MINUTES

City of Concord Finance Committee Meeting
May 30, 2024 @ 5:30 PM
City Council Chambers

Present: Mayor Byron Champlin, City Councilors Fred Keach, Brent Todd, Stacey Brown, Jennifer Kretovic, Karen McNamara, Amanda Grady Sexton, Paula McLaughlin, Jim Schlosser, Kris Schultz, and Jeff Foote.

Excused: Councilors Nathan Fennessy, Judith Kurtz, and Michele Horne.

The Mayor opened the meeting at 5:31 PM and stated that this meeting was to review the FY 2025 budgets for the Special Revenue and Enterprise Funds. He asked for a motion on the May 23, 2024 draft meeting minutes. A motion was made and seconded, and the minutes were approved with a unanimous voice vote.

Manager Aspell began his review with the Special Revenue Funds.

PARKING: Manager Aspell noted that revenues for FY 2024 are projected to be better than budget by $296,000, mainly due to strong metered parking fees, which are up $200,000; and strong finance charges, which are up $67,500. FY 2025 revenues are up $23,000, mainly due to metered parking fees.

FY 2024 projected expenses are under budget by $161,000, mainly due to wages and benefits being under budget.

FY 2025 expenses are budgeted to increase by $133,000 or 4.1%. This is driven by the following:

- Increases in wages and benefits, $55,000;
- Increases in building supplies, $3,500;
- Increase in electricity rates, $8,200;
- Increase in real estate taxes, $11,000; and
- Decreases in professional services, $22,000.

Also included in this budget is additional funding of $1,000 for a stand-up desk.

Manager Aspell gave an overview of the Parking pro forma, which shows a budgeted loss of $240,000 for FY 2024. The same projected net line shows an estimated gain of $217,000 for FY 2024, which is $457,000 better than budget. With this $457,000 gain, the ending working capital is projected to be $1,886,326.

In FY 2025, we are budgeting for a loss of $351,000, which would decrease the ending working capital to $1.5 million.

There are major capital expenses planned for Fiscal Years 2026, 2027, 2028, and 2029. Along with those capital expenses is the debt service to support those needed projects.

A parking rate increase will need to be considered in the next year or two in order to keep the fund solvent through 2030. We will need to determine the alternative impacts to the parking system based on the various alternatives for the State Street Garage – to rebuild, to renovate, or to demolish and replace with a surface lot. Whichever decision is made will drive the fee changes system wide.

AIRPORT: FY 2024 projected revenues are ahead of budget by $6,600, mainly due to investment income and other revenues. For FY 2025, revenues budget to budget, are up $16,000, or 3.4%, due to an increase in rental income and investment income.
FY 2025 expenses, budget to budget, are up $94,000 or 19.9%, due to the following factors:

- Increased wages and benefits, $12,000;
- Professional Services are up $11,000 (due to a Storm Water Pollution Prevention Plan update, $9,000);
- Building supplies are up $5,000;
- Vehicle fuel is up $24,000 (due to new aviation refueling system);
- Electricity is up $4,000;
- Real estate taxes are up $1,500;
- Principal and interest are up $15,000; and
- Transfers-out to the General Fund and Capital are up $16,000.

Also included in this budget is $24,000 in funding for the aviation refueling system and $9,000 for the Storm Water Pollution Prevention Plan update.

Manager Aspell reviewed the Airport pro forma.

For FY 2024 the Airport was budgeted to gain $3,600. In the FY 2024 estimated column, the Airport is projected to lose $42,000, which will provide an ending working capital of $376,000. The over expenditure in this budget is due to frozen pipe repairs for which we did receive an insurance payment that will help lower this cost. Manager Aspell will bring a supplemental appropriation forward for FY 2024 to align the budget with actual.

For FY 2025, we are budgeting for a loss of $74,000, which will provide an ending working capital of $302,000.

The ending working capital is projected to be negative $67,000 in FY 2027. Manager Aspell is projecting a General Fund transfer into the Airport Fund starting in FY 2027, and will need to provide additional support for this fund in the future.

The committee discussed revenue at the Airport and ways revenue could be increased. Manager Aspell and Deputy City Manager Matt Walsh explained that the City has many contracts for hangar rentals, some have price increases and some are fixed. They noted that fuel sales are dependent on the number of planes using the airport, and although the City is expecting to bring in more planes, we do not budget based on those expectations. We will budget for those revenues as they materialize in future years.

Councilor Todd asked if the revenue from lease agreements go into the Airport Fund or the General Fund. Manager Aspell indicated that the revenue goes into the Airport Fund. Property taxes paid by the Airport go into the General Fund, however.

