

MINUTES

City of Concord Finance Committee Meeting
June 1, 2023 @ 5:30 PM
City Council Chambers

Present: Mayor James Bouley, City Councilors Brent Todd, Jennifer Kretovic, Karen McNamara, Byron Champlin, Fred Keach, Stacey Brown, Nathan Fennessy (late), Gail Matson, Amanda Grady Sexton, Paula McLaughlin, Keith Nyhan, and Candace White Bouchard.

Excused: Councilors Erle Pierce and Zandra Rice Hawkins.

The Mayor opened the meeting at 5:33 PM and stated that this meeting was to review the FY 2024 budgets for the Special Revenue and Enterprise Funds.

Manager Aspell began his review with the Special Revenue Funds.

PARKING: City Manager Aspell noted that revenues for FY 2023 are projected to be on target with budget, and FY 2023 is the second and last year of ARPA funding. FY 2024 revenues are down \$433,000, mainly due to a reduction of \$438,000 in ARPA funding.

Other significant FY 2024 revenue changes include:

- Increase in parking penalties of \$36,000;
- Metered parking is flat;
- Rental income is down by \$30,000 (based on FY 2023 projected revenues); and
- Transfer-in from the Sears Block TIF is down \$8,000.

FY 2023 projected expenses are under budget by \$135,000, mainly due to wages and benefits being under budget.

FY 2024 expenses are budgeted to increase by \$207,000 or 6.7%. This is driven by increases in wages and benefits, professional services, electricity, real estate taxes, and debt service.

Also included in this budget is additional funding for:

- Annual maintenance for an online permitting module, \$15,000;
- Increase for online credit card transaction fees, \$24,000; and
- Winter parking ban impound lot operations, \$30,000.

Manager Aspell gave an overview of the Parking pro forma, which shows a projected gain of \$536,000 for FY 2023, or \$136,000 better than budget. Of this gain, \$438,000 is from the ARPA funding. This results in an ending working capital of \$1.5 million.

In FY 2024, we are budgeting for a loss of \$240,000, which would decrease the ending working capital to \$1.3 million.

Rate increases are projected in FY 2025. Manager Aspell noted that, last year, he estimated a parking rate increase in FY 2024. Factoring in the stronger fund balance position this year and next, the projected rate increase is delayed until FY 2025.

There are major capital expenses planned for Fiscal Years 2025, 2026, 2028, and 2029. Along with those capital expenses is the debt service to support those needed projects.

AIRPORT: FY 2023 projected revenues are ahead of budget by \$64,000, mainly due to increased rental income. For FY 2024, revenues budget to budget, are up \$86,000 or 22% due to an increase in rental income and investment income.

FY 2024 expenses, budget to budget, are down \$12,000 or 2.5%, due to the following factors:

- Wages and benefits are down slightly;
- Professional Services are up \$11,000;
- Electricity is up \$5,000;
- Real estate taxes are down \$3,000;
- Principal and interest are down \$7,000; and
- Transfers-out to the General Fund and Capital are down \$17,000.

Also included in this budget is \$5,000 in funding for the Wings and Wheels event; and \$5,000 as a retainer for on-call airport services.

Manager Aspell reviewed the Airport pro forma.

For FY 2023 the Airport was budgeted to lose \$95,000. In the FY 2023 estimated column, the Airport is projected to gain \$26,000, which will provide an ending working capital of \$355,000.

For FY 2024, we are budgeting for a gain of \$3,600, which will provide an ending working capital of \$359,000.

The ending working capital is projected to be negative \$208,000 in FY 2028. Understanding that there are a number of prospects for additional revenue growth in the next few years, without revenue increases, the General Fund will need to start supporting the Airport beginning in FY 2028.

Councilor Brown noted the \$5,000 in funding for the Wings & Wheels event and asked if the City is sponsoring any other events being held by other groups in the city. Manager Aspell indicated that the City sponsors the Capital Arts Fest, and partners with groups like the Multi-Cultural Festival, the Black Ice Tournament organization, and others, through various means, like waiving fees for example. Councilor Nyhan wanted to clarify that the Wings & Wheels event is paid for by the Airport Fund and that no taxpayer funds are used. Manager Aspell confirmed that to be the case.

