

DRAFT

Finance Committee

Meeting Minutes

Meeting Information

Date: February 9, 2021

Time: 6:30 P.M.

Location: Remote via Microsoft Teams

Committee members present: Mayor McCarley, Deputy Mayor Lauterborn, Councilor Walker, Councilor Gray, Councilor Bogan, Councilor Lachance, and Councilor Hamann.

City staff present: City Manager Blaine Cox, Deputy City Manager Katie Ambrose, Deputy Finance Director Mark Sullivan. Mike Scala, Director of Economic Development

Agenda & Minutes

1. Call to Order

Mayor McCarley called the Finance Committee meeting to order at 6:30 PM and read the following preamble:

Good Evening, as Chairperson of the Finance Committee, I am declaring that an emergency exists and I am invoking the provisions of RSA 91-A:2, III (b). I also find that this meeting is imperative to the continued operation of City government and services, which are vital to public safety and confidence during this emergency. As such, this meeting will be conducted without a quorum of this body physically present in the same location.

At this time, I also welcome members of the public accessing this meeting remotely. The public can call-in to phone number: 857-444-0744 using conference code: 843095.

This meeting will be set to allow the public to "listen-in" only, and there will be no public comment taken via conference line during the meeting.

Please note that all votes that are taken during this meeting shall be done by Roll Call vote.

Let's start the meeting by taking a Roll Call attendance. When each member states their name and ward, also please state whether there is anyone in the room with you during this meeting, which is required under the Right-to-Know law.

Deputy City Clerk Cassie Givara took the roll call attendance. All Committee members were present and indicated that they were alone in the location from which they were connecting.

2. Public Input

There was no one present at City Hall to speak, nor was any written or email correspondence received for the meeting.

3. Unfinished Business

No discussion.

4. New Business

4.1 Sig Sauer PILOT and Financial Contribution-Summary

Mike Scala, Director of Economic Development, gave a brief summary of the history of this agreement between Sig Sauer and the City of Rochester.

Director Scala said Sig Sauer had approached the City with interest in 7 Amarosa Drive. At the time they had indicated that Rochester was competing with their location in Jacksonville, AR. BFA handled the funding aspect; the plan was to fund the project by the land and the building. In this case, it would be state-owned, tax exempt, and would require the City to develop a PILOT (Payment in lieu of taxes). Director Scala gave an overview of the review and approval process and the final steps with Sig Sauer.

Director Scala said that Sig was guaranteeing 300 jobs, which may increase to 500. The average wage for these jobs will be in the \$30/hr range which calculates to \$18 million in gross wages coming into the City, a portion of which will feed into the local economy. This project coincides with new housing development in progress downtown. He also stated that he foresees this as a catalyst for development of the Milton Road corridor as well as infrastructure improvements. The partnership between Great Bay Community College and the CTE with Sig Sauer are already underway as well.

Councilor Lachance inquired if this project would be perpetually State-owned or if, when the BFA financing is paid off, if this will become taxable property. Director Scala stated that the note is for 10 years and the requirement is that the loan must be paid off in 10 years. He stated that Sig Sauer has expressed interest in paying this off prior to the 10 year term. Councilor Lachance referenced a memo which says that Sig Sauer commits to paying up to \$270,000 for the remaining land after completion of the intersection improvements. Councilor Lachance asked if the Memorandum of Understanding expressly states that Sig Sauer will pay “market value” up to \$270,000. Director Scala said it was capped up to this amount, but he was not certain of the exact verbiage. He stated that he was not certain how much land the City will use, but Sig Sauer will reimburse for the portion which is not used or the entire amount if none of it is utilized.

Deputy Finance Director Sullivan said when the PILOT was first reviewed, the original baseline was established at what the property is currently generating from property taxes, which

is approximately \$150,000 per year. This changed because it became evident that the intersection project was going to have to be addressed due to the impact Sig Sauer locating to the area would cause. The discussion turned to whether or not to approach Sig Sauer for a contribution to this intersection; with a State-owned building, the planning board wouldn't have an opportunity to impose an exaction for the intersection improvements. They determined it would be best to get a contribution up front without any impact of fund balance. Deputy Director Sullivan stated that the City had to consider the competition from the Arkansas location as well as Exeter, NH. He summarized the agreement between the City and Sig Sauer and how the amount was formulated and what Sig Sauer would be paying. He stated that there is a small shift in the general fund of approximately 4 cents per year for the first 5 years, but the CIP fund gains. He explained how the PILOT program would work and change over the 10 year term to the benefit of the City.

