

City Finance Committee Minutes

June 4, 2018

City Council Chambers – 5:30 PM

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

Excused: Councilor Grady Sexton.

The Mayor opened the meeting at 5:30 PM. He stated that this meeting was to review the FY 2019 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.

For FY 2018, revenue is projected to exceed expenses by \$351 and less than budgeted by \$2,100. For FY 2019, revenue is projected to increase by \$14,000 or 4.8%.

FY 2019 expenditures are projected to increase by \$16,000 or 5.3%. Budgeted net revenues are expected to exceed expenses by \$800.

The working capital of this fund remains healthy, ending FY 2018 at \$27,000. The ending working capital balance for FY 2019 is expected to come in at approximately \$28,000.

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

PARKING: The FY 2019 budget significantly changes the funding in the Parking budget. As proposed by the Parking Committee, the City Council accepted a parking rate increase in December 2017 and, with approval of this budget, would also increase hours of enforcement.

For FY 2018, revenues are anticipated to finish the year \$3,600 more than budget, and expenses are expected to finish the year \$21,000 less than budget.

The estimated net loss of \$163,000 is \$25,000 better than the budgeted loss of \$188,000.

While the fund is expected to show a negative working capital balance of \$12,000 at the end of 2018, FY 2019 is expected to increase next year's ending balance by \$44,000 and finish with an estimated ending working capital of \$32,000.

FY 2019 revenues, budget to budget, are projected to be \$653,000 or 34% higher than FY 2018. This is due to:

- \$288,000 from increased hours of metering on the streets;

- \$233,000 from more penalties due to increased enforcement hours, increases in certain citation rates, and \$100,000 in non-meter penalties, which will now be booked to the Parking Fund instead of the General Fund;
- \$73,000 from increased parking rental revenues due to rate increases, as well as the introduction of a permit system in the parking garages;
- \$41,000 transfer-in from the General Fund; and
- \$19,000 increase from the Sears Block TIF.

Expenses, budget to budget, are anticipated to increase by \$421,000 or 20%. This is due to:

- \$204,000 for increased contracted services;
- \$186,000 for increased debt service costs; and
- \$35,000 net increase in personnel and benefit costs.

The projected gain for FY 2019 is \$44,000.

Included in the FY 2019 Parking Fund budget are the following operational changes and proposed capital projects:

Operational Changes:

- (\$37,700) for the transfer of operations and maintenance costs from the Parking Fund to the General Fund on a pro-rated basis for those portions of parking facilities used by the City;
- (\$37,800) for the transfer of a portion of employee cost share to the Police Department, net amount of a total of three employees;
- (\$3,000) for the transfer of a portion of debt service costs to the General Fund on a pro-rated basis;
- (\$93,400) General Services Public Properties cost share of employees back to the General Fund;
- \$25,000 for General Services' employees to be shared with Parking Fund;
- (\$58,200) for snow removal costs transferred from the Parking Fund in previous years which are no longer transferred;
- \$66,600 for a Highways Downtown Services Team member paid by the Parking Fund;
- \$9,500 for training, supplies, and materials;
- \$12,600 for meter expansion (50 smart meters and credit card fees);
- (\$63,400) in new revenue associated with meter expansion;
- (\$100,000) in non-metered parking penalties previously recorded in the General Fund;
- (\$7,500) in residential and encumbrance permit fees;
- \$9,000 for pavement markings, pay by cell marketing support, and postage for additional tickets;
- \$49,000 for two 24-hour mobile unit positions;
- (\$133,400) in additional revenue from the new mobile unit;
- \$30,700 for two 12-hour night and weekend enforcement positions; and
- \$126,700 for contracted maintenance of the School Street, State Street, and Storrs Street garages.

Proposed Capital Projects:

- \$70,000 for the replacement of a Parking vehicle;
- \$100,000 for a new surveillance system and pot hole repairs in the North State Street garage;
- \$95,000 for a new surveillance system in the Storrs Street garage;
- \$45,000 for parking meters;
- \$66,800 for surface lot maintenance; and
- \$25,000 for Parking Division technology, specifically to implement a website dedicated to Parking with the intent to make it a one stop for parking information, to pay tickets online, and online renewal of permits and leases.

