

FINANCE COMMITTEE MEETING  
April 8, 2014  
Council Chambers  
7:00 P.M.

Present:

Mayor Jean  
Deputy Mayor Varney  
Councilor Keans  
Councilor Walker  
Councilor Lauterborn  
Councilor Larochele  
Councilor Torr

City Staff Present

Dan Fitzpatrick, City Mgr  
Blaine Cox, Deputy City Mgr  
Mark Sullivan, Sr. Accountant  
Chris Bowlen, RAYS Director  
Peter Nourse, DPW Director

Other Councilors Present

Councilor Gates  
Councilor Gray  
Councilor Collins  
Councilor Kittredge

Others Present

Dave Anctil, Recreation Commission  
Dale Bickford, Recreation Commission  
Bob Brown, Recreation Commission  
Cindy Andrews, Stillwater Circle

MINUTES

1] Call to Order

Mayor Jean called the meeting to order at 7:00 P.M.

2] Public Input

Cindy Andrews addressed the Committee briefly regarding the Stillwater Circle recreation land issue.

DPW Director Peter Nourse informed the Committee that he has had three contractor companies visit the Stillwater Circle site and he will bring the price quotations he receives to the April 17, 2014 Public Works Committee meeting.

Mayor Jean stated that any resultant action items from the Public Works Committee would be taken up by the full Council at their May 6, 2014 meeting.

3] Old Business

3.1. Fire Department Overtime Expense Report

There was no discussion.

3.2 Police and Dispatch Overtime Expense Report

There was no discussion.

3.3 125 Charles Street Land Sale

City Manager Fitzpatrick informed the Committee that he had met with Mr. Lesperance regarding the City owned property at 125 Charles Street.

After some discussion, the City Manager determined that the consensus of the Committee was to follow the City's Land Sale Policy that stipulates a "public sale" involving an advertising of the sale of the property to the public and the acceptance of sealed bids.

4] New Business

4.1 Arena Financial Analysis and Director Updates

Recreation Director Bowlen opened the discussion by describing how he and Senior Accountant Sullivan had collaborated on an analysis of the Arena Fund's debt service.

Mr. Sullivan made a presentation of several Power Point slides (attached) conveying the analysis of the Arena Fund's debt projections. He indicated that the Arena has been and is anticipated to be self supporting with regard to ongoing operations. With regard to capital expenses, the fund is projected to "go negative" in the near future until 2020 when debt service expenses drop by \$48,000. In 2024, Arena Fund debt service expenses are set to decrease by another \$42,000.

Arena Commissioner Anctil described how the Arena management and Commission conduct periodic surveys of area arenas to determine ice rental market rates and how the Rochester arena sets their rates to be in the top 25% of the range. Mr. Anctil also described efforts in recent years to increase youth hockey participation which is working as evidenced by increased numbers over the last three years.

Director Bowlen described efforts to increase off-season use of the facility and cited examples such as roller-derby, rollerblade hockey, Chamber of Commerce Expo and open rollerblade programs.

The Committee had a lengthy discussion regarding the Arena Fund's near-term inability to pay for its debt service and at the same time address capital needs. Two options were proposed: designate the Arena as a City department within the General Fund or set up a transfer out of the General Fund to the Arena Fund for some or all of the capital expenses.

The Mayor requested that Mr. Bowlen and the Arena Commission come to the Council during the upcoming budget development process with a plan.

4.2 Buildings and Grounds Contract Management

City Manager Fitzpatrick explained to the Committee that the City had solicited proposals from two companies for the provision of management services for the Public Buildings and Grounds Department for a period of one year. It was noted that the lowest cost proposal exceeded by nearly \$40,000, the City's current in-house management costs.

DPW Director Nourse informed the Committee that the department has 15 employees - 10 custodians, 3 grounds workers and 2 maintenance mechanics. He also indicated that with the recent retirement of the Building and Grounds manager, one of these existing employees has been temporarily assigned to lead the group. However, Mr. Nourse feels this is only a short-term arrangement and is not viable long-term.