Councilor Keach asked if the revenue in the proposed Airport budget reflects the new lease with United Therapeutics. Deputy City Manager Walsh indicated that it does. He noted that the City has a 20-year lease with United Therapeutics, with an option for four 5-year renewals. There is an annual 3% price increase built into the contract.

Councilor Brown asked if the City could charge impact fees to users of the Airport. It was explained that impact fees could only be charged if we increase capacity.

As the topic of impact fees has been brought up at many of the Finance Committee meetings, Councilor Keach asked City Administration to provide the City Council with detailed information explaining impact fees.

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

Manager Aspell noted that the revenues in this fund are projected to increase $22,000 or 17% due to increased rental income, $25,000, due to additional antennae at the 52 Locke Road site; increased use of fund balance, $8,000; and decreased transfer-in from trust, $10,000.

Expenses, budget to budget, are up $22,000 or 17%, mainly due to the increase in the transfer-out to trust line, $13,000, which represents the excess budgeted revenue due to increased lease payments in order to balance out the fund for FY 2025. There is also an increase in the transfer to the General Fund, $8,000, to offset debt service costs for conservation property purchases and for reimbursement for plowing of the trailhead parking lots. Each year, fund balance from the prior fiscal year is used as a transfer-out to the General Fund for this purpose.

The committee briefly discussed acquisition of land for conservation purposes and how that occurs. It was noted that City Council approves all land acquisitions.

REVOLVING LOAN FUND: Manager Aspell noted that we use a portion of the estimated unexpended balance, plus the scheduled loan repayments and investment income, as the estimated revenue and requested budget appropriation. For FY 2025, this number is $319,000.

GOLF COURSE: FY 2024 revenues are projected at $1.9 million, and each revenue line is expected to exceed budget except for simulator revenue and rental income.

For FY 2025, revenues, budget to budget, are up $271,000, with increases in every category except simulator revenue.

FY 2024 expenses are projected to be over budget by $106,000 due to the following:

- Temp wages $15,000 higher than budget, due to the need for increased temp staff as a result of high course use and increased lessons (offset by increased camp revenue);
- Repairs and maintenance $12,000 higher than budget due to drainage issues and bathroom heat issues;
- Supplies $10,000 higher than budget due to the purchase of additional range balls for the driving range;

- Cost of goods sold $64,000 higher than budget (offset by increased sales); and
- League and tournament expenses $15,000 higher than budget (offset by increased league and tournament fees).

These additional expenses were made to accommodate the additional business of the golf course or to make necessary repairs. Manager Aspell will bring a supplemental appropriation forward after June 30th, to align the FY 2024 budget with actual.

FY 2025 expenses are up $148,000 due to the following:

- Wages and Benefits up, $77,000;
- Repairs and Maintenance up $5,000;
- Professional Services up $14,000
- Advertising down $5,000;
- Auto Parts up $2,000;
- Grounds and Horticultural down $3,000;
- Cost of Goods Sold up $27,000;
- Leagues and Tournaments up $14,000;
- Electricity up $4,000;
- Debt Service down $6,000; and
- Transfer to General Fund for Overhead up $12,000.

Also included in the budget as part of the increase is PCR funding for:

- Repairs and Maintenance, increase $3,000;
- Tree Maintenance Specialist, $6,000;
- Auto Parts, increase $2,000; and
- Supplies, increase $5,000.

Manager Aspell reviewed the Golf Course pro forma.

In FY 2024, the fund projected a gain of $1,000. The FY 2024 estimate shows a gain of $163,000, or $162,000 better than budget, and produces an ending working capital of $900,000.

In FY 2025, the projected net gain is $124,000, with an ending working capital of slightly more than $1 million. As we follow the ending working capital through to FY 2030, the ending working capital remains positive.

Manager Aspell noted that his plan is to use a portion of this ending working capital, along with measured increased membership and daily fee rates, as transfers to the General Fund to help offset the debt service costs of the clubhouse renovation/construction, if so approved. He reminded the committee that the golf course parking lot project is funded as a Golf Bond and the debt service is projected to start in FY 2026.

Councilor Brown inquired about the clubhouse hours of operation. Golf Pro Phil Davis and Deputy City Manager Brian LeBrun indicated that the clubhouse is open 7 days a week throughout the year, except for Christmas day and the occasional closure due to extreme weather. The hours of operation during golf season are 7:30 AM until dark, and during the off season the clubhouse is generally open for simulator use from 8:30 AM until 10:00 PM.

Councilor Brown suggested the golf course bring in revenue by selling advertising that could be posted on the golf carts. Deputy City Manager LeBrun indicated that the golf course has attempted to do this in the past and there was not much demand for it.