City Manager Aspell reviewed the Parking pro forma. As presented for FY 2019, the FY 2018 loss of \$163,000 will produce a negative working capital of \$11,900. With the changes proposed in this budget, FY 2019 would produce a gain of \$44,200 and an ending working capital of \$32,200.

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

Concord resident Roy Schweiker said he was pleased to see funding for more Parking Enforcement Officers and hopes it will be 24/7. He is unhappy that the City is subsidizing Parking with property taxes and feels the City is not charging enough at its meters. Councilor Nyhan asked Mr. Schweiker what he felt the City should charge at the meters. Mr. Schweiker wasn't sure, but he suggested that perhaps Concord raise its rates to be comparable to Portsmouth or Manchester.

As there was not further public testimony, the Mayor closed the public hearing.

AIRPORT: FY 2018 revenue, budget to estimate, is expected to be \$10,000 better than budget. FY 2019 revenue, budget to budget, is up \$14,000 or 4% due to fuel flow markup and building leases.

FY 2018 expenditures, budget to estimate, are expected to be under by \$21,000. FY 2019 expenditures, budget to budget, are up by \$30,000 or 7.3% mainly due to transfers and contracted services.

Also included in the Airport budget are:

- \$20,000 for general airport repairs;
- \$5,500 local match to complete the terminal area study that will provide a short and long range plan and potential redevelopment opportunities within and along the airport; and
- \$7,500 local match for Taxiway A and itinerant ramp.

Proposed in the Capital budget, but not included in the funding, are \$105,600 for the terminal building and \$1,412,500 for Taxiway and itinerant ramp.

Manager Aspell reviewed the Airport pro forma. The Airport Fund was projected to have a planned loss of \$64,000. We now expect that loss to be only \$33,000. This will leave an ending working capital at the end of FY 2018 of \$505,000. With the projected loss of \$80,000 in FY 2019, the ending working capital will be \$425,000. The fund is projected to stay solvent through FY 2022.

Councilor Herschlag noted that the Airport has a substantial amount of projects in the out years of the CIP, totaling approximately \$18.6 million. He is concerned that the Airport will not have enough revenue to pay for all of these projects. Manager Aspell responded that until the mid-2000's, the General Fund supported the Airport. The City wants to take advantage of current federal and state dollars available to subsidize these projects. Manager Aspell said that some of the projects are several years out and the City will reassess the need for the projects going forward, adjusting the CIP as necessary.

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.

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

For FY 2019, revenue generated from leases is projected to be flat. Manager Aspell noted that \$29,000 will be transferred to the General Fund to be used for debt service on conservation property purchases.

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

GOLF COURSE: FY 2018 revenue, budget to estimate, is projected to be down \$114,000. We are projecting memberships to have increased slightly at the end of the year last year, and hopefully green fees as well. Because we only book membership revenue at the end of the fiscal year, it is difficult to see the full membership results until the middle of June or later.

Estimated revenue item projections for FY 2018 are:

- Camps are under by \$19,500;
- Seasonal passes are under by \$46,000;
- Daily fees are under by \$5,000;
- Cart rentals are under by \$14,600;
- Driving range is under by \$5,200;
- League and tournament fees are in and out (revenues = expenses);
- Simulator revenue is under by \$2,000;
- Pro Shop sales are under by \$11,100;
- Concession income is under by \$6,500); and
- Advertising revenue is under by \$7,500.

Sales across the board have been tough. BMGC advertises in local newspapers, on radio and social media, promotes specials, watches its local competition for pricing specials, and works to achieve its fair share of the market in the area.

We work very closely with the Golf Course Advisory Committee on recommendations for capital improvements, daily rates, and proposed membership rates.

BMGC membership fees are among the most competitive in the area and we added a golf cart membership for this season. We will have a better picture of the membership impact on cart rentals by the end of the golf season.