The Committee discussed the issue at length after which the City Manager indicated that he was clear on the Committee's mandate, specifically, that the City Manager will seek to hire an

independent contractor to serve as the Buildings and Grounds supervisor for one year and the City will seek to determine if contracting out the entire Buildings and Grounds Department would result in a net savings for the City.

Councilor Gates also suggested that the City explore a management model similar to Danvers, Massachusetts whereby the City and School Departments are operated as a contained unit.

#### 4.3 Roberge Center

Rochester Housing Authority (RHA) Director Stacey Price outlined the finances and usage of the Roberge Center and how her governing board has determined that ownership and operation of the facility is no longer considered feasible. In addition, she indicated that approximately \$180,000 of federal Housing and Urban Development (HUD) funds has been used by the RHA to upgrade and maintain the building and, therefore, she needed to consult with HUD regarding possible restrictions on how the building's ownership is changed.

The Committee discussed parking issues, meeting space usage, potential as a voting location and possible private ownership.

Mayor Jean stated his sense that the City is not interested in taking ownership of the facility at this time. He suggested the RHA work with the Rochester Economic Development Commission regarding possible options.

#### 4.4 Crosspoint Church Lease at Community Center

Mayor Jean opened the discussion by explaining that the Crosspoint Church is proposing to pay a rental rate of \$4.55 per square foot for the space formerly occupied by Sole City Dance.

Councilors Keans and Lauterborn expressed concerns that the Community Center is typically closed on Sundays when the church is most likely to be using the space and would the City incur additional expenses in opening up the building.

The City Manager was directed to determine what days and times Crosspoint would be in operation in the space and whether the City could accommodate their schedule without added expense.

### 5] Finance Director's Report

Deputy City Manager Cox reviewed the Net New Construction data used in the FY2015 Budget Tax Cap Calculation.

Mr. Cox also explained his recommendation to the City Manager regarding the promotion of the HR Clerk II employee to the position of HR/PR Specialist position.

Finally, Mr. Cox indicated that the FY2015 Budget Schedule contained in his written report would be amended by moving Recreation and Arena to May 20th and moving Economic Development to April 22nd.

6] Monthly Financial Statements

There was no discussion on the Financial Statements.

7] Other

Mayor Jean explained to the Committee that the Solar option that the Joint Building Committee had been considering was determined to not be viable. As a result, the JBC was pursuing a second approach. This second approach was deemed to have potential application to other City buildings. The JBC is seeking the City Council's position on whether to pursue the second option in a manner that would comply with the City's request for proposals policies.

The Mayor determined that the Committee consensus to be favorable and, therefore, the second option will be introduced to the full Council at the May 6, 2014 Regular City Council Meeting.

Public Works Director Nourse reviewed a memorandum (attached) dated March 31, 2014 addressed to the Finance Committee regarding the "Proposed FY15 Capital Project: Installation of Water and Sewer on Chamberlain Street." His conclusion was that the execution of this project was not economical.

After a brief discussion, Mayor Jean directed Mr. Nourse to bring this issue forward as part of the FY2015 Capital Budget development process. As such, this would provide the residents of the affected area an opportunity to be heard and the full Council a chance to fully discuss the issue.

Councilor Varney inquired as to when the Granite Ridge Tax Increment Financing Plan would come to the Council for review.

Mayor Jean informed the Committee that the School Department was expected to come forward at the May 6, 2014 Council meeting seeking a supplemental appropriation.

8] Adjournment

Councilor Walker **MOVED** to adjourn the Finance Committee meeting which was seconded by Councilor Torr. The motion was **ADOPTED** by a unanimous voice vote. The meeting adjourned at 9:33 P.M.

