

City Finance Committee Minutes

May 16, 2016

City Council Chambers – 7:00 PM

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

Excused: Councilors Shurtleff and Keach.

The Mayor opened the meeting at 7:00 PM. He stated that this meeting was to review the FY 2017 budget for the Special Revenue Funds and Enterprise Funds.

The City Manager handed out copies of the budget pro formas. He also handed out a document which responded to Councilor Herschlag's question at the previous meeting regarding the number of building permits issued to tax exempt entities versus taxable entities in the City.

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 2016, revenues are projected to be over budget by \$43,200 and expenses over budget by \$19,100, producing a net loss of \$5,500 instead of the budgeted loss of \$29,600. For FY 2017, revenues are projected to increase by 6.3% or \$17,200.

FY 2017 appropriations are projected to decrease by \$15,400, producing a net gain of \$3,000. The appropriation reduction is a direct result of a decrease in capital outlay for replacement of a vehicle in FY 2016.

The working capital of this fund remains healthy, ending FY 2016 at \$94,500. The ending working capital balance for FY 2017 is expected to come in at approximately \$97,500.

The Mayor opened a public hearing on the Project Inspection Fund. As there was no public testimony, the public hearing was closed.

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

PARKING: The FY 2017 budget maintains current service levels. FY 2016 revenues, budget to estimate, are under budget by 1.1% or \$22,300. This is a direct reflection of reduced revenues in parking rentals and metered parking penalties. FY 2017 revenues, budget to budget, are projected to be \$126,300 lower, due to anticipated reductions in metered parking and penalties.

FY 2016 expenditures are coming in less than 1% under budget, as this fund was budgeted to lose \$163,800. Instead, it is projected to lose \$167,300, which is \$3,500 more than expected. FY 2017 expenses, budget to budget, are anticipated to be 5.5% or \$122,250 lower.

The expected ending working capital for FY 2016 is \$38,200. FY 2017 is expected to be negative \$129,615 due to the projected loss.

Key issues for FY 2017:

- This fund continues to present a challenge.
- The comprehensive parking study will be under review by the Parking Committee very soon.
- \$3.2 million in improvements are needed and recommended in the capital budget.
- \$70,000 is needed to purchase three more kiosks for South Main Street, as well as to make upgrades from 2G technology to 4G for the 74 older meters.

City Manager Aspell reviewed the Parking pro forma. As presented for FY 2016, the losses to this fund continue and the ending working capital will be in a negative position by the end of FY 2017. City Manager Aspell indicated that a decision will need to be made as to the best solution for this fund when the Parking Study recommendations are made. He suggested there will either need to be an increase in the parking rates or the General Fund will have to help support this operation.

Councilor Coen commented that the Parking Fund, which was already in the red, took a large hit during the Main Street project, as parking on Main Street during the construction season was free.

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

Concord resident Roy Schweiker suggested that the City conduct better parking enforcement in the neighborhoods, not just downtown. He suggested that \$10,000 be added to the Parking Fund to pay for increased parking enforcement in the evenings and on weekends; and that increased parking enforcement occur around the area of the new courthouse while construction is underway. He also suggested that the City not purchase anymore kiosks until we're sure whether we're going to use kiosks or smart meters.

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

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

AIRPORT: The FY 2016 budget is projected to end with a net loss of \$59,400, which is better than the budgeted loss of \$89,600.

FY 2016 revenues, budget to estimate, are under by \$23,700. FY 2017 revenues, budget to budget, will be lower by \$22,800, mainly due to the reduction of the use of fund balance.

FY 2016 expenditures, budget to estimate, will be under by \$54,000. FY 2017 appropriations, budget to budget, are down by \$48,900.

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 \$411,416 at the end of FY 2017. However, with the anticipated losses in future years, this fund is projected to go into the negative in FY 2021. 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 Champlin asked if the City is compensated by the NH National Guard for their use of the Airport. City Manager Aspell indicated that the National Guard compensates the City substantially.

The Mayor opened a public hearing on the Airport budget. As there was no testimony, the Mayor closed the public hearing.

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

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

For FY 2017, revenues generated from leases are projected to be flat. Manager Aspell noted that \$48,800 will be transferred to the General Fund to be used for debt service on conservation property purchases.

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

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

GOLF COURSE: FY 2016 revenues, budget to estimate, are projected to come in over budget by about 4.8% or \$47,300, mainly due to increased memberships, pro shop sales, cart fees, and simulator revenue. FY 2017 revenues, budget to budget, are projected to increase by 11.4% or \$111,700, due to season passes, daily fees, cart rentals, simulator revenue, pro shop sales, and concession income.

