

City Finance Committee Minutes

May 22, 2017

City Council Chambers – 7:00 PM

Present: Mayor Bouley, Councilors Todd, Herschlag, Kretovic, Champlin, Grady-Sexton, Coen, Keach, Kenison, Nyhan, Matson, White-Bouchard, and St. Hilaire.

Excused: Councilors Shurtleff and Werner.

The Mayor opened the meeting at 7:07 PM. He stated that this meeting was to review the FY 2018 budgets for the Special Revenue and Enterprise Funds.

The City Manager handed out copies of the budget pro formas.

PROJECT INSPECTION FUND: City Manager Aspell briefly explained the purpose of the Project Inspection Fund. He explained that revenue and expenses are dependent on construction activity.

For FY 2017, revenue is projected to exceed expenses by \$5,100 and better than expected by \$2,100. For FY 2018, revenue is projected to increase by \$11,000 or 3.8%.

FY 2018 expenditures are projected to increase by \$11,600 or 4%. Budgeted net revenues are expected to exceed expenses by \$2,400.

The working capital of this fund remains healthy, ending FY 2017 at \$79,000. The ending working capital balance for FY 2018 is expected to come in at approximately \$81,000.

PARKING: The FY 2018 budget maintains current service levels. FY 2017 revenue, budget to estimate, is coming in \$23,000 over budget; and expenses are coming in \$48,000 under budget. The estimated net is a loss of \$97,000 compared to the budgeted loss of \$168,000, or \$71,000 better than expected. This is a direct reflection of stronger than expected metered parking revenue, considering the loss of revenue due to the Main Street Project, and stringent expense management.

Budget to budget, FY 2018 revenue is projected to be \$10,000 or .5% lower. While we are projecting some revenue increases in metered parking and metered parking penalties, the revenue reductions due to the School Street Parking Garage renovations and there being no revenue this year from the Durgin Trust more than offset the gains. The Durgin Trust revenue is a decrease of \$58,000.

Budget to budget, FY 2018 expenses are anticipated to increase by \$4,700 or .2%. The projected loss for FY 2018 is \$183,000, which will reduce the working capital to a negative \$153,000.

The Parking Fund continues to present a challenge. The comprehensive parking study has been completed and is still under review by the Parking Committee. A public forum for the meter rates and other changes to the Parking Fund will be held on May 23rd at 7:00 PM. Based on comments from that forum, the Parking Committee will meet again on May 30th to develop their final recommendations to City Council.

City Manager Aspell reviewed the Parking pro forma. As presented for FY 2018, the losses to this fund continue and the ending working capital will be in a negative position by the end of FY 2018. City Council will need to decide on the best solutions for this fund.

Councilor Herschlag asked what the payments from the Sears Block Tax Increment Finance District (SBTIF) are used for. Manager Aspell explained that the funds are used to pay debt service on the Capital Commons Parking Garage for operational costs within the TIF; and that the money could also be used, at Council's discretion, to reimburse the Economic Development reserve.

AIRPORT: The FY 2017 budget projected a loss of \$69,000. The actual loss is \$64,000, which is \$5,000 less than expected.

FY 2017 revenue, budget to estimate, is under by \$7,100. FY 2018 revenue, budget to budget, will be flat.

For FY 2018, the main capital priority is the continuation of CIP #468, reconstruction of Taxiway A and the existing itinerant ramp.

FY 2017 expenditures, budget to estimate, will be flat; and FY 2018 expenditures, budget to budget, will be flat.

For FY 2017, the main capital priority is CIP #468, Reconstruction of Taxiway "A" and the existing itinerant ramp.

The Airport Fund is projected to have a positive working capital balance of \$407,000 at the end of FY 2018. However, with the anticipated losses in future years, this fund is projected to go into the negative in FY 2022. While the City is looking at all possible solutions to improve the performance of the fund, the general aviation industry is in decline nationwide.

Councilor Coen asked what the City had done to bring the Airport Fund out of the red from several years ago to being in the black today. Manager Aspell responded that the agreement with the National Guard for lease payments to use the airport has brought in additional revenue. In addition, the City receives a percentage of the Airport's fuel sales.

Councilor Herschlag asked how the City could bring in more revenue to the Airport. Manager Aspell responded that the City has had discussions about trying to increase commercial use of the airport.

