

MINUTES

City of Concord Finance Committee Meeting
June 1, 2020 @ 5:30 PM
City Council Chambers

Present: Mayor James Bouley, City Councilors Brent Todd, Jennifer Kretovic, Erle Pierce, Rob Werner, Byron Champlin, Fred Keach, Meredith Hatfield, Nathan Fennessy, Gail Matson, Amanda Grady Sexton, Keith Nyhan, Linda Kenison, Candace White Bouchard, and Zandra Rice Hawkins.

The Mayor opened the meeting at 5:30 PM and indicated the committee was meeting electronically due to the Covid-19 pandemic, in accordance with Governor Sununu's Emergency Order #12, pursuant to Executive Order 2020-04.

The Mayor noted that, in accordance with the Governor's Emergency Order, the City had provided public notice of the necessary information for accessing this meeting, and indicated where this information could be found.

Mayor Bouley also noted that all votes taken during this meeting would be done by roll call vote.

Deputy City Manager LeBrun took the roll and asked committee members when stating their presence to please also state whether there was anyone else in the room with them, which is required under the Right to Know Law. In accordance with the Right to Know Law, all committee members indicated they were alone.

The Mayor stated that this meeting was to review the FY 2021 budgets for the Special Revenue and Enterprise Funds.

A motion was made and seconded to approve the minutes from the May 18 and May 21 Finance Committee meetings. The motion was approved unanimously with a roll call vote.

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 2020 revenues are projected to exceed the budget and be short of expenses by \$66,500. This will be more than the available working capital for this fund. Manager Aspell indicated that he will be bringing a supplemental appropriation to the City Council once the final revenues and expenses are determined and will likely need a transfer from the General Fund to cover the shortfall not made up by the available working capital.

FY 2021 revenues, budget to budget, are planned to decrease \$72,400 or 19.9%. FY 2021 expenses, budget to budget, are planned to decrease by \$79,600 or 22.2%, partly due to a reallocation of wages and benefits to balance out the fund.

PARKING: City Manager Aspell noted that there has been a lot of work in the Parking Fund over the past few years, such as changes to the meter locations, addition of meters, change to and expansion of enforcement times, staffing changes, and improvements to the parking garages. With all of these changes, the City did not anticipate the COVID pandemic and the dramatic drop in revenues for parking.

For FY 2020, revenues are projected to be down by \$566,000 or 18.6%, and expenses are expected to be down by \$180,000, resulting in a loss of \$261,000, or \$385,000 worse than budget.

For FY 2021, we are projecting that revenues will return to some level of normalcy.

FY 2021 revenues, budget to budget, are up \$20,300, or less than 1%, and no increase in parking rates are planned for this year. Revenues for parking penalties, metered parking, and rental income are projected to be down \$86,500. A planned transfer in from the Sears Block TIF is up \$91,500.

FY 2021 expenses, budget to budget, are up \$247,100 or 8.4%, and includes \$65,600 in wage and benefit increases; \$186,700 in debt service increase due to capital projects; \$35,900 in real estate taxes for lease space; and reductions in other accounts.

Also included in this budget are several new items that are very important for the maintenance of our facilities, mainly the School Street garage, and includes \$1,000 for water and sewer charges; \$8,300 for pavement markings; \$25,000 for pressure washing; and a loss of revenue in the amount of \$6,250.

Manager Aspell gave an overview of the Parking pro forma, which shows a projected net profit of \$124,800 for FY 2020. We are now estimating a loss of \$261,000 or \$385,000 worse than budget.

In FY 2021, we are budgeting for a loss of \$101,900.

FY 2021 ending working capital is \$312,000 or just slightly below the 10% of expenses goal.

Rate increases are projected in FY 2023 and in FY 2028, which will result in an increase in revenue in those years. As always, these increases will be subject to the approval of the City Council.

Councilor Pierce asked what the balance is of uncollected parking ticket funds. Director of Redevelopment, Downtown Services and Special Projects Matt Walsh indicated that a recent review going back five years showed that out of the 113,000 tickets that were issued during that timeframe, 12,886 are outstanding, totaling \$788,000. There was considerable discussion as to how the City could collect these fines. Mr. Walsh indicated that only about 1/3 of the tickets were issued to Concord residents, about 1/3 are from other towns, and another 1/3 are from out of state. There is no reciprocity between states. This makes it challenging and time consuming to try to collect. The Parking Division has considered farming out the collection efforts to a collection agency, but that would entail the City paying a fee to the agency. The City has considered adopting NH RSA 231:130-a, which allows for a municipality to not register a vehicle for an owner who owes parking ticket fines. The City Council decided not to adopt that RSA, for fear that it would be detrimental to low income people who cannot afford to pay the fines and need their driver's licenses to get to work. City Administration will continue to monitor and attempt to collect on the unpaid tickets.