Respectfully Submitted,

Blaine M. Cox  
Deputy City Manager

BMC:sam

# Arena Fund Financial Analysis

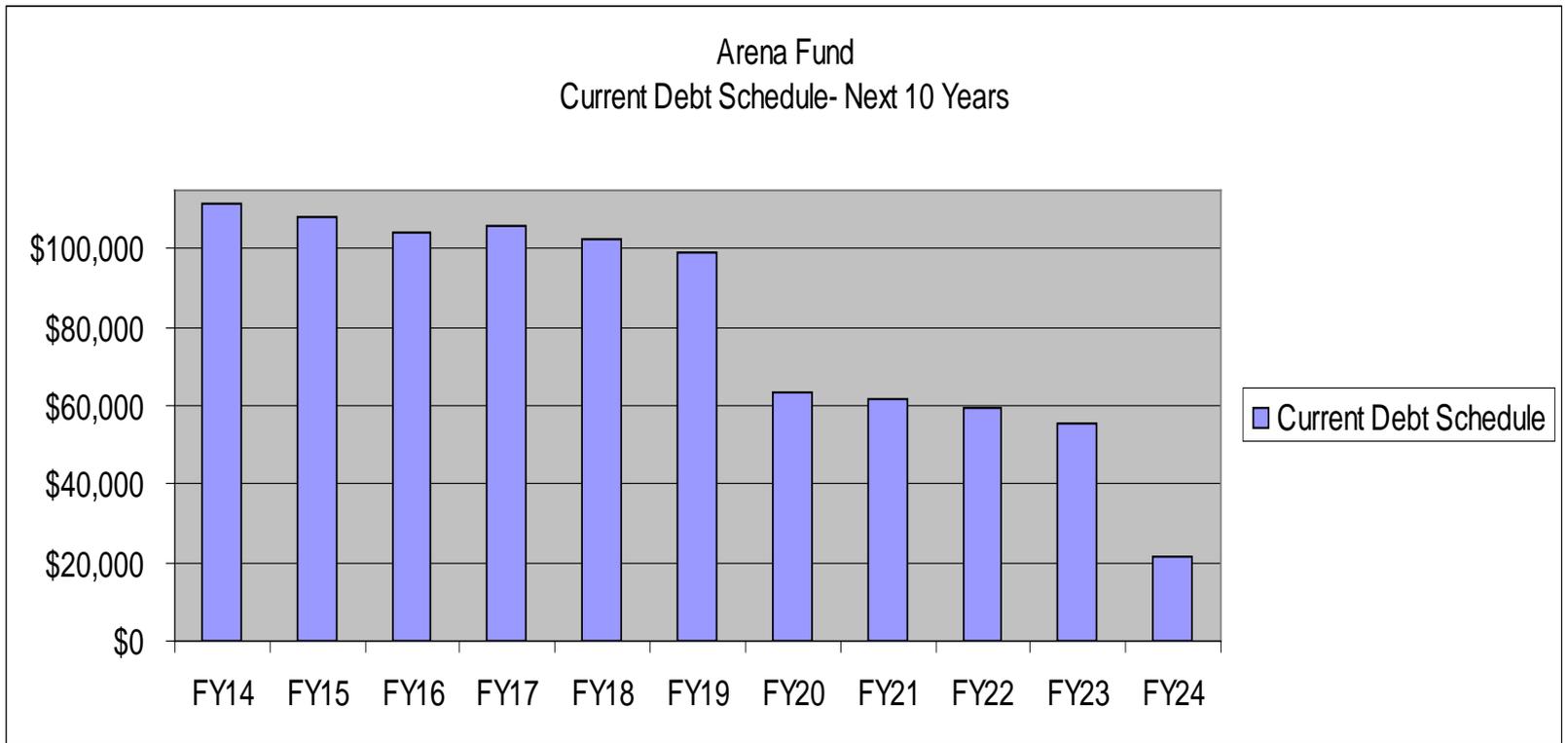
April 8, 2014

Arena Fund's Operating Revenues meet its Operating Expenses, and has done so for many years. P&L Income Before Depreciation averages approximately \$60,000 per year.

Cash Flows are essentially breakeven, with only a slightly negative cash flow predicted for FY14 through FY16

Current 20 Year Debt Service is declining. There will be two periods of significant cash flow pick-up from expiring debt service, \$48,000 in FY20 and another \$42,000 in FY24.