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

Manager Aspell noted that the revenues in this fund are relatively stable year to year, and it is the use of budgetary fund balance that fluctuates the most. Revenues, budget to budget, are projected to increase \$36,000, mainly due to the increase in use of fund balance. Lease revenue and transfer-in also increased slightly.

Expenses, budget to budget, are up \$36,000 or 37.6%, mainly due to the increase in the transfer-out line. This is a transfer to the General Fund to offset debt service costs for Conservation Property purchases and for reimbursement for plowing of the trailhead parking lots. Each year, we use the fund balance from the prior fiscal year as a transfer-out to the General Fund for this purpose.

REVOLVING LOAN FUND: Manager Aspell noted that this is the first year in many years that this fund is included in the annual budget process. In the past several years, this fund has been presented to City Council on a periodic basis when appropriations were needed to support a revolving loan.

Starting in FY 2024, we will use the estimated unexpended balance, plus the scheduled loan repayments and investment income, as the requested budget appropriation. For FY 2024, this request is \$640,000.

There is no pro forma for this fund.

GOLF COURSE: Manager Aspell reiterated that the Deputy City Manager – Finance will now have oversight over the golf course. Operationally, this reporting structure has been in place for a number of years.

Manager Aspell noted that he did not include the capital funding for the clubhouse construction in FY 2024, and, instead, included it in FY 2025. If all the design work is completed during the year, he may introduce a resolution for the construction prior to the FY 2025 budget process, but everything will need to line up first.

Manager Aspell indicated that the course is very busy and is a treasured asset to the City. He indicated that playing conditions continue to be excellent, the recent tree project has opened up the area between the 2nd and 16th fairways, and grass is starting to grow in the newly hydroseeded areas. Manager Aspell was pleased to report that the Pathways to Golf Camp, which was held during April school vacation, was very successful and exceeded our expectations. We anticipated about 30 youth would sign up for the session and we ended up with 60 sign-ups. It was a very busy few days and everyone had a great time.

FY 2023 revenues are projected at \$1.8 million, with increases over budget in almost every category. For FY 2024, revenues, budget to budget, are up \$145,000, with increases in every category.

FY 2023 expenses are projected to be over budget by \$150,000 due to increases in the following:

- Wages and benefits, \$28,000;
- Repairs and maintenance, \$11,000;
- Cost of goods sold, \$82,000;
- League and tournament expenses, \$23,000; and
- Vehicle fuel, \$5,000.

These additional expenses were made to accommodate the additional business of the course or to make necessary repairs.

FY 2024 expenses are up \$130,000 due to increases in the following:

- Wages and benefits, \$68,000 (this includes an additional \$24,000 for seasonal staff);
- Department Supplies, \$5,000;
- Auto Parts, \$5,000;
- Grounds and Horticultural, \$8,000;
- Cost of Goods Sold, \$10,000;
- Leagues and Tournaments, \$7,000;
- Electricity, \$7,000;
- Debt Service, \$17,000; and
- Transfer to General Fund for Overhead, \$9,000.

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

- Tree Specialist work, \$3,000;
- A new Range Ball Washer, \$4,000;
- Reconstruction of the 10th fairway forward tee, \$3,000; and
- Replacement of rental push carts, \$2,000.

Manager Aspell reviewed the Golf Course pro forma.

In FY 2023, the fund projected a gain of \$1,600. The FY 2023 estimate column shows a gain of \$164,000, or \$162,000 better than budget, and produces an ending working capital of \$731,000.

In FY 2024, the projected net gain is \$16,000, with an ending working capital of \$747,000. As we follow the ending working capital through to FY 2028, the ending working capital is positive through FY 2029.

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 new clubhouse construction, if so approved.

Manager Aspell noted that he has asked the Chair of the Golf Course Advisory Committee to take into consideration, when they meet in July, the new clubhouse costs and if there should be resident vs. non-resident rates as they consider membership and daily fee rates. It is anticipated that their rate recommendation will be provided to City Council in August.