4.2 Granite Ridge Development District – Tax Increment Development Program and Financing Plan Review/Update

- **Economic Development summary memo.**
- **REDC & Main Street Letters of Support.**
- **Adopted Granite Ridge Development Program & Financing Plan**

Mike Scala, Director of Economic Development, reported that this is an amendment proposal for a recommendation to full Council. Director Scala said that there has been discussion for quite some time in regards to allowance of residential development in the Granite Ridge TIF district. He stated that in order to allow this type of development, the TIF would need to be amended and then there would need to be an amendment to the zoning ordinance to allow residential development in this area, which is not currently allowed.

Director Scala stated that the market for office space, which is allowable in the TIF, has been steadily declining. One quarter of Americans are working from home, which is projected to continue even after COVID, and businesses are downsizing offices and allowing for hybrid work. Director Scala spoke about the large amount of office space available within the City and stated that the Planning Board has been receiving an increase in variance requests to use office space for other uses.

Director Scala emphasized the need for residential development within the City and referenced the extremely low vacancy rates which currently exist in Rochester. He speculated that residential development in this area would solidify the TIF and would help the Granite Ridge businesses. He stated that he had submitted letters of support from both REDC, Rochester Main Street, and the Granite Ridge Advisory Board, and he speculated that the TIF would fill up far sooner with residential development versus waiting for commercial. He indicated he had a draft amendment, but wanted to get a sense of committee prior to submitting. Deputy Director Sullivan gave an overview of the TIF, the money contained within currently, and how funding from the TIF would work.

Councilor Gray referenced Impact Fees and stated that they are assessed per square foot, driving up the price in developments; therefore if the intent was to build affordable housing, the impact fees might make this cost prohibitive. Director Scala stated that the projected plans he has seen for this area are for market rate or above market rate housing as opposed to “affordable” housing.

Councilor Gray stated that when the Planning Board had heard a proposal a couple years prior to allow residential development at the Granite Ridge, they had discouraged the idea at the time. Councilor Walker agreed that there had been safety concerns with the increase of traffic entering and exiting onto Route 11. The Planning Board had suggested that if the developer could come up with a solution to having the exit onto Route 11, they may entertain the idea of residential development on the Ridge. Director Scala said that the safety concerns have been presented to the developer and the developer is coming up with ways to mitigate the issue to address these safety concerns. Director Scala stated that the report issued by consultant Bruce Mayberry the year prior had indicated that office and commercial development in this area would have more of an impact on traffic than residential development.

Councilor Lachance directed the committee to a chart in the supplied packet and questioned the figures and data included on said chart in regards to economic growth potential. Director Scala indicated that the chart was derived in 2014 and he was uncertain how they had arrived at these numbers; the table included is currently outdated and staff is in discussions to update the data.

There was a discussion on the timeline of this request. Director Scala indicated that he would like to have this amendment approved within the next few months, but wanted to give staff and residents adequate time to review and address concerns and ensure the process is done correctly. Director Scala stated that he did have a draft amendment which could be presented to the committee.

Councilor Gray said that his recollection was that any planning issues or change of use would go to the Planning Board prior to coming to the Finance Committee or Council. Mayor McCarley briefly discussed the history of this request over the past several years and what the proper channels would be to propose the amendment.

Deputy Finance Director Mark Sullivan clarified that the item in front of the committee is the Granite Ridge development district tax incremental development program and financing plan. He stated that this needs to happen first because residential housing is not an eligible development activity within the plan, which would make it ineligible to receive TIF funding for infrastructure needs which may occur. Because of this, the plan should be updated prior to any other activity, and this action is within the purview of the Council as opposed to Planning. The zoning change can be brought to the Planning Board, but this particular document should be reviewed by Council prior.

Deputy Finance Director Sullivan suggested that if the projects at the Ridge are slowed down, they could be funded by cash as opposed to bond. If timed correctly, there would be no need for further bonds, the Council would be able to consider closing the TIF after 2026 and returning the assessed value to the General Fund. Councilor Gray inquired if in 2026, even if the Council is not ready to close the TIF, if some of the moneys generated could be returned to the General Fund. Deputy Finance Director Sullivan said that upon review with legal counsel, it was determined that as long as the TIF is encumbered by long term debt, no funds can be taken out and sent to the General Fund. Callable bonds were discussed.

Councilor Walker advised against including housing in the TIF which would presumably extend the debt beyond the original projection of 2026. Deputy Finance Director Sullivan said that the intention was that any housing development would be funded with TIF cash flows as opposed to bonding.

Mayor McCarley asserted that just because a decision could be made to allow residential development does not mean it will definitely happen. She suggested that although there has been a back and forth on how this process will work and which board or committee it will originate from, she suggested that City Council make a recommendation which can then be heard by the Planning Board.

