Public Works Director Storer also provided information regarding the City's capital improvements plan, specifically regarding the projects known as Wakefield Street and Woodman Myrtle. After a lengthy discussion the Committee took no action on this item.

4.4 Economic Development Budgeting

Deputy City Manager Cox distributed a three-page handout (copy attached) containing information regarding the budgeting process for the Economic Development Reserve Fund. The Committee discussed elimination of the Economic Development Reserve fund and moving the appropriations now in this fund into the Economic Development Department annual operating budget. After a brief discussion, the committee took no action on this item.

4.5 Budget Development FY2017 Calendar

Deputy City Manager Cox briefly reviewed the tentative budget development calendar for fiscal year 2017.

5. Finance Director's Report

Deputy City Manager Cox reviewed with the committee several items contained in his written report to the Committee in the meeting packet. **Councilor Keans moved to recommend to the full city Council that the nonunion employee salary ranges be increased by 2.4% effective July 1, 2016. Councilor Torr provided a second to the motion which was then adopted.** The Committee also provided direction to the Deputy City Manager to close out the Rochester Industrial Development Fund account and transfer any residual funds to the General Fund.

6. Monthly Financial Statements

There was no discussion regarding the monthly financial statements.

7. Other

Deputy Mayor Varney inquired of Public Works Director Storer as to whether the recent reductions in oil prices had any effect on the City's costs for asphalt.

8. Non-Public – none.

9. Non-Meeting – none.

10. Adjournment

Councilor Torr moved to adjourn the meeting. Deputy Mayor Varney provided a second to the motion which was then adopted. The meeting adjourned at 7:56 PM.

ARENA FUND-FORECAST 2016-2020

[illegible]

General Fund-Contribution Options

Recommended Alternative

1

Fund Balance

- Presented at Fiscal Year End Actual Deficit-Pre Final Audited Entries
- No Tax Cap Impact

2

Budget Process

- Appropriate Total Principal & Interest, or
- Appropriate Estimated Deficit
- Any Surplus Retained by Arena
- Counts Against Tax Cap Unless GF Fund Balance is used

ARENA FUND-CONTRIBUTION SUMMARY

1) Funding-General Fund-Fund Balance:

Recommended Alternative

At fiscal year end the Arena's deficit is calculated. A Supplemental Appropriation is created, retroactive to June 30th, and only the amount needed to satisfy the deficit is transferred to the Arena Fund. Funding is designated as General Fund-Fund Balance. This method has no direct Tax Cap implications, and is sound method for short term assistance.

2) Funding Full Principal & Interest Payments from Property Taxes:

This has Tax Cap implications and would have to be appropriated during budget adoption. This amount can not be adjusted for Arena's actual fiscal year end deficit.

If the appropriation is for \$140,000, and at fiscal year end Arena's deficit is only \$50,000 the surplus would be retained by the Arena Fund. However, Arena Fund could apply that surplus as a carry over to the next fiscal year, and reduce the subsequent fiscal year appropriation request.

CITY GENERAL FUND-FY16 DEBT LIMIT ANALYSIS

As of April-2015 City General Fund
Debt Limitation was **\$62.1 Million.**
(3% of \$2.071 billion DRA Equalized Assessed Valuation)

Debt is at **68%** of Total Limitation, or
\$42.4 Million.

Current Available Margin * **\$19.7 Million**

* Includes City General Fund, Arena & Community Center

CITY GENERAL FUND-FY16 DEBT LIMIT ANALYSIS

FY16 City General Fund **\$9.2 Million** in
Bonded Appropriations approved.

Oct-15 City General Fund Net Authorized
but Unissued Debt is **\$19.6 Million**
(Excludes TIF 162 of \$1.1M)

CITY GENERAL FUND-FY17 DEBT LIMIT ANALYSIS

As of October 2015 City General Fund
Debt Limitation was **\$63.4 Million.**

(3% of \$2.116 billion DRA Equalized Assessed Valuation)

Debt is at **78%** of Total Limitation, or
\$49.5 Million.