At Councilor Brown’s request, Mr. Davis provided a breakdown of the current memberships. Membership rates were also discussed and it was noted that the Golf Course Advisory Committee is working on a proposal for next year’s rates, which will be provided to City Council in August.

Councilor Foote indicated that he has a constituent who was unable to play golf due to accessibility issues because the course did not allow carts during very wet conditions. Councilor Foote asked Mr. Davis how much revenue is lost as a result of the closure of the cart paths when it’s too wet for carts. Mr. Davis didn’t have the dollar amount, but indicated that the course closes the cart paths about 6-7 days per season, which equates to 30-50 cart rentals.

Mr. Davis noted that he is working to obtain a grant from the PGA to start a PGA Hope program at Beaver Meadow. The PGA Hope program introduces the game of golf to veterans and has a long waiting list.

Councilor Kretovic asked if there is a transfer-in to the golf fund from Parks & Recreation for recreational usage of Beaver Meadow in the winter. Deputy City Manager LeBrun indicated that there is not.

ARENA: Projected FY 2024 revenues are $43,000 better than budget. This is due to increased Pro Shop and concession sales, rental income, and other revenues. FY 2025 revenues, budget to budget, are up $46,000 or 6% also due to increased Pro Shop sales, concession sales, and rental income.

Projected FY 2024 expenses, budget to estimate, are up $25,000 as a result of staffing changes and employee health insurance selections. Manager Aspell also pointed out that electricity is down. FY 2025 expenses, budget to budget, are up $76,000 or 9.2%. This is due to increases in wages and benefits, repairs and maintenance, professional services, natural gas, and transfer-out to the General Fund. Electricity and debt service is down slightly.

Also included in this budget is funding for the following:

- Labor Grade upgrade for the Arena Manager, $14,000;
- Labor Grade upgrade for the Arena Supervisor, $5,000;
- Replacement of access card door system, $9,000;
- Replacement of doors to locker rooms A & B, $7,000; and
- Addition of a camera to the front lobby, $1,000.

Manager Aspell went on to review the Arena pro forma.

For FY 2024, the Arena was budgeted to lose $55,000. The FY 2024 estimate is projected to lose $37,000, which is $18,000 better than budgeted and results in an ending working capital of $255,000.

For FY 2025, the projected net is a loss of $85,000, which would result in an ending working capital of $170,000.

As we move through the fiscal years, the ending working capital remains positive until FY 2027.

The Arena Fund will need support from the General Fund for operations and any capital projects that are undertaken. While a line has been added for General Fund support in the out years, more will be needed to keep the fund in the black.

Manager Aspell commended Arena Manager Jeff Bardwell and his staff who continue to do a great job with this operation. He noted that they are always looking for positive solutions to issues and new opportunities to bolster this fund.

Councilor Brown asked why the Arena needs a camera. Manager Aspell indicated that the camera is for security purposes.

Councilor Keach noted that rates at the Arena are flat going forward and asked if we are competitive with other rinks in the state. Arena Manager Jeff Bardwell explained that we do an annual survey of other rinks. Of the 23 rinks that responded this year, Everett Arena is the third highest priced rink.

Councilor McNamara questioned the potential of installing a solar array on the roof of the arena. Mr. Bardwell indicated that the City is working on that.

Committee members asked for usage data. Mr. Bardwell indicated that there are 11,000 users just for open skating, in addition to usage by schools, leagues, and floor rentals.

Councilor Todd suggested sharing usage data for the arena and the golf course with the general public.

SOLID WASTE: FY 2024 revenues, budget to estimate, are down $160,000 due to commercial disposal sales being short of budget by $164,000.
FY 2025 revenues, budget to budget, are down $1.1 million due to:

- Elimination of commercial disposal revenue, $1.4 million;
- Downtown Solid Waste District up $16,000;
- PAYT containers down $5,000; and
- Transfer-in from the General Fund up $306,000.

FY 2024 expenses, budget to estimate, are down $199,000. FY 2025 expenses, budget to budget, are down $32,000, or 0.7%, due to the following:

- Wages and Benefits up $3,000;

- Professional Services/Contractual Increases, $17,000; and
- Transfer to Capital, down $50,000.

In addition, there are a lot of moving parts due to the new solid waste contracts:

- Commercial Solid Waste Disposal expenses are down $1.3 million as the offset to the reduction in revenue. The City will no longer process commercial disposal through this fund and will not enforce the City's flow control ordinance.
- Recycling collection and processing is up $602,000 or 79.9%.
- Residential Municipal Solid Waste Collection, Transportation, and Processing is up $686,000 or 42.7%.
- Downtown Solid Waste is up $21,000 or 5.7%.
- Curbside Christmas tree collection is up $8,000.
- Bagged fall leaf pick-up is down $14,000.