Revenue assumptions in this analysis are essentially flat with no anticipated increases in rates or customer volume for Contract Ice Sales. General Sales Revenues are projected at 1% increase, and Expense increases are forecasted at 1% per year



**Principal and Interest payments declining**

FY20- \$48,000 in Principal & Interest Expiring

FY24- \$42,000 in Principal & Interest Expiring

**Arena Fund will realize a cumulative debt service decrease of \$90,000 in FY24**

## ARENA FUND CASH FLOWS FY11-FY16

<b>Estimated Cash Flows from Operations</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>
Cash Received	\$422,429	\$407,600	\$411,395	\$422,000	\$423,170	\$424,352
Cash from Investments	\$1,250	\$500	\$500	\$500	\$500	\$500
Cash Paid to Suppliers & Employees	(\$321,261)	(\$300,212)	(\$319,156)	(\$321,546)	(\$324,762)	(\$328,009)
<b>Operating Cash Balance Before Debt Service</b>	<b>\$102,418</b>	<b>\$107,888</b>	<b>\$92,739</b>	<b>\$100,954</b>	<b>\$98,908</b>	<b>\$96,842</b>
Interest Payments	(\$33,182)	(\$31,233)	(\$35,309)	(\$31,988)	(\$28,585)	(\$25,157)
Principal Payments	(\$69,499)	(\$69,499)	(\$77,454)	(\$79,499)	(\$79,499)	(\$79,360)
<b>Debt Service Payments</b>	<b>(\$102,681)</b>	<b>(\$100,732)</b>	<b>(\$112,763)</b>	<b>(\$111,487)</b>	<b>(\$108,084)</b>	<b>(\$104,517)</b>
<b>Net Cash Flow</b>	<b>(\$263)</b>	<b>\$7,156</b>	<b>(\$20,024)</b>	<b>(\$10,533)</b>	<b>(\$9,176)</b>	<b>(\$7,675)</b>
<b>Cash Flow-Cummulative Rolling Balance</b>		<b>\$6,893</b>	<b>(\$13,131)</b>	<b>(\$23,664)</b>	<b>(\$32,839)</b>	<b>(\$40,514)</b>

A combination of slight increase in Revenues of 2%, and decrease in Expenses of 2% will negate the negative cash flows.

**CITY OF ROCHESTER, NEW HAMPSHIRE**

**Working Capital Analysis - ARENA FUND**

	Fiscal Year Ending				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Current Assets:</b>					
Accounts receivable	\$ 475		\$ 3,913	\$ 3,913	\$ 11,894
Due from other funds		\$ 18,586			
Deferred debt financing expense		227			
<b>Total Current Assets</b>	<u>\$ 475</u>	<u>\$ 18,813</u>	<u>\$ 3,913</u>	<u>\$ 3,913</u>	<u>\$ 11,894</u>
<b>Current Liabilities:</b>					
Accounts payable	\$ 9,409	\$ 3,732	\$ 2,031	\$ 79,857	\$ 6,751
Accrued expenses	26,821	27,351	23,069	25,561	24,795
Retainage payable					
Deferred revenue			1,500	1,732	1,732
Due to other governments					
Due to other funds	28,939		271,793	137,477	15,421
Current portion of bonds payable	80,296	78,269	69,499	69,499	67,765
<b>Total Current Liabilities</b>	<u>\$ 145,465</u>	<u>\$ 109,352</u>	<u>\$ 367,892</u>	<u>\$ 314,126</u>	<u>\$ 116,464</u>
<b>Working Capital Analysis:</b>					
Working Capital Balance (Deficit)	<u>\$ (144,990)</u>	<u>\$ (90,539)</u>	<u>\$ (363,979)</u>	<u>\$ (310,213)</u>	<u>\$ (104,570)</u>
<b>Liquidity Ratio</b>	0.00	0.17	0.01	0.01	0.10
<b>Cash and Equivalents Analysis:</b>					
Due from other funds	\$ -	\$ 18,586	\$ -	\$ -	\$ -
Due to other funds	28,939	-	271,793	137,477	15,421
<b>Net Cash and Equivalents Position (Deficit)</b>	<u>\$ (28,939)</u>	<u>\$ 18,586</u>	<u>\$ (271,793)</u>	<u>\$ (137,477)</u>	<u>\$ (15,421)</u>