Councilor Hamann suggested that a lack of housing could stifle economic development if there is a lack of housing for employees for new industries. Councilor Walker stated that there can be issues when large housing developments are constructed this far out from the City center; such as distance from City water and sewer and transportation to and from schools. He suggested other options closer to the City center which would present fewer problems for infrastructure and city services such as police and fire.

Mayor McCarley recommended not taking action at this time and instead reviewing further until a future meeting.

4.3 PAB Recommendation-Human Resource Manager

Deputy City Manager Ambrose stated that the City is preparing for recruitment for the Human Resource Manager position, and as part of the process the job description and classification have been reviewed. The City has been working with MRI on a salary market review of the non-union positions, and in utilizing that data determined that this position was in need of a grade adjustment. It was found that this position was running 11% under what the same position was making in comparable communities.

Deputy City Manager Ambrose said that the Personnel Advisory Board had recommended an increase in pay grade from level 14 to 15 based on this information. Councilor Lauterborn asked for some clarification on the numbers included in the market data report included in the packet. Deputy City Manager Ambrose explained the chart and the information contained therein. It was clarified that although the compensation is listed as hourly rate, this position is a salaried position.

Councilor Lauterborn stated that some of the communities included in the data were of a different size and different economic market than Rochester. Deputy City Manager Ambrose stated that the MRI study would come to Council in the near future and the methodology for making the determination would be discussed at that time.

Mayor McCarley **MOVED** to recommend to full Council the increase in pay grade of the Human Resource Manager position from a level 14 to a level 15. Councilor Lachance seconded the motion. The **MOTION CARRIED** by a 5 – 2 roll call vote with Councilors Bogan, Gray, Hamann, Lachance, and Mayor McCarley voting in favor and Councilors Lauterborn and Walker voting in opposition.

4.4 Building Permits FY21 Summary

Deputy City Manager stated that this agenda item was a response to a question raised at the previous finance committee meeting requesting a breakdown of residential versus commercial permits pulled and the revenue generated.

Councilor Lachance stated that he had presumed the residential permits far outpaced commercial and industrial; yet he was interested to find that likely over half of these residential permits were not for new development but rather for additions, remodels or renovations. He stated that he hopes to do further review to determine how much of the new residential development is single-family versus multifamily.

5. Reports from Finance & Administration

5.1 Monthly Financial Report Summaries January 31, 2021

5.1 (a) January 31, 2021 Revenues

5.1 (b) January 31, 2021 Expenses

There was no discussion regarding the financial reports.

6. Other

Councilor Lachance referenced statements made by a resident during the public input portion of the previous Finance Committee meeting. Councilor Lachance stated there is often a perception that the public asks questions but does not get any answers, and he asked to address some of these statements. Mayor McCarley allowed Councilor Lachance to address the prior statements.

Councilor Lachance said that there had been an assertion that the City was preparing the taxpayers for a \$4 million dollar budget deficit before the budget had even been discussed. Councilor Lachance said the \$4 million which had been outlined by staff at the previous meeting

were known fixed budget increases of which the City has no control such as state retirement; however the budget has not been formulated yet or adopted.

It was asserted that the City wasn't being forthright by leaving full-time salaries out of the financial memo shown at the prior meeting. Councilor Lachance stated that the memo was drafted before the numbers for full time salaries were determined and reiterated that the memo contained fixed costs and increases of which the City does not control.

Councilor Lachance said it had been stated that the school budget would increase by \$5.8 million in the upcoming budget. Councilor Lachance clarified that \$4 million of this amount was from a State of NH grant for the CTE center; the local tax burden is increased by only \$1.8 million.

Councilor Lachance said that it had been stated that Sig Sauer was getting a far better deal from the City of Rochester than they were from Epping. Councilor Lachance stated that the project in Epping is merely a \$12,000 facility upgrade which would result in a \$50,000 per year increase as opposed to the \$1.5 million - \$2.8 million referenced. This amount was a projected economic benefit from increased salaries and increased revenues; not a known figure.

Mayor McCarley announced that the Willand Drive warming center is open currently and will remain open for the next several nights. There are very cold temperatures anticipated for early in the upcoming week, and the center is still looking for volunteers. They are also looking for bath and hygiene products for the clients as well as laundry supplies as there are washers and dryers on the premises.

7. Adjournment

Mayor McCarley **ADJOURNED** the Finance Committee meeting at 7:40 PM.

Respectfully Submitted,

Cassie Givara
Deputy City Clerk