

MINUTES

City of Concord Finance Committee Meeting
June 3, 2019 @ 5:30 PM
City Council Chambers

Present: Mayor James Bouley, City Councilors Amanda Grady Sexton, Keith Nyhan, Linda Kenison, Gail Matson, Candace White Bouchard, Zandra Rice Hawkins, Brent Todd, Allan Herschlag, Jennifer Kretovic, Byron Champlin, and Fred Keach.

Excused: Councilor Rob Werner.

The Mayor opened the meeting at 5:34 PM. He stated that this meeting was to review the FY 2020 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.

FY 2019 revenues are projected to exceed expenses by \$12,000, which is \$11,000 more than budgeted. FY 2020 revenues, budget to budget, are planned to increase by \$49,000 or 15.4%.

FY 2020 expenditures are projected to increase by \$45,000 or 14.3%. Budgeted net revenues are expected to exceed expenses by \$800.

The ending working capital balance for FY 2020 is expected to be approximately \$70,000.

As there was no discussion, the Mayor opened a public hearing on the Project Inspection Fund budget. There was no public testimony and the public hearing was closed.

A motion was made and seconded to tentatively approve the Project Inspection Fund budget. The motion passed with a unanimous voice vote.

PARKING: Manager Aspell noted that the information to be discussed tonight reflects the majority of the changes the City Council put in motion last year and the continued implementation of the Parking Strategic Plan.

FY 2019 revenues, budget to estimate, are anticipated to be \$308,000 better than budgeted. Of this amount, \$145,000 is a one-time unbudgeted item for the sale of the Dixon Avenue parking lot; \$252,000 is due to metered parking receipts better than expected; and there is a loss of \$105,000 in parking penalties due to difficulties hiring part-time Parking Enforcement Officers. FY 2020 revenues, budget to budget, are expected to increase by \$577,000 or 23.4%, mainly due to \$375,000 in metered parking revenue and \$155,000 in metered parking penalties.

FY 2019 expenses, budget to estimate, are expected to be \$212,000 under budget, due to the difficulties of hiring part-time Parking Enforcement Officers and other staffing vacancies during the fiscal year. Outside services are also under budget due to the timing of getting outside contracts in place. FY 2020 expenses, budget to budget, are projected to increase by \$397,000 or 15.7%.

This budget calls for Phase 2 of the meter expansion, which will result in additional meter revenue.

This budget also calls for restructuring of the Parking Division staffing, to include eliminating all part-time Parking Enforcement Officer positions; adding three full-time Parking Enforcement Officers; upgrading the full-time Parking Enforcement Officer labor grades; and adding a part-time Parking Meter Technician to support all new meter installations.

Manager Aspell reviewed the pro forma for the Parking Fund.

For FY 2019, a net loss of \$55,848 was estimated and a gain of \$463,558 is expected. Of this gain, \$145,000 is due to the sale of the Dixon Avenue parking lot. This gain provides a projected ending working capital for FY 2019 of \$467,319; much better than projected at this time last year.

For FY 2020, a gain of \$124,803 is budgeted, which would result in an ending working capital of \$592,122. While this is above the 10% policy goal of \$292,455, there is a need to manage this pro forma for the out years as well. In FY 2021 and 2022, losses are projected that will impact the ending working capital number by FY 2025. A projected rate increase in FY 2023 is included in this pro forma that the City Council will need to consider. By FY 2025, the fund will level off to have an ending working capital that is close to the 10% goal.

Councilor Herschlag what the impact would be to the FY 2020 budget if we were to move the replacement of kiosks and older meters up a year, considering we are having so many problems with the current kiosks and meters. The Mayor indicated that the Finance Committee had requested additional information be provided from staff, prior to budget adoption, which will provide more information and allow the Finance Committee to make a better decision as to how to proceed with the kiosks and meters.

As there was no further discussion, the Mayor opened a public hearing on the Parking budget.

Roy Schweiker, resident, expressed his opinion that the parking rates on Main Street should be higher than in other areas of the City. He also wants to see more parking patrols in neighborhoods, including at night and on weekends.

As there was no further public testimony, the Mayor closed the public hearing.

A motion was made and seconded to tentatively approve the Parking budget. The motion passed with a unanimous voice vote.

AIRPORT: FY 2019 revenues, budget to estimate, are expected to be \$6,000 lower than budget. FY 2020 revenues, budget to budget, are up \$3,000 or less than 1%.