Also included in this budget is $1,900 for Northeast Resource Recovery Association (NRRA) membership.

Manager Aspell reviewed the Solid Waste pro forma.

For FY 2024, the projected net is a gain of $199,000. For FY 2024, the estimated net is a gain of $238,000, or $39,000 better than budget, and results in an ending working capital of $3.3 million.

For FY 2025, the projected net is a loss of $835,000. Without the use of fund balance, the General Fund transfer would be much more significant. Following the ending working capital line to the out years, the balance remains positive and above target as long as the General Fund transfer is increased to the planned amount each year, and the 15% PAYT bag price increase is adopted in FY 2028.

The General Services Department is working on the plan to implement a pilot program for the automated collection system. It will be necessary for the Solid Waste Advisory Committee (SWAC) and the City Council to review program outcomes.

The City has enjoyed a very favorable contract over the past 10 years and reaped many financial benefits from the great agreement. On July 1, 2024, a new very solid agreement that is more in line with all other communities and current market conditions will begin. Manager Aspell recognized SWAC, the General Services Department and the City Council for all of their work and decisions to make this happen.

The committee discussed solid waste collection at apartment complexes and multi-family buildings. General Services Administration Division Manager Adam Clark explained how collection is handled at those locations.

Councilor Schultz commented that she would like to see recycling reinstated at apartment complexes. General Services Director Chip Chesley indicated that it was stopped due to non-compliance. Councilor Schultz indicated that she would like to see the City give it another try.

At Councilor Kretovic's request, Mr. Clark explained the City's Blue Bag Program.

Councilor Foote suggested that the General Services Department provide data that would show what the cost of solid waste collection would be if Pay-As-You-Throw was eliminated.

<u>WATER FUND</u>: FY 2024 revenues, projected to actual, are down $359,000 due to water usage being down $498,000 and investment income being up $65,000.

FY 2025 revenues, budget to budget, are up $309,000, or 4.4%, due to the following:

- 7.75% rate increase and usage, $104,000;
- 9% availability increase, $92,000; and
- Investment income, $97,000.

FY 2024 expenses, projected to budget, are down $269,000, due to the following:

- Wage and benefit increases, $74,000;
- Chemicals, $138,000;
- Electricity, $38,000; and
- Heating oil and kerosene, $70,000.

FY 2025 expenses, budget to budget, are up $286,000 or 3.8%, due to:

- Waged and benefits up $112,000;
- Professional Services up $23,000;
- Bond costs up $9,000;
- Department supplies up $5,000;
- Electricity down $2,000;
- Natural gas and propane up $11,000;
- Debt service up $51,000;
- Transfer out to General Fund for Overhead up $17,000; and
- Transfer to Capital is up $65,000.

Also included in this budget are the following:

- Staffing reorganization, $,6000;
- Department supplies increase of $4,000;
- Professional Development increase of $1,000; and
- Professional Services increase of $14,000.

Manager Aspell reviewed the Water fund pro forma.

The projected net for FY 2024 is a loss of $522,000. The FY 2024 estimated loss is $612,000, or $90,000 worse than budget. This provides for an ending working capital of $2.5 million.

The FY 2025 request calls for a 7.75% water rate increase and provides for a loss of $499,000. This results in an ending working capital of $2 million.

Manager Aspell explained that, in the out years, the pro forma is calling for rate increases of 7.75% each year. Debt service costs for capital is a large driver in the rate increases.

The ending working capital in FY 2030 is consistent with the target working capital goal.

Manager Aspell presented a water rate comparison to other communities, which showed Concord as having the third lowest rate of those communities.

Manager Aspell indicated that he is recommending a 7.75% rate increase for FY 2025, which translates to an annual increase of $2.00 per month for the average property owner using 8 cc of water.

Councilor Todd asked what the consequences would be if we deferred the rate increase. Manager Aspell explained that it would affect our working capital, it would affect capital projects, and that necessary future increases could be even higher.

WASTEWATER: Projected FY 2024 revenues are expected to be $614,000 better than budget, due to the following:

- Sewer usage revenue is down $883,000;
- Leachate processing is up $800,000;
- Septage processing is up $175,000;
- Utility investment fee is up $42,000;
- Investment income is up $310,000; and
- Other revenues are up $109,000.