Current Available Margin * **\$13.9 Million**

* Includes City General Fund, Arena & Community Center

CITY GENERAL FUND-FY17 DEBT LIMIT ANALYSIS

Factors that Increase Margin

Increases in State Equalized Assessed Values

Principal Payments

Bond Project De-Authorizations

CITY GENERAL FUND-FY17

DEBT LIMIT ANALYSIS

2015 State Equalized Assessed Value
increased \$45 Million.

Debit Limit Ceiling increased \$1.3 M

CITY GENERAL FUND-FY17 DEBT LIMIT ANALYSIS

New Bond Issues & Authorizations

January 2016 Director Storer Presented a
Public Works Project Timetable Analysis

Time Table Identifies

\$30 Million in Bond Issues by 2020

\$17 Million of Existing Authorized Debt

\$13 Million of New Debt FY17-FY19

City General Fund-FY16-FY26 Principal & Interest-Tax Cap Impacts

[illegible]

CITY GENERAL FUND-FY16 DEBT LIMIT ANALYSIS

Impacts of New Debt Authorizations

\$ 30 to \$ 40 Million over 3-6 years

Debt Limit would be approached quicker.
Nearing upper limit by FY2019- FY2020.

CITY GENERAL FUND-FY17 DEBT LIMIT ANALYSIS

New Bond Authorizations-2017-2020

\$13 Million- Public Works-2017-2019

\$ 7 Million Estimate -All Other

\$20 Million Total Estimate