Councilor Kretovic inquired about the unfunded PCR in the amount of \$15,000 for building repair and asked what repairs were earmarked for that funding. Manager Aspell responded that it was for general repairs. Councilor Kretovic followed up by asking if this was in line with not spending money for routine repairs, as we're considering building a new clubhouse. Manager Aspell indicated that to be the case.

Councilor Kretovic also took the opportunity to give kudos to the golf course staff, particularly the Pro Shop staff for their higher than expected sales revenue.

Councilor Brown asked about memberships. She indicated that she attended a Golf Course Advisory Committee Meeting in April and, at that time, there were 277 members; however, in the budget, the estimated number of members for FY 2023 is 415 and for FY 2024 is 425. She asked when the golf course starts counting memberships each year, and why there is such a discrepancy between April and what's in the budget. Deputy City Manager Brian LeBrun indicated that at the time of the April meeting, we had 277 members; and that as of today, we have 368. He noted that the golf course is still selling memberships and they do expect to be over 400 for FY 2023, and 425 for FY 2024. Although the golf season starts as soon as the weather allows, usually in April, the golf course has a membership drive each fall and memberships are also purchased throughout the winter.

Councilor Brown noted that our cost for memberships are \$600-\$700 less than competing golf courses. She would like to see the City charge a higher rate for non-Concord residents.

Councilor Todd asked if there is a process for patrons of the golf course to leave comments. Deputy City Manager LeBrun indicated that there is no comment box; however, patrons have not hesitated to share their comments verbally, and he said that the majority of feedback received is positive.

Councilor Brown noted that in the FY 2023 budget, \$5,000 was budgeted for Tree Training; and that this year, a total of \$15,000 is budgeted for a Tree Specialist and Horticultural services combined. She asked for clarification on these expenses. Deputy City Manager LeBrun explained that the tree training last year was for training of City staff on the safest way to cut down trees. This year, we have some trees that are beyond the capabilities of City staff, so we are bringing in a Tree Specialist to cut them down.

Councilor Brown commented on the \$4,000 expense for a Ball Washer at the driving range and questioned if it is really necessary. Deputy City Manager LeBrun responded that the current ball washer is ten plus years old and needs replacement. The ball washer is necessary for the driving range and the driving range brings in \$90,000 of revenue per year.

ARENA: Projected FY 2023 revenues are up \$30,000 or 4.2% better than budget. This is due to increased Pro Shop and concession sales, as well as better than budgeted rental income. FY 2024 revenues, budget to budget, are up \$46,000 or 6.4% also due to increased Pro Shop sales, concession sales, and rental income. The Arena fund has also received an allocation of ARPA funding in the amount of \$180,000.

Projected FY 2023 expenses, budget to estimate, are up \$51,000 due to temporary wages, Beneflex, COGS, and Professional Services. FY 2024 expenses, budget to budget, are up \$78,000 or 10.5%. This is due to increases in wages and benefits, professional services, cost of goods sold, electricity, and transfer-out to the General Fund.

Also included in this budget is funding for software replacement in the amount of \$4,000; hockey goals replacement in the amount of \$2,000; and cost of goods sold in the amount of \$10,000.

Manager Aspell went on to review the Arena pro forma.

For FY 2023, the Arena was budgeted to lose \$23,000. The FY 2023 estimate is projected to lose \$44,000, mainly due to the repair of the cold floor header. This results in an ending working capital of \$261,000.

For FY 2024, the projected net is a loss of \$55,000, which would result in an ending working capital of \$206,000.

As we move through the fiscal years, the ending working capital remains positive through FY 2027, with negative ending working capital in FY 2028.

The Arena Fund, along with the Airport Fund and the Golf Fund, will need support from the General Fund for any major capital projects that are undertaken.

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 Kretovic asked if the Arena charges different rates for non-Concord residents. Arena Manager Jeff Bardwell indicated that Concord residents and non-Concord residents pay the same rates.

SOLID WASTE: FY 2023 revenues, budget to estimate, are down \$39,000 due to the following:

- Commercial Disposal Sales short of budget by \$288,000;
- Downtown Solid Waste District revenues are up by \$58,000;
- PAYT Bag Revenue is up by \$127,000; and
- PAYT Container revenue is up \$62,000.