CONSERVATION FUND: Manager Aspell briefly explained the purpose of the Conservation Fund.

For FY 2018, revenue generated from leases is projected to be flat. Manager Aspell noted that \$45,000 will be transferred to the General Fund to be used for debt service on conservation property purchases.

GOLF COURSE: For FY 2017, the Golf Course Fund had a budgeted gain of \$1,200 and the estimate for FY 2017 is a loss of \$1,700.

FY 2017 revenue, budget to estimate, is projected to be down by \$6,700. While seasonal passes, cart rentals, golf simulator, and advertising revenue are over budget; camps, Pro Shop sales, and concession revenue is not expected to meet budget expectations. FY 2018 revenue, budget to budget, is up \$30,000 or 2.7%.

FY 2017 appropriations, budget to estimate, are projected to come in \$3,900 under budget. FY 2018 appropriations, budget to budget, are up \$12,000 or 1.1%.

Manager Aspell noted that these budgets were prepared before the golf season got underway and with the less than favorable weather so far this spring, it may well have an impact on the revenue estimates presented here.

Manager Aspell also noted that the simulator has performed very well this year and that simulator revenue is ahead of budget expectations. At this time, it looks like the simulator project was a very good business decision. Manager Aspell also noted that we have received a tremendous amount of positive feedback on the new electric carts.

Manager Aspell reviewed the Golf Course pro forma. He pointed out that as we look out to FY 2019 and beyond, there are still some challenges with the projected negative net results. The City will have to closely manage operation costs, revenue, and future capital costs. Per this pro forma, the Golf Fund remains positive through FY 2020.

The following projects pertaining to the Golf Course are budgeted for in the Capital budget:

- \$16,000 (CIP #107) for new Clubhouse software;
- \$61,000 (CIP #235) for bunker improvement at various holes; and
- \$60,000 (CIP #530) for equipment to replace the chemical sprayer.

The Capital budget also allocates funds for parking lot improvements in FY 2019, and irrigation system replacement (half in FY 2020 and half in FY 2021). These are much needed improvements that the fund will not be able to financially support solely from recurring revenues. Therefore, the City Council will need to consider other support if the projects are to proceed.

Beaver Meadow Golf Course Committee Chair Chris Mulleavey submitted a written request asking that City Council make replacement of the irrigation system a priority, as the current irrigation system is 50 years old and the pump station is 37 years old. In addition, a new pump will be more energy efficient and a new irrigation system is expected to conserve 15-18% of current water use. Councilor Kretovic agreed with this approach, and suggested we consider how much water we are losing by not making this a priority.

Councilor Coen noted that concession income was under budget and questioned why. Deputy Manager LeBrun responded that the lower than expected concession revenue could be weather related, due to the very hot and dry summer last year. He noted that a portion of the concession contract is for the City to receive a percentage of concession sales. If less people are spending money on concessions, not only is it less income for the vendor, but it is less revenue for the City. Councilor Coen noted that Pro Shop revenue was also below projection.

Councilor Herschlag asked how the City could generate additional revenue at the golf course. Seeing that we no longer host the Futures Tour, how can we replace that revenue? Deputy Manager LeBrun indicated that the City is always looking for ways to bring in more revenue. The loss of the Futures Tour was not the City's decision. Golf Pro Davis explained that we currently have four tournaments scheduled for this fiscal year and next. Another option that is being considered to bring in revenue is to rent tents for the public to hold events outside at the golf course. Manager Aspell noted that the new Golf Simulators and the sale of advertising space increased golf course revenue by \$80,000 in the last two years.

Councilor Nyhan mentioned that he has received complaints from BMGC members who have purchased Monday-Friday passes and are unable to play when there are tournaments occurring. He suggested that the Golf Course Advisory Committee look into ways to make it up to these members.

Mayor Bouley took this time to compliment and thank Golf Pro Davis and course manager Sid Chase for their continued good work. The Mayor noted that there is a great new attitude at BMGC and that he has heard nothing but good things.

ARENA: The FY 2017 budget projected a gain of \$2,200. The actual gain is \$20,000.

Revenue for FY 2017 is down by \$5,300; and for FY 2018 revenue is expected to be flat.

FY 2017 expenses, budget to estimate, are down \$24,000. FY 2018 expenses, budget to budget, are up \$16,000 or 2.7%.