FY 2016 appropriations are projected to come in over budget by 5% or \$48,800. The excess revenues are expected to more than offset the excess expenses and will provide a net income of \$2,900 for the year. FY 2017 appropriations, budget to budget, are up 11.7% or \$114,900. This increased budget is associated with the simulator project and increased debt service. It will be offset by the increase in revenue and will produce a net gain of \$1,200 for the year.

Manager Aspell noted that this budget was prepared before the golf season got underway and with the favorable weather this spring, it has somewhat improved expectations. The final results for FY 2016 will undoubtedly differ from these estimates.

Manager Aspell also noted that the simulator project has shown very favorable results so far. They have been extremely busy.

Manager Aspell reviewed the Golf Course pro forma. He pointed out that as we look out to FY 2018 and beyond, there are still some challenges with the projected negative net results. The City will have to closely manage operation costs and revenues, and future capital costs. Per this pro forma, the Golf Fund remains positive through FY 2019.

The FY 2017 capital budget includes \$50,000 for golf course equipment, including replacement of an aerator and a Cushman utility vehicle.

There was a brief discussion about the condition of the Golf Fund. City Manager Aspell provided an overview of the simulator usage to date. Councilor Herschlag suggested that the City consider charging a fee to winter users for use of the ski trails.

The Mayor opened a public hearing on the Golf budget.

Concord resident Roy Schweiker suggested that if the City had more simulators, more people would play virtual golf and we would have less grass to maintain.

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

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

ARENA: Revenues for FY 2016 are expected to come in under budget by 4.5% or \$30,800, mainly due to the budgetary use of fund balance to make repairs to the chiller last fall. Expenditures for FY 2016 are expected to come in under budget by 3.5% or \$23,900.

The FY 2016 budget had a planned loss of \$32,323 and now will end the year with an estimated loss of \$39,188. It is now projected that the year-end working capital will be \$151,227.

For FY 2017, revenues are expected to decrease by 8% or \$52,200, mainly due to the reduction of contributions from the General Fund to support debt service on the locker rooms, and the \$45,700 budgetary use of fund balance in FY 2016. FY 2017 expenses are expected to decrease by \$86,700, mainly due to a reduction in debt service and a reduction in the Transfer-out account due to the chiller repair.

The fund is expecting a gain of \$2,200 for FY 2017 and is projecting an ending working capital of \$153,453. 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 2021.

The major capital project included for funding in FY 2017 for the arena is CIP #64, replacement of the chiller (\$100,000).

Discussion ensued about increasing activities at the arena to maximize revenues. Some new activities at the arena include roller derby, roller skating, and, in the future, possibly curling.

There was also discussion about the lower revenue estimates for ice rentals in FY 2017. General Services Director Chip Chesley and Arena Manager Jeff Bardwell indicated that a major cause of this reduction is that Bishop Brady High School no longer rents ice from the arena for its two hockey teams.

The Mayor opened a public hearing on the Arena budget. As there was no testimony, the public hearing was closed.

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

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.

City Manager Aspell is recommending and has included in this budget the framework to increase Pay-as-You-Throw (PAYT) bags and containerized rates by 25%, effective July 1, 2016. When the PAYT Program was implemented, it was recommended that a rate increase be implemented by Year Five. It has been seven years and there has been no price increase. During last year's budget discussions, the Council decided to delay a PAYT price increase until later in the year, and now we are at that time.

City Manager Aspell gave a PowerPoint presentation on the PAYT Program, which provided an overview of the PAYT Program since its inception.

FY 2016 revenues, budget to estimate, are up 6.3% or \$234,992, due to increased commercial disposal revenue. FY 2017 revenues, budget to budget, are up 13.1% or \$457,100, mainly due to an anticipated increase in commercial disposal revenue.

FY 2016 PAYT bag and containerized revenue are up 11.7% or \$145,800. The full impact of the proposed 25% increase in PAYT prices will not be realized until FY 2017.

The transfer from the General Fund to the Solid Waste Fund remains at \$990,000.

FY 2016 expenses, budget to estimate, are up 8.6% or \$313,300, mainly due to an increase in commercial disposal. FY 2017 appropriations, budget to budget, are up \$356,700, again mainly due to a projected increase in commercial disposal.

