

DRAFT MINUTES

Fiscal Policy Advisory Committee
March 19, 2015 / 4:30-6:00 PM
Second Floor Conference Room

In Attendance: City Councilors – Mark Coen, Candace Bouchard, Fred Keach, Dan St.Hilaire, Jan McClure, Amanda Grady Sexton; City Staff – Tom Aspell, City Manager; Carlos Baia, Deputy City Manager-Development; Brian LeBrun, Deputy City Manager-Finance; Katie Graff, Assistant Finance Director; Bob McManus, OMB Director; Rebekah Dougherty, Budget Analyst; and Matt Walsh, Director of Downtown Services, Redevelopment & Special Projects.

Excused: Chairman – Allen Bennett.

- 1) **Approval of January 15, 2015 Meeting Minutes:** Councilor Coen called the meeting to order at 4:35 PM and requested a motion to approve the minutes of the January 15, 2015 meeting. **Councilor Grady Sexton moved to accept the minutes, seconded by Councilor Keach. The minutes were unanimously approved.**

- 2) **Economic Overview Presentation** – Deputy City Manager Baia presented the 2015 City of Concord Economic Overview. He discussed the unemployment rate, the volume and value of building permits, the number of new dwelling units, median home prices, average rent costs for two-bedroom apartments, residential rental vacancy rates, average square foot asking price of (NNN) industrial spaces, industrial vacancy rates, average square foot asking price of (NNN) office spaces, office vacancy rates, average square foot (gross equivalent) asking price of retail spaces, retail vacancy rates, City bond ratings, Policom economic strength ratings, short to mid-term trends, challenges for New Hampshire, and positive signs for Concord. The Committee commented about the high commercial vacancy rates and the higher than average rental rates, as one would think that if the vacancy rates are high, the rental rates would be lower. The committee also discussed the impact that the Downtown Main Street project might have on property owners renovating the second and third floors of their buildings. City Manager Aspell explained that many of the buildings downtown are owned by families that have owned them for many years. When they sell those buildings, the new owners who will have paid a lot of money for them will not be able to just sit on them and they will need to renovate and bring in more tenants to pay back their investments.

The committee thanked Deputy City Manager Baia and said the report and presentation was very helpful.

- 3) **FY16 General Fund Proforma Model** – Deputy City Manager LeBrun presented the 2016 – 2022 General Fund proforma model. He discussed the changes to the model format for this year. Both revenue and expense categories have changed to reflect the same categories that are now being used in the quarterly financial statements. He identified that there are a few items that are specifically called out under several of the categories since they have historically had a higher level of discussion. Overall, the model projects a 14.1% increase in the tax rate for FY 2016, as presented.

Deputy City Manager LeBrun also stated that this model was developed at the beginning of February as the internal budget process was starting and that the debt service was a reflection of the out years of the FY 2015 Capital Budget and estimated debt service payments for the bonds that were sold in January.

The committee asked about the State downshifting of expenses and loss of State revenues. The two real main sources of revenue that the City receives from the State are Rooms & Meals Tax and Highway Block Grant funds. While there does not seem to be any move to eliminate these revenues, the City is concerned that they may freeze the amounts and not provide the increases that are due to the communities in future years.

- 4) **Finance Committee Rules and Budget Schedule** – Deputy City Manager LeBrun identified small changes to the City Council Rules under item 5 and also discussed the budget schedule. The schedule is very similar to the schedule for the FY 2015 budget deliberations. Some committee members were concerned about any impacts of the State budget that would flow down to the City and wondered if we should adopt the City budget before the State budget is finalized. The consensus was to move forward with the schedule as presented and make the decision on final adoption based on where the State budget stands as of June 4th. **Councilor McClure moved to recommend the Finance Committee Rules and Budget Schedule to the full council at its April meeting, seconded by Councilor St. Hilaire. The motion passed unanimously.**

- 5) **Debt Service Projection and Tax Rate Impact of New Capital Projects** - Deputy City Manager LeBrun distributed two sheets. The first was an analysis of Debt Service Changes and Tax Impact Projections for the Main Street, Community Center, City Hall Campus Boilers and Paving Bond projects. The first part of the sheet showed the existing debt service costs through Fiscal Year 2020 and the annual change based on the current outstanding debt. He identified that with the projected new debt service for capital projects, the year over year changes in 2017 and 2018 were increases of \$707,176 and \$710,892 respectively, or approximately a 2% increase in tax rate, year over year, for these two years. These amounts reflect a 2015 revised debt service program and inclusion of a new project for bonded paving and conversion of City Hall campus to natural gas boilers. In addition to the debt service, Deputy City Manager LeBrun identified the Sears TIF portion of the Main Street bond was sold as a regular bond in January instead of a BAN for the first five years. Fortunately, the year over year costs for debt service, including the Sears TIF portion, was only \$120, and the TIF fund is now able to absorb \$125,000 and \$127,500 in FYs 2016 and 2017, and then the full debt service costs in 2018 and beyond.

Deputy City Manager LeBrun also broke out the special CIP projects and the year over year dollar changes to debt service for those projects, highlighted in purple. In addition to the capital projects, there are a number of operating costs associated with the capital programs that would potentially be included in the tax rate if the projects move forward as planned. The last part of the spreadsheet showed the tax rate impacts of the highlighted projects and the impact on houses worth \$100,000, \$200,000 and \$300,000. The committee discussed the value of the capital projects and also the concern of paying for not just the project but also the operating costs afterwards. Councilor St. Hilaire noted that it looks like FY 2019 or 2020 might be the better years to move forward with a larger project, since the year over year tax

rate increase is lower in those years. Deputy City Manager LeBrun indicated that the reason 2019 and 2020 year over year increases look better is because the tax rate was already at a higher level in those years. If major projects are pushed out to later years it simply delays the tax rate increase for the project. The committee indicated that this was the type of analysis they were looking for after the Community Center project discussion at the last City Council meeting.

- 6) Adjournment – A motion was made by Councilor Grady-Sexton to adjourn, seconded by Councilor Keach. A unanimous vote brought the meeting to an end at 6:15 PM.**

Respectfully submitted,

Brian LeBrun
Deputy City Manager – Finance