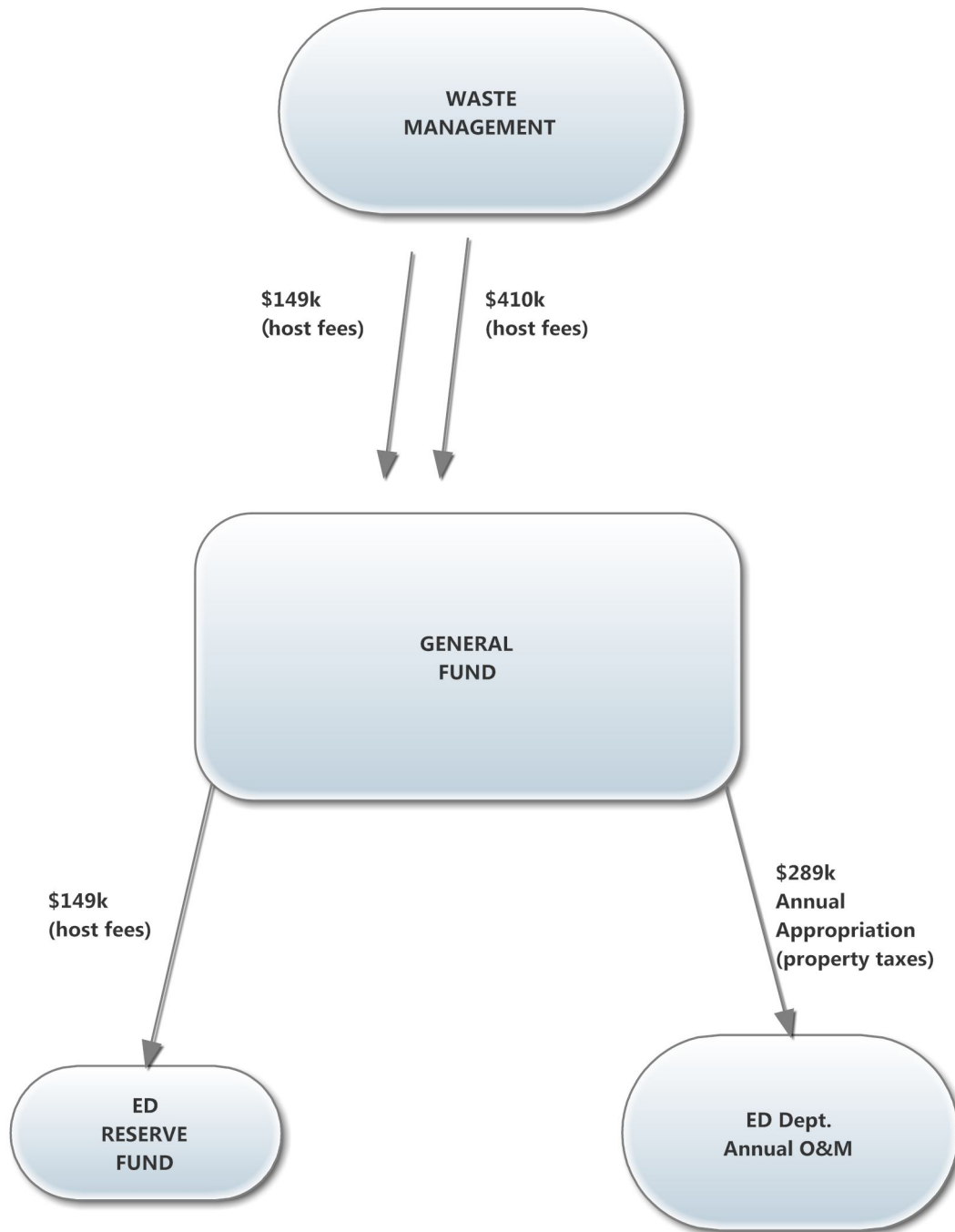
Average- \$5 Million Per Fiscal Year

CITY GENERAL FUND-FY17 DEBT LIMIT ANALYSIS

\$20 Million New Authorizations by 2020

Debt Limit Available Margin Estimate
\$8M to \$10M in 2020

**Economic Development Appropriations
Current Model
(FY2015 Data)**



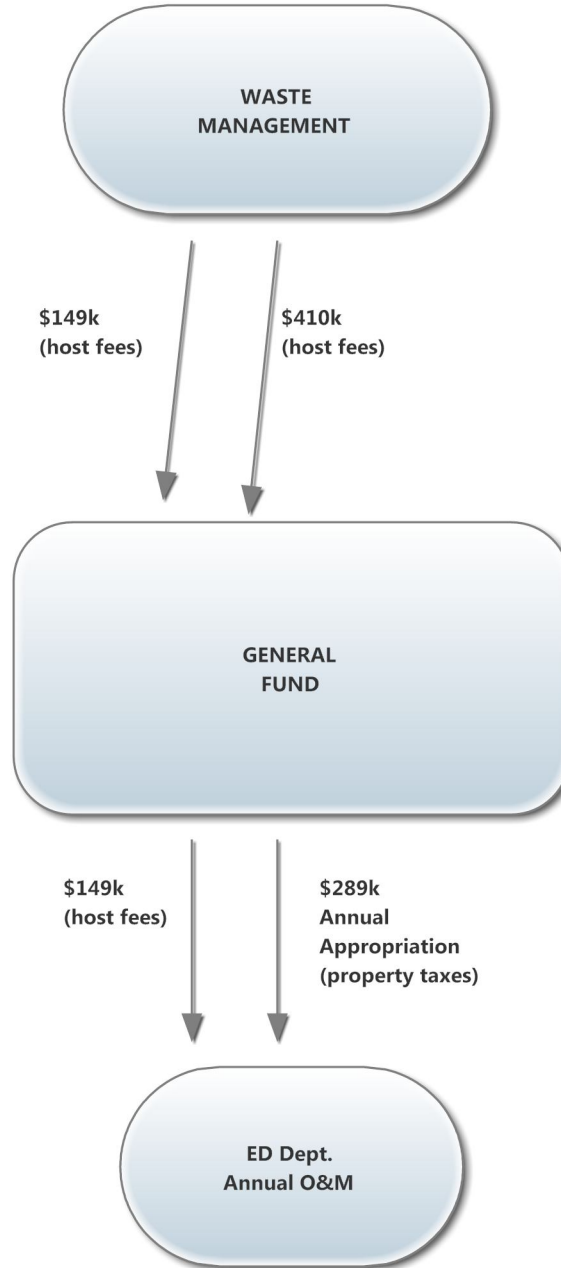
* These funds are appropriated annually, however, unspent funds remain in the fund.

* Appropriations include:
Consulting (Buxton, Artstream)
Marketing (travel, conferences)
Community Services (Main Street)
CIP Projects

* These funds are appropriated annually, however, unspent funds lapse back to GF fund balance

* Appropriations include:
Salaries & Benefits
Staff Development
Travel
Publications
Dues & Fees

**Economic Development Appropriations
Proposed Model
(FY2015 Data)**



* These funds would be appropriated annually, however, unspent funds lapse back to GF fund balance.

* Appropriations include:

- Salaries & Benefits
- Staff Development
- Travel
- Publications
- Dues & Fees
- Consulting
- Marketing
- Community Services
- CIP Projects

* The existing General Ordinance 11.20 would be eliminated.