The fund is expecting a gain of \$20,000 for FY 2017, better than projected by \$18,000. FY 2018 has a projected loss of \$14,000 and will still maintain a solid working capital of \$196,000. While the ending working capital is solid today, the continued expected losses each year will strain the fund and will require a continued search for new revenue streams. Based on the pro forma, the fund remains solvent through FY 2022.

The major capital project included for funding in FY 2018 for the arena is CIP #64 in the amount of \$36,000, for fire alarm upgrades, replacement of the Zamboni batteries, and to provide wifi throughout the building.

There was a brief discussion about the ending working capital for this fund. Councilor Nyhan suggested that the City either decrease expenses or increase revenue in order to have a positive ending working capital. Manager Aspell explained that we try to keep costs down for the users, but at a level that matches operating costs. Manager Aspell said the City could be more aggressive with costs, but it would affect users negatively. He said the City tries to increase revenue without increasing costs.

SOLID WASTE: Manager Aspell indicated that there continues to be a lot of work done by the Solid Waste Advisory Committee (SWAC) and the General Services Department on the finances of the Solid Waste Fund. Based on that work, and the subsequent decision by City Council to raise the Pay-As-You-Throw (PAYT) bag prices last year, the revenue stream has greatly improved and the fund is very solid. The projected FY 2017 budget loss of \$78,000 has resulted in a gain of \$160.

FY 2017 revenue, budget to estimate, is up \$44,000. FY 2018 revenue, budget to budget, is up \$239,000 or 6.1%, partly due to the increased commercial disposal revenue, PAYT revenue, and an increase in the transfer from the General Fund to offset recycling costs.

FY 2017 expenses, budget to estimate, are down \$34,000. FY 2018 expenses, budget to budget, are up \$128,000, mainly due to a projected increase in commercial disposal.

City Manager Aspell reviewed the pro forma, which shows a gain for FY 2017 of \$160,000, which is \$78,000 better than budget. The FY 2018 gain is projected to be \$33,000 and then there are projected losses again in FY 2019 through FY 2023. The ending working capital stays solid for the next few years and is still positive in FY 2023. Around FY 2022, the SWAC will need to start taking a look at revenue and bag prices again.

Councilor Coen asked how the City is coping with the worldwide collapse of the recycling market. Solid Waste Manager Adam Clark explained that the City's 10-year contract with Casella puts the risk on Casella, not on the City. This contract is in effect for six more years.

Councilor Herschlag asked about a possible transfer-in from the General Fund to keep PAYT bag costs down. Manager Aspell explained that there is a transfer-in from the General Fund to support recycling costs, but not for trash. The idea is to shift the cost burden to those who generate trash.

Councilor Herschlag also commented on the projection in the pro forma for 2020, where revenues are upside down. He asked how much PAYT bag prices would need to increase to make up for this lack of revenue. General Services Director Chip Chesley responded that it is too soon to know this, and that the number in the pro forma is just a projection which could change over time.

Councilor Kretovic took this time to express her appreciation to the General Services Department for its excellent communication with residents.

Mayor Bouley asked if the City has seen an increase in illegal dumping. Solid Waste Manager Adam Clark responded that most of the illegal dumping they see is bulky items like TV's, couches, etc.; things that cost money to dispose of. Most of the illegal dumping is not related to household trash. Manager Clark explained that if an item is on private property, we will first put a sticker on the item informing the resident that we will not collect it. If that doesn't take care of it, we send a letter to the resident. In most cases, these methods are effective. Manager Aspell noted that residents can call Casella and pay them to collect bulky items from their curb.

Mayor Bouley commented on the recent lack of communication to residents of Chapel Street, who were not informed that trash collection would be affected by the construction work being done on the street. Director Chesley admitted that this was due to a lack of communication between Engineering and General Services, which resulted in no communication to the residents. He assured the Mayor this would not happen again.

WATER FUND: The FY 2017 budget projected a loss of \$282,000. There was actually a gain of \$30,000.

FY 2017 revenue, budget to estimate, is up \$178,000. FY 2018 revenue is up \$67,000 or 1.1%.

FY 2017 expenses, budget to estimate, are down \$134,000. FY 2018 expenses, budget to budget, are up \$75,000 or 1.2%.