**No Viable Working Capital Exists**

# Capital Improvement Challenges

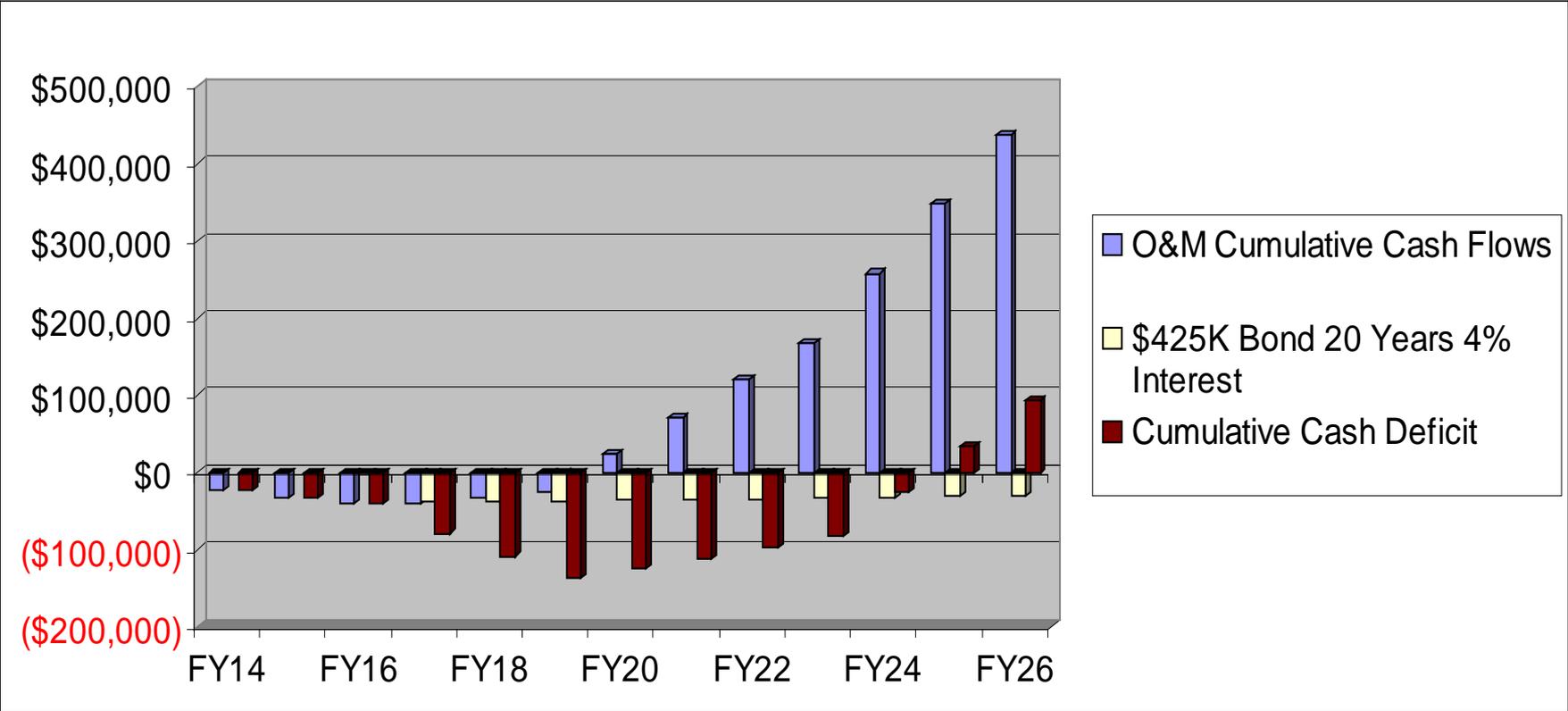
How to best phase in additional Capital Improvement Projects and related Debt Service.

Arena Fund has no Working Capital to fund its own capital improvement projects.