GENERAL ORDINANCES

CHAPTER 11 FINANCE

11.20 City of Rochester Economic Development Special Reserve Fund.

(a) City of Rochester Economic Development Special Reserve Fund – Statement of Purpose. The City of Rochester currently serves as the “Host Community” for the Turnkey Recycling and Environmental Enterprises Waste Disposal Facility (“TREE”) currently operated by Waste Management of New Hampshire, Inc., and located on the Rochester Neck Road. By virtue of its status as Host Community for TREE, the City of Rochester, in addition to incurring significant expenses in connection with such facility, receives significant financial benefits in the form of real property taxes, users fees (in the form of so-called “Host Community Fees”) and various other benefits relative to the cost to the City and its inhabitants of the disposal and/or recycling of various solid waste, including reduced and/or eliminated fees for the disposal and/or recycling of solid waste generated within the City of Rochester. It is currently estimated that the permitted capacity of the TREE Waste Disposal Facility (TLR-III) will be reached in approximately the year 2023. When such facility is filled to its permitted capacity, it is anticipated that the City will experience a loss in revenues, and the City and its inhabitants will experience increased costs associated with the disposal and/or recycling of solid waste, particularly in the form of reduced and/or lost users fees and reduced property tax revenues, as well as increased costs associated with the disposal and/or recycling of solid waste. Therefore, in an effort to offset the expected loss of revenues and increased costs occurring to the City as a result of the anticipated filling of the TREE Waste Disposal Facility to its permitted capacity and to promote the general fiscal strength and well-being of the City, it is necessary that economic development in the City of Rochester be promoted and/or maintained to insure the existence and/or expansion of a vibrant economic base for the City and its inhabitants. Therefore, **the City Council of the City of Rochester**, pursuant to the authority granted by RSA 47:1-b and RSA 47:1-c, **hereby establishes a special revenue reserve fund from the specific source identified in subsection (b) of this Section 11.20 for the specific purpose of paying expenditures associated with the promotion of new, and maintenance of current sources and levels of economic development within the City of Rochester**. The special reserve fund established in subsection (b) of this Section 11.20 shall be known as the “City of Rochester Economic Development Special Reserve Fund.” No expenditure from the said City of Rochester Economic Development Special Reserve Fund shall be made without an appropriation of such funds having been adopted by the Rochester City Council, which appropriation shall provide that such appropriation is for economic development purposes and shall contain a statement and/or finding by the City Council indicating the manner in which it is anticipated that such appropriation is related to the economic development of the City of Rochester. [2]

(b) City of Rochester Economic Development Special Reserve Fund.

There is **hereby created a non-lapsing budgetary account** within the City of Rochester, pursuant to the authority granted to the City by the provisions of RSA 47:1-b, such special reserve fund to be **known as the ‘City of Rochester Economic Development Special Reserve Fund’**. Such fund **shall be funded on an annual basis by the appropriation by the City Council to such special reserve fund of an amount not less than \$100,000 from the funds annually payable to the City of Rochester by Waste Management of New Hampshire, Inc. from the so-called “Host Community Fees” payable to the City pursuant to the provisions of the “Host Agreement” between the City and Waste Management of New Hampshire, Inc., or of**

any successor to such Agreement. In addition to such minimum funding level, the City Manager may, during any fiscal year of the City, upon written notification to, and appropriation by, the City Council, transfer to said 'City of Rochester Economic Development Special Reserve Fund' unappropriated 'Host Community Fees' in an amount not to exceed the difference between the total amount of Host Community Fees received from Waste Management of New Hampshire, Inc. during such fiscal year and the amount of such 'Host Community Fees' previously appropriated by the Rochester City Council during such fiscal year (having in mind the minimum funding/appropriation requirement provided for herein and any other appropriation of such fiscal year's 'Host Community Fees' by the City Council during such fiscal year). The 'City of Rochester Economic Development Special Reserve Fund' shall, upon appropriation by the City Council to such fund, include funds currently in Account #1501-324400, in the amount of \$1,537,613.54, as of the date of adoption of this ordinance, and such funds shall be expended only for the specific purpose set forth in subsection (a) of this Section 11.20 and shall be expended only in accordance with the provisions of subsection (a) of such Section.