There are no significant changes in the Water Fund in FY 2018. The budget provides for \$2.6 million in Capital spending as follows:

- \$1.3 million for water main replacement and construction;
- \$420,000 for Water Treatment Plant and SCADA improvements;
- \$250,000 for pump station improvements;
- \$160,000 for water meter replacements;
- \$149,000 for the Water Fund portion of the COMF repairs;
- \$100,000 for storage tank repairs;
- \$63,000 for hydrant and valve replacements; and
- a number of other smaller projects.

In looking at the pro forma, at this time last year, we projected a loss of \$282,000. Current estimates show that the fund will recognize a gain of \$30,000, due to a hot and dry summer in 2016. In FY 2018, the fund is anticipating a loss of \$290,000.

Last year, it was anticipated that the rate increase in this fund would be 5.5%. Since we are in the middle of a rate study, and after discussion with the Fiscal Policy Advisory Committee, we will wait on any recommended rate change until that study is complete. Therefore, a possible mid-year recommendation may come forward.

The projected ending working capital for FY 2018 is very solid and the fund remains solid through FY 2023 with future projected rate changes.

Manager Aspell noted that in comparison to other communities, Concord has one of the lowest annual customer water consumption costs.

Councilor Coen indicated that he was very impressed with how serious the City of Concord takes the quality of its water. When he sees the problems that other communities are having with their water quality, he is confident that Concord will never find itself in that position.

WASTEWATER: The FY 2017 budget projected a loss of \$293,000, and the estimated loss is \$208,000, which is \$85,000 better than expected.

FY 2017 revenue, budget to estimate, is up \$51,000. FY 2018 revenue, budget to budget, is up \$172,000 or 2.4%.

FY 2017 expenses, budget to estimate, are down \$35,000. FY 2018 appropriations, budget to budget, are up \$348,000 or 4.6%, mainly due to an increase of \$245,000 in debt service costs. There are no significant changes in the Wastewater Fund in FY 2018.

The budget provides for \$3.6 million in capital spending as follows:

- \$2 million for Hall Street Treatment Plant improvements
- \$560,000 for Penacook Treatment Plant improvements;
- \$305,000 for pump station improvements;
- \$260,000 for sewer main rehabilitation and construction;
- \$149,000 for the Wastewater Fund portion of the COMF improvements;
- \$60,000 for Hall Street odor control; and
- Other smaller projects.

In reviewing the pro forma, at this time last year, we projected a \$293,000 planned loss in fund position. Based on current estimates the fund will recognize a loss of \$208,000, which is \$85,000 better than expected. For FY 2018, the fund is anticipating a loss of \$469,000. No rate increase is recommended at this time, due to the ongoing rate study. Last year it was anticipated that the rate increase would be 4%.

The current working capital is solid and projected to remain solid through FY 2023 with regular rate changes.

Debt service on capital projects is driving the increases each year and the fund is very solid.

Concord's rates remain very competitive with other communities because the City Council takes a proactive approach to managing this fund.

Councilor Herschlag asked about the scope of work of the consultant(s) conducting the rate study. He wanted to know if the consultant(s) will be taking into consideration future maintenance costs, etc. Director Chesley responded that the Department has shared all of its estimates with the consultant and is waiting for their feedback. Councilor Herschlag also requested that as soon as a report is available from the consultant, that it be made available to the public. Director Chesley assured the committee that this would happen at the appropriate time.

Mayor Bouley asked if the number of odor complaints (2) in the service indicators was accurate. Director Chesley confirmed that only two complaints were received. The Mayor suggested that the Department notify all neighbors of the WWTP when work is being done that will increase odor in the area.

The Mayor opened a public hearing on the Special Revenue and Enterprise Fund budgets. As there was no testimony, the public hearing was closed.

A motion was made and seconded to tentatively approve the Special Revenue and Enterprise Fund budgets as proposed. The motion passed with a unanimous voice vote.

This concluded the review of the Special Revenue and Enterprise Fund budgets.

The Mayor reminded everyone that the next Finance Committee Meeting would be held on Thursday, May 25th at 7:00 PM, at which time the Capital Budget will be discussed. Prior to the meeting, at 6:30 PM, the City Council will meet in non-public session to discuss Comp Adjustment.

With no other discussion, a motion was made and seconded to adjourn. The motion passed with a unanimous voice vote and the meeting was adjourned at 8:20 PM.

Respectfully submitted,
Sue Stevens, Executive Assistant

DRAFT