In FY 2018, the golf course transitioned to a new point of sale software system called Tee Snap. This system has greatly improved customer service at the counter for tee time check-ins, cart rentals, and product sales. The system also allows for online tee time registrations and approximately 15% of players (mostly greens fee customers) now register online. Tee Snap has been an excellent customer service improvement for the golf course.

The General Fund supported two golf capital projects for FY 2018 and the first phase of those projects are nearing completion:

- The new pumps and pump house are producing more efficient and dependable water for the irrigation system; and
- The rebuilt bunkers on the 1st, 4th, 10th, and 13th holes are completed, sodded and hydro-seeded.

FY 2018 expenses, budget to actual, are projected to be down by \$18,000. We had a number of unexpected repairs that needed to be addressed and, as a result, the Outside Services line is overspent.

FY 2019 expenses, budget to budget, are up \$14,000 or 1.3% due to wage and benefit increases and increased debt service.

Manager Aspell noted that the simulator has performed very well this year and revenues are about \$1,400 off from FY 2017, mainly due to inclement weather.

Other projects that are proposed for FY 2019 are:

- \$310,000 for Phase 2 of the irrigation project; and
- \$100,000 to renovate the women's and men's bathrooms in the clubhouse, replace doors and windows in the Pro Shop; and for electrical work in the clubhouse.

Both of the above projects are proposed to be supported by the General Fund and we anticipate the debt service cost to the FY 2020 budget will be approximately \$33,000 on a 20-year bond.

Additionally for FY 2019, the Golf Fund capital budget supports the replacement of a rough mower and aerator for \$75,000.

Manager Aspell reviewed the Golf Course pro forma. He pointed out that the FY 2018 beginning working capital is \$11,000. With a projected loss of \$78,000, the ending working capital will be approximately (\$67,000) for FY 2018. As we finish FY 2018, Manager Aspell indicated he plans to prepare a report to City Council recommending some General Fund support, including forgiveness of the overhead charges (\$67,000), to help balance the fund. To the extent that the loss is more or less than the projection, Manager Aspell will adjust his recommendation.

Looking forward to future years, the fund is not projected to produce a profit in the foreseeable future, based on current membership and daily greens fee numbers.

The Fiscal Policy Advisory Committee will be reviewing all Special Revenue and Enterprise Funds this coming year and developing strategies on how to best support these funds.

In addition to Golf operations, 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.

Councilor Coen asked if there were any early statistics from the last 4-6 weeks that provide an indication as to how the season is starting out. Golf Pro Phil Davis indicated that, so far this season, memberships are up. In the month of April, approximately 2,300 rounds were played; and in the month of May, approximately 5,000 rounds were played. Golf Pro Davis said this is a good start.

Councilor Coen asked if we track the number of users in the winter months. Deputy Manager LeBrun indicated that there's no check-in process for people using the cross country ski trails or the skating pond. Councilor Coen feels that the City should track this.

Councilor Keach noted that many of the Enterprise Funds are helped out by a General Fund transfer to cover overhead costs. He wanted to know if this is a good practice. Manager Aspell responded that the Fiscal Policy Advisory Committee is going to be reviewing all Special Revenue and Enterprise Funds this year and developing strategies on how to best support these funds.

Councilor Kretovic mentioned that, earlier this spring, the ladies room at BMGC flooded. She asked what the City would do if this were to happen again and if we would have to close the course. Deputy Manager LeBrun said if it were to happen again, we would make appropriate alternative accommodations and would not have to close the course. This is an example of why improvements to the bathrooms are necessary.

Councilor Herschlag suggested that the City Council have a discussion about how to continue paying for the golf course and how to get the course back to being self-supporting through user fees. He feels community members should be aware of where their tax dollars are going and be invited to participate in the discussion. Mayor Bouley responded by encouraging Councilor Herschlag, or anyone else, to bring their ideas forward; that now, during budget review, is the time to have this discussion. The Mayor invited members of the public to come and testify on the matter at the public hearing on Thursday, June 14th. Manager Aspell reiterated that the Fiscal Policy Advisory Committee will be reviewing all Enterprise and Special Revenue Funds during the upcoming year and developing strategies on how to best support them.