Arena Fund will be challenged to absorb added debt service payments until the FY20 & FY24 time frame .

Depending on the scope of future Capital Improvements negative Cash Flows should be anticipated for a period of 7-15 years.

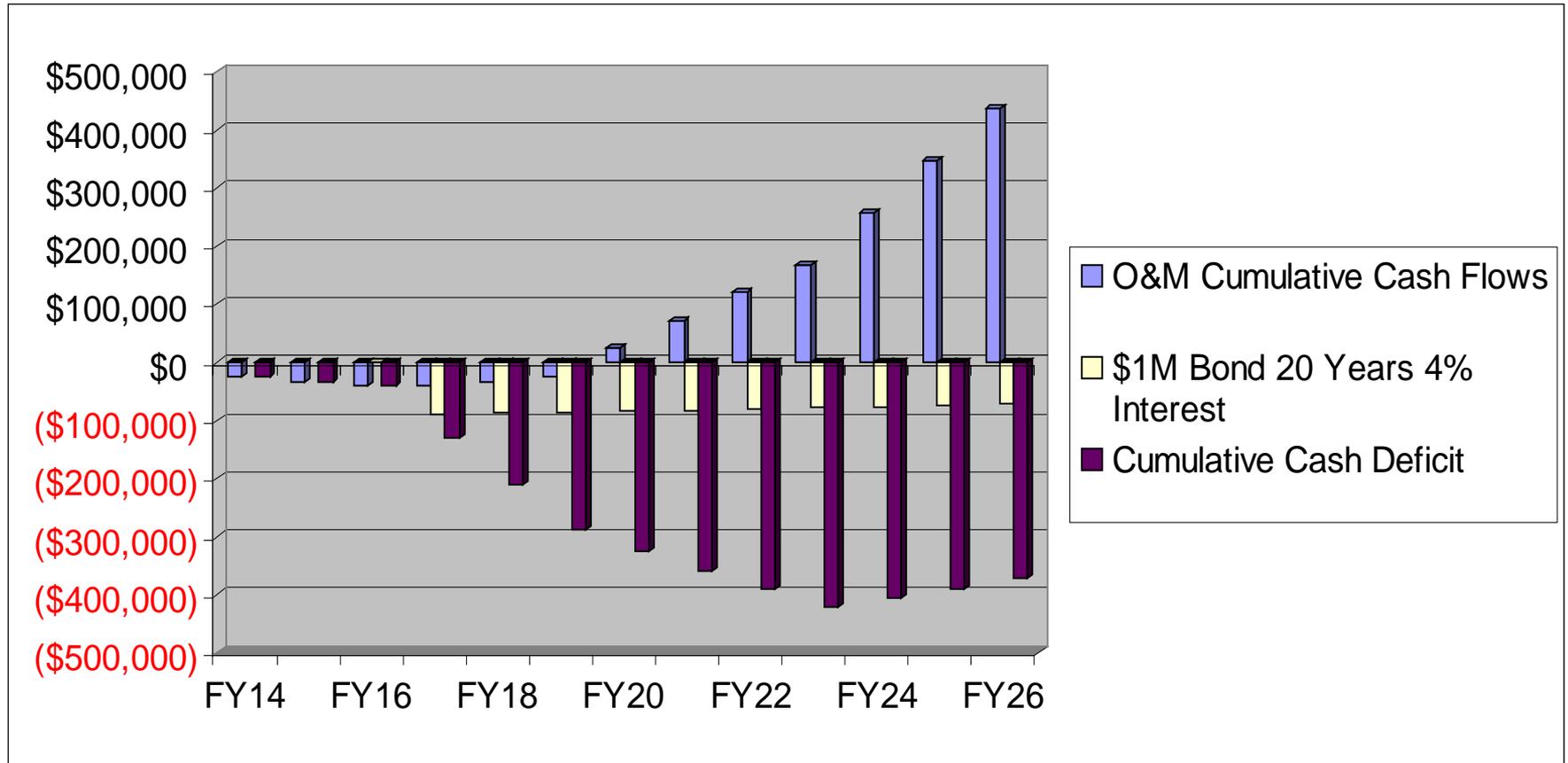
# Example A: Impact of New Debt Service to Cumulative Cash Flows- FY13 & FY14 Adopted \$425K- New Debt Service Begins FY17



New Debt Service is approx 30K per year.  
Negative Cash Flow Peaks \$140K in FY19.