FY 2024 revenues, budget to budget, are up \$607,000 due to:

- PAYT bag prices up \$328,000 or 28%;
- PAYT containers up \$137,000 or 28%;
- School District payments up \$18,000 or 28%; and
- Transfer-in from the General Fund up \$100,000.

FY 2023 expenses, budget to estimate, are flat. FY 2024 expenses, budget to budget, are up \$177,000 due to increases in the following:

- Wages and benefits;
- Professional Services, \$115,000; and
- Transfer to Capital, \$50,000 (for landfill maintenance).

Also included in this budget are funds for conferences and workshops, \$1,500.

Manager Aspell reviewed the Solid Waste pro forma.

For FY 2023, the projected net is a loss of \$231,000. For FY 2023, the estimated net is a loss of \$269,000, or \$38,000 worse than budget, and results in an ending working capital of \$2.5 million.

For FY 2024, the projected net is a gain of \$199,000 and results in an ending working capital of \$2.7 million. This gain is a result of an increase in PAYT bags, containers, and School District revenue of \$483,000 or 28%. Under this proposal, PAYT bags would increase to \$1.60 for the small bags and \$3.20 for the large bags.

The pro forma anticipates some major changes starting in FY 2025, as it will be the first year of the new Solid Waste contracts.

These anticipated changes include:

- A loss of revenue due to projected rescinding of the flow control ordinance, \$1.388 million, along with a corresponding reduction in expense, \$1.328 million;
- A projected increase in the transfer-in from the General Fund of \$606,000; and
- An increase for the disposal and collection contracts of \$693,000, and an increase in the recycling collection and processing of \$486,000.

The working capital remains positive in the remaining outyears and includes another 15% PAYT bag price adjustment in FY 2028.

Manager Aspell also noted that, in FY 2025, a pilot program will be starting for the automated collection system, using the toters. It will be necessary for the Solid Waste Advisory Committee (SWAC) and the City Council to study how solid waste operations are financed with toter collection.

Manager Aspell commended the effort and good work that the General Services Department and SWAC have done with securing the new solid waste collection and disposal, and recycling agreements, to move the City forward for the next 10 years. He noted that there have been enormous changes in the solid waste and recycling business, and that the City has enjoyed a very favorable contract over the past 10 years, which allowed the City to reap many financial benefits. Now the City is moving into a very solid agreement that is more in line with all other communities and current market conditions.

Mayor Bouley opened up a public hearing on the Special Revenue budget.

Concord resident Roy Schweiker indicated that he would like to see the City charge more for people to park on Main Street. He also commented on the City's shortage of Parking Enforcement Officers and suggested that instead of hiring Meter Technicians, which are even harder to fill, we create some part-time Parking Enforcement Officer positions, which retirees might be interested in applying for. Mr. Schweiker stated that the City should open a City campground and charge people to use it on a sliding fee scale. He suggested that out-of-towners should pay more to use the golf course. And lastly, he commented on the 28% increase in the price of PAYT bags, questioning whether this increase is to cover this year's expenses or to cover future years. He stated that the City needs to educate recyclers about contaminants. He also feels the toters provided by Casella are too big and he would like them to provide smaller toters.

Concord resident Ron Rayner expressed his concern that the City is going from paying \$0 per ton for the past 10 years for recycling, to \$100 per ton, which is the same amount paid for disposal of trash. He feels the recycling market is in shambles and he's not convinced that single stream will last. He expects dual stream someday to avoid contaminants. He would like the City to freeze the bag prices at the current prices. He feels there's no point in recycling if the rates are the same as disposal of trash.

WATER FUND: FY 2023 revenues, projected to actual, are up by \$171,000. Manager Aspell explained that water usage is up by \$52,000; utility investment fees are up by \$63,000; and investment income is up by \$52,000.

FY 2024 revenues, budget to budget, are up \$427,000, due to a 4.5% rate increase and usage totaling \$329,000; an availability increase of \$54,000; and investment income increase of \$47,000.

FY 2023 expenses, projected to estimate, are up by \$115,000, mainly due to chemical cost increases of \$119,000.