City Manager Aspell reviewed the pro forma, which shows a planned loss for FY 2016 of \$178,072, and the actual loss to be \$256,355. This additional loss is mainly due to the projected reduced PAYT revenue in FY 2016 caused by the uptick in bag purchases in May/June of FY 2015.

Beginning in FY 2018, recycling expenses will be fully supported by a transfer-in from the General Fund, and PAYT revenues (including the 25% increase) are projected to fully offset PAYT expenses.

PAYT Program revenue will increase in FY 2017, mainly due to the increase in containerized revenues.

A loss of \$77,692 is anticipated for FY 2017. However, when the full effect of the PAYT bag price increase takes effect in FY 2017, a positive projected net of \$26,810 is projected. The ending working capital stays positive through FY 2021.

The Mayor opened a public hearing on the Solid Waste budget. As there was no testimony, the public hearing was closed.

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

WATER FUND: FY 2016 revenues, budget to estimate, are up 1.8% or \$104,300. FY 2017 revenues, budget to budget, are up 2.7% or \$155,800.

FY 2016 expenses, budget to estimate, are up 1.7% or \$102,400. FY 2017 appropriations, budget to budget, are up less than 1% or \$50,800.

There are no significant changes in the Water Fund in FY 2017. The budget provides for \$2.9 million in Capital spending as follows:

- \$1.5 million for water main replacement and construction;
- \$625,000 for Water Treatment Plant improvements;
- \$165,000 for water meter replacements;
- \$100,000 for ERP replacement; and
- A number of other smaller projects.

In looking at the pro forma, at this time last year, we projected a planned loss of \$387,377. Based on current estimates, the fund will recognize a more modest loss of \$180,696 due to the hot and dry summer in 2015. In FY 2017, the Fund is anticipating a loss of \$282,462. At this time last year it was projected that a 4.5% rate increase would be needed. The current recommendation remains the same.

In future years, the pro forma anticipates rate increases and the fund remains solid. We will continue to monitor the fund each year to minimize rate increases while maintaining the infrastructure and keeping the fund in a strong position.

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

Councilor Coen asked what the driving factor was for Concord's rates to be lower than so many other communities. Manager Aspell responded that being proactive with investments in our infrastructure has allowed for this. For example, the City's water main lining is almost completely done, and we've made significant investments to our distribution and storage systems.

The Mayor opened a public hearing on the Water Fund budget. As there was no testimony, the public hearing was closed.

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

WASTEWATER: FY 2016 revenues, budget to estimate, are on target. FY 2017 revenues, budget to budget, are up 1% or \$73,600.

FY 2016 expenses, budget to estimate, are down 1.7% or \$110,700. FY 2017 appropriations, budget to budget, are up 2.3% or \$173,300.

There are no significant changes in the Wastewater Fund in FY 2017. The budget provides for \$4 million in capital spending as follows:

- \$388,000 for sewer main rehabilitation and construction;
- \$2.6 million for Hall Street Treatment Plant improvements;
- \$355,000 for pump station improvements;
- \$235,000 for Penacook Wastewater Treatment Plant improvements; and
- Other smaller projects.

In reviewing the pro forma, at this time last year, we projected a \$75,070 planned loss in fund position. Based on current estimates the fund will recognize a gain of \$39,554. For FY 2017, the fund is anticipating a loss of \$174,771. At this time last year, it was projected that a 5% rate increase would be needed. This budget proposes a 2.5% rate increase to keep the fund solid in the long term.

In future years, the pro forma anticipates rate increases, mainly due to the debt service on the Capital Improvement Program. The fund remains very solid. We will continue to monitor this fund each year to minimize the rate increases, while maintaining the infrastructure and keeping the fund strong.

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

Discussion ensued about odor control and Councilor Coen indicated that he hadn't noticed any odor from the plant in the last year. General Services Director Chip Chesley responded that the first two phases of odor control are done. We are holding off on Phase 3 to determine if we really need it. However, we are keeping the funds for Phase 3 in the budget in case we need it. These budgeted funds do not affect the rates.

Mayor Bouley commented how important it is, from an economic development standpoint, that the City has made smart infrastructure improvements to our water and wastewater systems.

The Mayor opened a public hearing on the Wastewater budget.

Concord resident Roy Schweiker commented about water usage and rates.

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

A motion was made and seconded to tentatively approve the Wastewater budget 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 Monday, May 23rd at 6:30 PM. Prior to that, at 5:30 PM, the City Council will meet in non-public session to discuss the City Manager's annual performance evaluation.

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 8:15 PM.

Respectfully submitted,
Sue Stevens, Executive Assistant