Cash Flows Recover to Positive Position in FY25

## Example B: Impact of New Debt Service to Cumulative Cash Flows- \$1 Million New Debt Service Begins FY17



Negative Cash Flow Peaks-Over \$440K in FY23. New Debt Service Averages Approx \$72k per year.

FY33 Cash Flows recover to positive position

# Cash Deficit Management-Recovery

Recovery of Cash Deficit has to be definable, measurable and attainable.

Assuming a negative cash flow methodology is allowed:

Auditors may require a portion of the Unrestricted Fund Balance be reclassified to a Restricted Account category as a contingency for the potential liability of non-recovery of the cash deficit.



**City of Rochester  
Dept of Public Works**

45 Old Dover Road  
Rochester, NH 03867  
Phone: (603) 332-4096  
Fax: (603) 335-4352

# Memo

**To:** Finance Committee

**From:** Peter Nourse, Director of Public Works 

**CC:** Daniel Fitzpatrick, City Manager

**Date:** 31 March 2014

**Re:** **Proposed FY15 Capital Project: Installation of Water and Sewer on Chamberlain Street**

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1. Per direction of the Mayor at the 3 December City Council meeting, subject project was placed into the proposed FY15 CIP budget for discussion. Also per that directive, this memo is furnished to formalize the Department's concerns with this project.
2. Background.
  - a. In August 2013, prior to its paving under the FY14 paving contract, Chamberlain residents expressed their desire for City water and/or sewer to be placed in the street.
  - b. In September 2013, DPW provided cost estimates to the Council of \$900K for either water or sewer the length of the street or \$1.6M for both.
  - c. In October 2013, FY13 project water main replacement was complete. This project replaced approximately 750 feet of old water main to improve water quality which serviced six homes on the Franklin end of the street.
  - d. In November 2013, per Council directive, DPW issued a survey (results attached). The survey was a non-binding query to see what residents' utility priorities were, and if residents were willing to fund

their own service connections per City policy. Results showed that 50% either wanted no water and sewer, or did not respond. Those on the very ends of the street showed interest in committing to paying for either or both utilities.

### 3. Discussion.

#### a. There are three ways to approach this project.

- i. One is *By Petition*, per the water/sewer ordinances whereby the connecting residents proportionately pay for the main(s) and entirely for their service connections (i.e. piping from the main to the home). Due to the high cost of the project and the relatively small number of potential residences served, the cost per customer along Chamberlain is too high for consideration.
- ii. The second way is for the City to fund the main(s) with the residents funding their own services per City practice. Since this would be a City outlay of a utility, in practicality, such a decision would need to be founded in engineering need and economic responsibility. Total water and sewer services costs are estimated to be over \$200K and range from \$5K to \$35K per address depending upon distance to the street.
- iii. The third approach would be for the City to fund the main(s) and all services. Funding all services is a departure from normal City practice.

b. This is a complex project. It involves over 4,000 feet of new sewer and over 3,500 feet of new water. Due to high water pressure differentials between the Salmon Falls and Rochester Hill pressure zones, a pressure reducing station is needed at the interconnection between the new zones on Chamberlain St. If utilities are brought only to the ends of the street per the indicated desires of the survey, a sewer pump station and force main would be needed on the Whitehall end. Additionally it is anticipated that ledge would be encountered along the utility routes.

c. It has been recommended that sewer not be run without water, and running sewer and water just on the ends of the street is figured to be nearly as costly. Therefore a compromise in scope to significantly reduce the \$1.6M projected cost is not possible.