FY 2019 expenditures, budget to estimate, are expected to be \$21,000 lower than budget. FY 2020 expenditures, budget to budget, are flat.

Manager Aspell reviewed the Airport pro forma. The Airport Fund was projected to have a planned loss of \$80,709. We now expect that loss to be \$66,619. This will leave a projected ending working capital at the end of FY 2019 of \$452,783. With the projected loss of \$82,387 in FY 2020, the projected ending working capital at the end of FY 2020 will be \$370,396. The fund is projected to go into the negative in FY 2023.

We continue to look at all possible solutions to improve the performance of the Airport Fund; however, the general aviation airport business continues to be difficult nationwide. Unless we can develop some additional revenue streams, as we get closer to FY 2023, the City Council will need to consider supporting this fund on an annual basis.

There was a brief discussion regarding the importance of the Airport to the community. Councilor Herschlag suggested that the City consider investing in rail service, as well as the airport.

As there was no further discussion, the Mayor opened a public hearing on the Airport budget. There was no public testimony and the public hearing was closed.

A motion was made and seconded to tentatively approve the Airport budget. The motion passed with a unanimous voice vote.

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

For FY 2019, revenue generated from leases is projected to be flat. Fund balance use and transfer in from trust are both down slightly. A transfer of \$20,000 to the General Fund will be made for debt service on conservation property purchases.

As there was no discussion, the Mayor opened a public hearing on the Conservation Fund budget. There was no public testimony and the public hearing was closed.

A motion was made and seconded to tentatively approve the Conservation Fund budget. The motion passed with a unanimous voice vote.

GOLF COURSE: FY 2019 revenues, budget to estimate, are projected to be down \$55,000.

FY 2020 revenues, budget to budget, are up \$21,000, mainly due to a budgeted transfer in from the General Fund of \$50,000. This is the first year of this budgeted transfer. For each revenue item, we are projecting revenue to be about the same as the 2019 estimate with a slight increase in some lines.

FY 2019 expenses are up by \$11,000, mostly due to league and tournament expenses, which are up \$10,000 and have a direct offset from the league and tournament revenues. FY 2020 expenses, budget to budget, are down \$29,000 or 2.6%. This is due to the elimination of the General Overhead charges, increases in wage and benefit costs, and a few new items that have been added to enhance the operation of the course.

At the start of the 2019 golf season, the weather has not cooperated. There has been a tremendous amount of rain since the course opened, which has hampered green fee revenue, cart rentals, and driving range revenue. The course also had significant winter damage on the 2nd, 11th, and 14th tee boxes, which staff are working to have repaired and is an unexpected expense to the Golf Fund.

Manager Aspell reviewed the Golf Course pro forma. He pointed out that there was a budgeted loss of \$50,275 for FY 2019, and an anticipated loss of \$116,510. Manager Aspell indicated that he will bring a recommendation to City Council after June 30, 2019, to take action on this loss.

Each subsequent year, the fund is budgeted to break even, and future proposals will be to balance out the fund through the transfer from the General Fund.

The ending working capital position will be adjusted when Council action is taken after the end of this fiscal year.

In addition to Golf operations, Manager Aspell noted that BMGC is now becoming a year-round destination on several different fronts. The simulator allows customers to enjoy golf throughout the winter, trails are groomed by the Parks & Recreation Department for snowshoeing and cross country skiing, and the pond is kept clear of snow for ice skating. This City facility is a recreational gem for residents throughout the year and the clubhouse is the polling location for Ward 3.

As there was no noteworthy discussion, the Mayor opened a public hearing on the Golf Course budget. There was no public testimony and the public hearing was closed.

A motion was made and seconded to tentatively approve the Golf Course budget. The motion passed with a unanimous voice vote.

ARENA: FY 2019 revenues, budget to estimate, are up \$46,000, mainly due to Pro Shop sales and ice rentals. FY 2020 revenues, budget to budget, are up \$51,000 or 8.3% due to increased Pro Shop sales and ice rentals.

FY 2019 expenses, budget to estimate, are down \$22,000, due to lower utility costs and lower wage and benefit costs. FY 2020 expenses, budget to budget, are down \$30,000 or 4.4% due to decreased utility expenses and transfers out for capital projects.