FY 2024 expenses, budget to budget, are up \$469,000 or 6.6%, due to:

- Wage and benefit increases;
- Professional Services is up \$41,000;
- Communications is down \$7,000;
- Office Supplies is down \$38,000;
- Chemicals is up \$225,000;

- Electricity is up \$56,000;
- Interest expense is down \$40,000;
- Transfer-out to the General Fund for overhead is up \$36,000; and
- Transfer to Capital is up \$16,000.

Also included in this budget are additional Professional Development funds of \$3,000, and additional funds for Department Supplies of \$4,000.

Manager Aspell reviewed the Water fund pro forma.

The projected net for FY 2023 is a loss of \$480,000. The FY 2023 estimated loss is \$424,000, or \$56,000 better than budget. This provides for an ending working capital of \$3.3 million.

The FY 2024 request calls for a 4.5% rate increase and provides for a loss of \$522,000. This results in an ending working capital of \$2.8 million.

Manager Aspell explained that, in the out years, the pro forma is calling for rate increases of 5% and 6.5%. Debt service costs for capital is a large driver in the rate increases.

The ending working capital in FY 2029 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 4.5% rate increase for FY 2024, which translates to an annual increase of \$12.48, or \$1.04 per month, for the average property owner using 8 cc of water.

WASTEWATER: Projected FY 2023 revenues are expected to be \$248,000 better than budget, due to the following:

- Sewer usage revenue is down \$412,000;
- Sewer usage charged to other towns is up \$26,000;
- Leachate processing is up \$275,000;
- Septage processing is up \$175,000;
- Utility investment fee is up \$31,000;
- Investment income is up \$88,000;
- Other revenues are up \$36,000; and
- Share of debt service from the State is up \$33,000.

FY 2024 revenues, budget to budget, are up \$720,000 or 7.4% due to the following:

- Sewer usage is up \$234,000;
- Fixed charges is up \$92,000;
- Leachate processing is up \$125,000;

- Septage processing is up \$100,000;
- Investment income is up \$88,000;
- Share of debt service from the State is up \$80,000

FY 2023 expenses, budget to estimate, are down \$66,00.

FY 2024 expenses, projected to budget, are up \$1.3 million or 13.7%, due to the following:

- Wage and benefit increases;
- Repairs and maintenance, \$10,000;
- Professional Services, \$31,000;
- Bond costs are down \$30,000;
- Office supplies are down \$38,000;
- Department supplies are up \$6,000;
- Chemicals for both plants are up \$261,000;
- Electricity is up \$198,000;
- Debt service is up \$566,000;
- Transfer to General Fund is up \$103,000; and
- Transfer to Capital projects is up \$21,000.

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

- \$35,000 for rebuilding of the chemical containment berm; and
- \$9,000 for repairs and maintenance, for both plants.

Manager Aspell reviewed the Wastewater fund pro forma.

The projected net for FY 2023 is a gain of \$490,000. The estimated net gain for FY 2023 is \$805,000 or \$315,000 better than budget. This results in an ending working capital of \$6.6 million.

For FY 2024, we are budgeting a loss of \$65,000, which includes the proposed 5% rate increase. This results in an ending working capital of \$6.6 million.

Manager Aspell explained that, in the out years, the pro forma is calling for rate increases of 5.75% and 7%.

Manager Aspell noted that, under the Capital line, there are substantial capital projects proposed in the out years, which result in greatly increased debt service costs and expenses for the fund, which are driving the 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.

With the lengthened debt service payments and working down a portion of the ending working capital balance, the rate increases are kept at 7% and under through FY 2029. This results in an ending working capital balance in 2029 that is on par with the target working capital of \$1.7 million.

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

This ended the review of the proposed FY 2024 budget.

The Mayor opened up a public hearing on the Enterprise Fund budget.

Concord resident Roy Schweiker expressed his opinion that the 1.5% late charge the City charges people who don't pay their water/sewer bills on time is too much and wants the percentage reduced. He said the City could be receiving grant funds for water and wastewater but, for some reason, the City doesn't apply. He commented that parking enforcement in areas outside of downtown is poor.

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

Mayor Bouley noted that the next meeting of the Finance Committee will be held on Monday, June 5, 2023 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 6:56 PM.

Respectfully submitted,
Sue Stevens, Executive Assistant