4. From an economic appraisal, the project has a very long ratepayer payback period. Assuming 80 units consumed per year x combined water/sewer rate of \$10.91, would yield \$900 per year per new customer. Assuming that all 22 addresses would commit to paying their service connection fees, about \$20,000 of revenue would be generated each year. Simplistically this figure

applied to a cost of \$1.6M would yield a payback period of over 80 years, but in reality with debt service it would be much longer. ***However, 50% or 11 addresses did not respond nor want either water or sewer and the remaining 50% provided mixed utility priorities under the non-binding commitment.*** Additionally, due to the relatively large costs of some of the service connections (upwards of \$35K due to distance off road), it is believed that ultimately very few residents would actually commit to funding their own service connections.

5. A check with City Codes and NHDES indicates that despite some residents' claims that septics are failing, there are no recent cases on file. However, that does not conclude that septics are in fact not failing; just that they have not yet been reported.
6. **Conclusion. A Chamberlain Street Water/Sewer project would be costly and would be a significant impact to a capital water or sewer program in any year. The proposed FY15 capital water and sewer budgets prioritize projects that have the most benefit for the most ratepayers. A Chamberlain commitment would benefit very few customers at the expense of the majority of ratepayers.**

FRANKLIN  
↑  
↓  
WHITEHALL

**CHAMBERLAIN ST., ROCHESTER, NH SEWER AND WATER SERVICE COST ESTIMATE COMMITMENTS**

HOUSE #	OWNER	WATER SERVICE COST	OWNER COMMIT TO WATER (Y/N)	SEWER SERVICE COST	OWNER COMMIT TO SEWER (Y/N)	TOTAL WATER AND SEWER SERVICE COST
75	Kevin & Lori Scott	N/A	N/A	\$15,985.67	YES	
79	Donald S. Dodier	N/A	N/A	\$2,423.17	YES	
83	Gregory T. & Laurie H. Voss	N/A	N/A	\$3,110.33	YES	
82	Micheal S. Perreault	N/A	N/A	\$6,546.17	Needs More Info	
85	James R. Moore	N/A	N/A	\$6,582.33	YES	
84	Eric E. & Anita R. Lachance	N/A	N/A	\$13,671.00	NO	
87	Wallace & Nancy Hubbard	\$3,566.50	NO	\$3,544.33	YES	\$7,110.83
86	Neil S. & Debra K. Lachance	\$10,270.05	YES	\$14,105.00	YES	\$24,375.05
89	Derrill K. Ordway Rev Living Tr	\$5,011.00	YES	\$5,497.33	NO	\$10,508.33
98	Jerome J. & Deborah A. Lachance	\$15,604.00	NO	\$21,193.67	NO	\$36,797.67
93	Douglas N. & Michele L. Grant	\$6,455.50		\$7,450.33		\$13,905.83
100	Timothy J. & Chrystal M. Plaisted	\$4,262.00		\$5,895.17		\$10,157.17
101	Raymond S. & Dianne K. Charles	\$3,352.50		\$3,291.17		\$6,643.67
106	Paul & Nancy Burke	\$10,254.00	NO	\$14,032.67	NO	\$24,286.67
107	Peter S. & Cheryl A. Lapanne	\$7,418.50	NO	\$8,752.33	NO	\$16,170.83
111	Aaron S. & Meghan L. Lacoss	\$4,957.50		\$5,425.00		\$10,382.50
112	Michael R. & Karen M. Cormier	\$7,311.50		\$10,054.33		\$17,365.83
116	Kurt & Martha Hauschka	\$5,171.50	NO	\$7,161.00	NO	\$12,332.50
117	Gregory J. Jandris	\$3,941.00		\$4,050.67		\$7,991.67
120	Leo & Michele L. Thibeault	\$5,118.00		\$7,088.67		\$12,206.67
119	Jeanne A. Grover	\$4,422.50	YES	\$4,701.67	YES	\$9,124.17
126	Raymond D. & Joan D. Collins Irrev Tr	\$3,994.50	NO	\$5,569.67	YES	\$9,564.17

RESIDENCES REACHED = 22

Y WATER & SEWER = 2

N WATER & SEWER = 4 > 11

NO RESPONSE = 7

Y WATER N SEWER = 1

N WATER Y SEWER = 0