Manager Aspell reviewed the Arena pro forma. The fund had an expected loss of \$63,000 for FY 2019, and the estimated gain is \$5,000. FY 2020 and FY 2021 both project modest gains, with future years projecting losses. These losses are in part because of the increased debt service for capital in future years. The ending working capital remains solid through FY 2025.

Manager Aspell noted that the General Services Department and the entire Arena staff have done an excellent job making positive changes to their operations and bringing in new revenues. They have also consistently outperformed their budget expectations.

Councilor Champlin asked how much revenue the City lost due to the cancellation of this year's Kiwanis Fair. Manager Aspell responded that it was in the range of \$6,000.

Councilor Herschlag asked how much additional revenue and how many additional events are expected with the serving of beer and wine at the arena. General Services Director Chip Chesley and Arena Manager Jeff Bardwell approached the committee. They indicated that it is difficult to identify how much additional revenue will be brought in. They are projecting a couple additional events. In follow-up, Councilor Herschlag asked how many open dates are available for additional events. Staff will get back to the committee with this information.

As there was no further discussion, the Mayor opened a public hearing on the Arena budget. There was no public testimony and the public hearing was closed.

A motion was made and seconded to tentatively approve the Arena budget. The motion passed with a unanimous voice vote.

SOLID WASTE: FY 2019 revenues, budget to estimate, are down \$146,000 due to commercial disposal sales. Bag sales are up. FY 2020 revenues, budget to budget, are up \$47,000 or 1.1%, mainly due to increased Pay-As-You-Throw bag and container revenue.

FY 2019 expenses, budget to estimate, are down \$201,000, which more than offsets the lower than budgeted sales. FY 2020 expenses, budget to budget, are up \$143,000, due to increased contractual costs.

Manager Aspell reviewed the pro forma, which shows a budgeted gain for FY 2019 of \$15,000. The actual estimated gain is \$69,000, which is \$54,000 better than budget.

A loss is projected for FY 2020 and subsequent years and the ending working capital remains solid through FY 2024.

The initial 10-year contract with Casella expires in FY 2024.

Manager Aspell noted that recycling has garnered much attention this past year due to the fact that China is no longer accepting the amount and quality of recyclables that they have in the past. While there is still a recycling market, they are demanding cleaner and cleaner materials.

A number of communities have suspended their recycling activities. However, the City of Concord continues to recycle and maintains discussions with Casella to be sure they are meeting the terms of their contract with regard to all recyclables.

Councilor Herschlag asked what the cost would be if the City were to send recyclables to the landfill. General Services Director Chip Chesley indicated he would provide that figure prior to the next Finance Committee Meeting.

Councilor Kenison suggested the City increase its education about recycling. Manager Aspell indicated that the General Services Department does a great deal of this already through its web site, with YouTube videos, and fliers mailed to residents.

Mayor Bouley suggested the City sell advertising to be put on the Pay-As-You-Throw bags.

Mayor Bouley also commented on what seems to be an increasing amount of bulk items being left at the curb. Manager Aspell indicated that many people put bulk items at the curb and call Casella to come pick them up. Casella will do this for a fee to the resident. Therefore, it's possible that some of the items observed at the curb may be waiting for pickup by Casella.

As there was no further discussion, the Mayor opened a public hearing on the Solid Waste budget. There was no public testimony and the public hearing was closed.

A motion was made and seconded to tentatively approve the Solid Waste budget. The motion passed with a unanimous voice vote.

WATER FUND: FY 2019 revenues, budget to estimate, are down \$69,000, due to commercial sales being lower than planned. FY 2020 revenues, budget to budget, are down \$7,000 or less than 1%.

FY 2019 expenses, budget to estimate, are down \$78,000, mainly due to wage, benefit and utility savings. FY 2020 expenses, budget to budget, are down \$78,000, mainly due to a reduction in debt service costs for this year.

There are no significant operational changes in the Water Fund in FY 2020.

In looking at the pro forma, at this time last year we projected a loss of \$127,000. Current estimates show that the fund will recognize a loss of \$119,000, which is \$8,000 better than expected. In FY 2020, the fund is anticipating a loss of \$56,000.

Last year, the pro forma anticipated a rate increase of 3.5% for FY 2020. Based on the budget development, current ending working capital, and projection of the fund into the future years, a water rate increase is not proposed this year.

The projected ending working capital for FY 2020 is very solid and the fund remains solid through FY 2025 with future projected rate changes.

Manager Aspell noted that in comparison to other communities, Concord has the third lowest rate of the comparable communities; only Manchester and Derry are lower.