Mayor Bouley noted the growth in tournament revenue on the pro forma and asked Golf Pro Phil Davis how many tournaments the course holds and what is the typical revenue from a large outing. Golf Pro Davis indicated that the course holds approximately 45 tournaments a year. A typical large outing of approximately 130 players brings in about \$8,000 in revenue, which is equivalent to 8 memberships. Mayor Bouley suggested the course continue to grow in this area and promote these tournaments.

Mayor Bouley asked Golf Pro Davis if it would be beneficial for the course to have a large tent or pavilion to attract larger groups. Golf Pro Davis and Deputy Manager LeBrun both responded that a tent or pavilion would be very beneficial, as some large groups have gone to other venues because BMGC couldn't accommodate them. Councilor St. Hilaire suggested that a more permanent structure would make it easier for groups who need a liquor license for their events.

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

Concord resident Roy Schweiker suggested the City Council consider privatizing the golf course. Another suggestion he made was to charge golfers more to play in order to pay for improvements to the course. Lastly, he suggested the course might attract more people if the rates were reduced, with the understanding that the course would be subpar.

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

ARENA: Revenue for FY 2018, budget to estimate, is up by \$19,000 due to increased ice rental and miscellaneous income. Revenue for FY 2019, budget to budget, is up \$13,000 or 2.2% due to the addition of Pro Shop sales for skate sharpening and supplies.

FY 2018 expenses, budget to estimate, are down \$39,000, mainly due to wages and benefits being less than projected. FY 2019 expenses, budget to budget, are up \$62,000 or 10.1% due to increased expenses to run the Pro Shop, additional debt service costs, and additional transfers out for capital projects.

Manager Aspell reviewed the Arena pro forma. The fund is expecting a gain of \$44,000 for FY 2018, better than projected by \$58,000. FY 2019 has a projected loss of \$63,000 and will still maintain a solid working capital of \$203,000. 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 2023.

The major capital projects included for funding in FY 2019 (CIP #64) includes \$20,000 for preliminary architectural design of the new lobby area and purchase of rental skates for the Pro Shop.

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.

SOLID WASTE: FY 2018 revenue, budget to estimate, is up \$24,000. FY 2019 revenue, budget to budget, is up \$201,000 or 4.8%, mainly due to the increased commercial disposal revenue and the Solid Waste District.

FY 2018 expenses, budget to estimate, are down \$17,000. FY 2019 expenses, budget to budget, are up \$219,000, mainly due to a projected increase in commercial disposal.

Manager Aspell noted that wage and benefit expenses are down in both the 2018 estimate and 2019 budget. This is due to the reorganization of the General Services Department and the Solid Waste Manager's new responsibilities as the Administrative Division Head. While he continues to

manage the responsibilities of Solid Waste, he also shares his time with General Fund responsibilities as well.

There is only one capital project for Solid Waste in FY 2019 and this is \$10,000 for the rehabilitation of a gas collection system and wells at the Old Turnpike Road landfill.

Manager Aspell reviewed the pro forma, which shows a gain for FY 2018 of \$75,000, which is \$41,000 better than budget. The FY 2019 gain is projected to be \$15,000 and the ending working capital remains above the target goal through at least FY 2024.

Councilor Herschlag asked about the differing amounts of ending working capital and projected net of the fund for each year on the pro forma. Manager Aspell indicated that the City manages the pro forma over a six year term to manage potential increases in solid waste disposal costs.

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.

WATER FUND: Manager Aspell noted that for both the Water and Wastewater funds, the City began a rate study this past year, incorporating a long range plan for future capital needs. This study is expected to be completed soon, at which time a presentation will be made to the City Council.

Manager Aspell indicated that he is proposing a 3% rate increase for water. Manager Aspell reminded the committee that last year at this time, the decision was made by City Council not to increase rates.

FY 2018 revenue, budget to estimate, is up \$184,000 due to usage during dry weather. FY 2019 revenue, budget to budget, is up \$346,000 or 5.8%.