FY 2025 revenues, budget to budget, are up $753,000 or 7.2% due to the following:

- Sewer usage is up $203,000 (includes an 8% increase);
- Fixed charges are up $123,000;
- Leachate processing is up $100,000;
- Septage processing is up $175,000;
- Investment income is up $107,000;
- Other revenue is up $60,000; and
- Share of debt service from the State is down $12,000.

FY 2024 expenses, projected to budget, are up $362,00 due to the following:

- Professional Services is up $680,000 for the installation and rental of emergency bypass pumping equipment at the Hall Street Wastewater Treatment Plant;
- Wages and benefits are down $121,000;
- Chemicals are down $108,000; and
- Electricity is down $100,000.

FY 2025 expenses, budget to budget, are up $1.1 million or 10.7%, due to the following:

- Wage and benefit increases, $93,000;
- Professional Services for offsite sludge disposal, $494,000;
- Natural gas is up $35,000;
- Property and liability insurance are up $13,000
- Transfer to General Fund is up $106,000; and
- Transfer to Capital projects is down $5,000.

Also included in this budget are the following PCR's:

- $408,000 for sludge disposal increase;
- $12,000 for reorganization of staffing;
- $10,000 for caustic tank replacement
- $40,000 for PFAs sampling;
- $18,000 for a process flow meter replacement;
- $12,000 for Muffin Monster rebuild;
- $20,000 for UST leak detection equipment;
- $12,000 for exterior door replacement; and
- $37,000 for certified laboratory analysis.

Manager Aspell reviewed the Wastewater fund pro forma.

The projected net for FY 2024 is a loss of $65,000. The estimated net gain for FY 2024 is $188,000 or $253,000 better than budget. This results in an ending working capital of $6.8 million.

For FY 2025, we are budgeting a loss of $444,000, which includes the proposed 8% wastewater rate increase. This results in an ending working capital of $6.4 million.

Manager Aspell explained that, in the out years, the pro forma is calling for rate increases of 9.5% and 10%.

Manager Aspell noted that, under the Capital line, there are substantial capital projects proposed for FY 2025 and in the out years, which result in greatly increased debt service costs and rate increases. In order to mitigate a portion of the rate increase, we are projecting to lengthen the bond repayment to 25 years for the Heights wastewater infrastructure projects which were discussed at the last meeting.

The ending working capital of $2.6 million in FY 2030 is less than the target of $3.8 million.

Manager Aspell presented a wastewater rate comparison to other communities, which showed Concord as having the fourth lowest rate of those communities.

Manager Aspell indicated that he is recommending an 8% rate increase for FY 2025, which translates to an annual increase of $3.36 per month to the wastewater portion of the bill for the average property owner using 8 cc of water.

Capacity at both the Hall Street Wastewater Treatment Plant and the Penacook Wastewater Treatment Plant was discussed. Wastewater Treatment Plant Superintendent Dan Driscoll indicated that Hall Street is currently at 40% capacity, and Penacook is at 60% capacity; both plants have been at these levels of capacity for many years. There are no concerns with the effect of future development on capacity.

Councilor Foote commented on the high cost of sludge disposal. General Services Director Chip Chesley agreed that sludge disposal is very expensive. He noted that in the future, there could be a processing facility in New England, but for now we have our solids sent to a facility in Canada.

This ended the review of the proposed FY 2025 budget.

The Mayor opened up a public hearing on the Special Revenue and Enterprise Fund budgets.

Concord resident Roy Schweiker expressed his concerns with Parking Enforcement, particularly that he would like to see more parking enforcement in the neighborhoods; that he feels it is inappropriate for 10% of the Parking Fund to come from property taxes; and he would like to see parking rates increased on Main Street. Mr. Schweiker also stated that he feels the City should not be spending money to fix the parking lot at Beaver Meadow until the plan for the clubhouse is in place. He went on to say that he feels solid waste collection fees haven't been fully explained. Mr. Schweiker also stated that the quality of Concord's water is terrible; that the interest rates for delinquent water bills are too high; and that the rates should be higher for larger users of water. He also indicated that the City should assess a hook-up fee if we can't assess an impact fee.

With no further public testimony, the Mayor closed the public hearing.

Mayor Champlin noted that the next meeting of the Finance Committee will be held on Monday, June 3, 2024 at 5:30 PM. City Council will convene as the Finance Committee and will hold a work session to discuss any potential changes they'd like to make to the budget. Immediately following the Finance Committee meeting, there will be a City Council meeting at which time there will be one last public hearing on the budget, followed by budget adoption.

With no other discussion, the meeting adjourned at 7:43 PM.

Respectfully submitted,
Sue Stevens, Executive Assistant