Councilor Champlin questioned why the Department hadn't listed any goals pertaining to water conservation. General Services Director Chip Chesley and Water Treatment Plan Superintendent Marco Philippon approached the committee and indicated that conservation is an ongoing, underlying goal. They indicated that Concord is very aggressive with its leak studies and has run several public promotions pertaining to water conservation. Director Chesley noted that one way the City could promote conservation would be for water consumers to pay for what they use; i.e., the more water a person uses, the more they pay. However, this would be a policy decision to be made by City Council.

Councilor Keach asked if the City was still considering sharing its water with neighboring communities. Manager Aspell responded that this would be a policy decision to be made by City Council.

Councilor Zandra Rice Hawkins asked for clarification about the City's work with the American Water Works Association (AWWA). Water Plant Superintendent Philippon indicated that the City is in a voluntary partnership with AWWA, whereby the City must meet certain benchmarks to stay in the partnership.

As there was no further discussion, the Mayor opened a public hearing on the Water budget.

Roy Schweiker, resident, suggested the City reduce the minimum usage for billing from two units to one. Mr. Schweiker also spoke in support of residents paying for the amount of water they actually use.

As there was no further public testimony, the Mayor closed the public hearing.

A motion was made and seconded to tentatively approve the Water budget. The motion passed with a unanimous voice vote.

WASTEWATER: Manager Aspell noted that he is recommending a 7% rate increase in FY 2020.

FY 2019 revenues, budget to estimate, are down \$418,000. This is partly due to lower sewer service revenues, lower leachate revenues, and the share of debt service line is not actually recorded as revenue. FY 2020 revenues, budget to budget, are up \$198,000 or 2.6%, due to the increase in sewer service revenues with the note that leachate revenue is down \$50,000.

FY 2019 expenses, budget to estimate, are down \$82,000. FY 2020 expenses, budget to budget, are up \$325,000 or 3.9%, mainly due to wages, benefits, supplies, utilities, and debt service.

Manager Aspell indicated that the Wastewater Fund is facing emerging regulations regarding per- and polyfluor alkyl (PFA) substance contamination. These are a family of synthetic chemicals that are used throughout the world. Two of the substances associated with PFA's are PFOA's and PFO's. PFOA's are used in the production of non-stick cookware, some firefighting foams, and stain resistant fabrics, to name a few. PFO's are an ingredient in fabric treatment and stain repellants. These chemicals are found in leachate. New regulations from the NH Department of Environmental Services governing these compounds will result in a loss of revenue in this fund for leachate revenues collected from private haulers and increased expenditures for disposal of the City's biosolids.

In reviewing the pro forma at this time last year, we projected a \$762,000 planned loss in fund position. Based on current estimates, the fund will recognize a loss of \$1.1 million in FY 2019.

For FY 2020, the fund is anticipating a loss of \$889,000, which will result in an ending working capital of \$2.6 million, or just slightly higher than the target working capital of \$2.5 million.

Last year, we projected a rate increase in FY 2020 of 5.5%. However, considering the loss of leachate revenue, higher disposal expenses, and debt service for capital projects, a 7% annual rate increase is necessary to keep the fund somewhat lower than the working capital target through FY 2024, and then slightly higher in FY 2025.

Concord's rates remain very competitive with other communities.

Councilor Todd asked what we are doing to meet the goal to reduce electrical usage at the Hall Street Wastewater Treatment Plant. General Services Director Chip Chesley indicated that we have installed variable speed pumps and are doing lighting upgrades.

As there was no further discussion, the Mayor opened a public hearing on the Wastewater budget. There was no public testimony and the public hearing was closed.

A motion was made and seconded to tentatively approve the Wastewater budget. The motion passed with a unanimous voice vote.

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

The Mayor indicated that he feels the Council needs a little more time to deliberate over the proposed budget. He suggested pushing out the City Council Budget Adoption meeting, which was originally scheduled for Thursday, June 6th. As it is too late to cancel the Council Meeting on June 6th, the Council Meeting will still take place at 7:00 PM for public hearings regarding the budget. The Finance Committee Meeting originally scheduled for 5:30 PM on June 6th is cancelled. The Mayor proposed that the City Council Budget Adoption meeting be held on Monday, June 17th. The Council will vote on this proposal at their meeting on June 6th.

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 6:54 PM.

Respectfully submitted,
Sue Stevens, Executive Assistant