FY 2018 expenses, budget to estimate, are down \$143,000, mainly due to wage and benefit savings. FY 2019 expenses, budget to budget, are up \$184,000 or 2.9%, mainly due to debt service costs.

There are no significant changes in the Water Fund in FY 2019. The budget provides for \$2.1 million in Capital spending as follows:

- \$1.2 million for water main replacement and construction;
- \$118,000 for Water Treatment Plant and SCADA improvements;
- \$100,000 for pump station improvements;
- \$125,000 for water meter replacements;
- \$143,000 for the Water Fund portion of the COMF repairs;
- \$63,000 for hydrant and valve replacements; and
- \$90,000 for a water system asset management program.

In looking at the pro forma, at this time last year, we projected a loss of \$290,000. Current estimates show that the fund will recognize a gain of \$37,000. In FY 2019, the fund is anticipating a loss of \$127,000.

Last year, it was anticipated that the rate increase in this fund would be 5.5%. Manager Aspell is proposing a rate increase of 3%, less than last year's projection for FY 2019.

The projected ending working capital for FY 2019 is very solid and the fund remains solid through FY 2023 with future projected rate changes.

Manager Aspell noted that in comparison to other communities, Concord has dropped to the second lowest rate of the comparable communities, second only to Manchester.

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

Concord resident Roy Schweiker said that he has reduced his water consumption from two units to one, but is still billed the same amount. He suggests the City reduce the minimum usage for billing from two units to one. He feels it might encourage more residents to reduce consumption.

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

WASTEWATER: FY 2018 revenue, budget to estimate, is up \$83,000. FY 2019 revenue, budget to budget, is up \$49,000 or .7%.

FY 2018 expenses, budget to estimate, are down \$155,000. FY 2019 expenses, budget to budget, are up \$342,000 or 4.3%, mainly due to an increase of \$187,000 in debt service costs, wage and benefit increases, and increases in utilities.

There are no significant changes in the Wastewater Fund in FY 2019.

The budget provides for \$3.9 million in capital spending as follows:

- \$2.5 million for Hall Street Treatment Plant improvements
- \$500,000 for Hall Street odor control;
- \$225,000 for Penacook Treatment Plant improvements;
- \$290,000 for sewer main rehabilitation and construction;
- \$143,000 for the Wastewater Fund portion of the COMF improvements; and
- \$156,000 for the Wastewater Fund portion of vehicle and equipment improvements.

In reviewing the pro forma, at this time last year, we projected a \$469,000 planned loss in fund position. Based on current estimates, the fund will recognize a loss of \$231,000, which is \$238,000 better than expected. For FY 2019, the fund is anticipating a loss of \$762,000. Manager Aspell proposes a rate increase of 4%. Last year at this time, it was projected that a 5.5% rate increase would be necessary in FY 2019.

The current working capital is solid and projected to remain solid through FY 2024 with regular rate changes.

Debt service on capital projects is driving the increases each year.

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

Councilor St. Hilaire asked if the additional odor control was part of the phased program that has been progressing or something else. General Services Director Chip Chesley and Wastewater Treatment Plant Superintendent Dan Driscoll explained that the original odor control system has been running since 1984. This funding is a way to get more life out of the system. Councilor St. Hilaire commented that the odor control system is working, that he hasn't received any complaints about odor in quite some time.

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.

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

At this time, motions were made and seconded to tentatively approve the Project Inspection, Parking, Airport, and Conservation Fund budgets. The motions passed with unanimous voice votes, with Councilor Herschlag voting in opposition to the Parking budget.

Motions were made and seconded to tentatively approve the Golf, Arena, Solid Waste, Water and Wastewater budgets. The motions passed with unanimous voice votes, with Councilor Herschlag voting in opposition to the Golf budget.

The Mayor reminded everyone that the next Finance Committee Meeting would be held on Thursday, June 7th at 5:30 PM, at which time the Capital Budget will be discussed. Immediately following the Finance Committee Meeting, the City Council will meet in non-public session to discuss Comp Adjustment and the City Manager's 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.

Respectfully submitted,
Sue Stevens, Executive Assistant