Councilor Hatfield inquired as to why the City Manager did not fund the PCR for an online permit module. City Manager Aspell indicated that, although the new module would be more customer friendly and convenient, it wouldn't generate revenue and it isn't a necessity at this time.

AIRPORT: For FY 2020, revenues and expenses are both in line with budget and the fund is expected to perform slightly better than planned.

FY 2021 revenue, budget to budget, is up \$12,700 due to lease increases and an airport operators grant. FY 2021 expenses, budget to budget, are up \$16,600 due to wage and debt service increases.

Manager Aspell reviewed the Airport pro forma. FY 2020 has a projected loss of \$82,400 and we are estimating a 2020 loss of \$66,200 or \$16,200 better than budget.

For FY 2021, we are budgeting a loss of \$86,200.

For FY 2021, ending working capital is projected to be \$322,900, significantly ahead of the 10% of expenses goal.

While this fund is least impacted by the pandemic issues we are currently dealing with, the long term outlook of this fund is to lose money each year, and in 2026 we are projecting to be in a negative working capital position, which means the General Fund will have to start supporting this fund at that time.

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

FY 2021 revenue, budget to budget, is down \$22,200, mainly due to the planned reduction of a transfer in from trust to offset expenses. FY 2021 expenses, budget to budget, are down \$22,200, mainly due to the reduction in outside services for appraisals and consultant surveys.

GOLF COURSE: For FY 2020, revenues are estimated to be down a total of \$188,500 compared to budget and across all categories.

While we had a good year going before COVID-19, we are making the most of what is now available.

We are maximizing the tee sheet and have been very busy with both members and green fee customers. The City Council recently revised the membership rates based on the recommendation of the Golf Course Advisory Committee. The overall number of memberships is holding up well.

Almost all outings have been rescheduled to the end of the summer and fall.

We are managing expenses as much as possible and it is taking extra time to maintain social distancing guidelines and to sanitize carts and customer contact areas.

As we approach the end of FY 2020, we will continue to update City Council on revenue and expense results and projections.

FY 2021 revenue, budget to budget, is up \$31,600 and projects increases in seasonal passes, daily fees, league and tournament fees, and Pro Shop sales.

The outings that were scheduled for spring and early summer have mostly been rescheduled to late summer and fall; therefore, we expect added revenue during August and September. If the outings do not occur, there will be an impact of lowered revenue for those months.

FY 2021 expenses, budget to budget, are up \$31,600 due to an increase in wages, supplies, and debt service. While we are working to manage expenses to the greatest extent possible, keeping the course in very good condition is critical to revenue generation.

There are three PCR's for this fund: \$1,500 for tent cleaning and storage; \$500 for a PA system for the new tent; and \$2,000 for a cover for the tent floor.

Manager Aspell reviewed the Golf Course pro forma. The fund was projected to break even in FY 2020 and that is with a \$57,400 transfer in from the General Fund. Now the estimated results are a loss of \$165,300. This number is expected to change based on actual year end results.

For FY 2021, we are budgeting to break even. This is our best projection based on the issues we are facing today and how they will impact this operation next fiscal year.

City Administration will continue to monitor the fund closely and report to the City Council regularly. We are projecting each year through 2026 to break even, including support from the General Fund.

Councilor Kretovic asked about the status of the NH Golf Association's recent interest in renting office space. Manager Aspell indicated that we are still in conversations with them and hope to proceed with the arrangement when the time is right.

Councilor Kretovic also asked about how the golf course's numbers are trending this spring due to the COVID-19 pandemic. Manager Aspell indicated that from May 2019 to May 2020, total number of rounds is up, as are member rounds. Membership is down slightly and cart rentals are up. Having lost the whole month of April, we are only down about 5% and hope to be able to rebound this summer.

Councilor Fennessy asked how the lowering of some of the membership rates has affected memberships. Deputy City Manager LeBrun indicated he would have to gather the data and would send it to the committee members via e-mail.

ARENA: FY 2020 revenues, budget to estimate, are down \$14,300 due to loss of rental income and concession sales due to the stay at home orders. FY 2020 expenses, budget to estimate, are ahead of budget by \$29,300 due to wages, outside services, supplies and utilities.

FY 2021 revenues, budget to budget, are up \$14,400 or 2.2% due to increased Pro Shop sales, concession sales, and rental income. FY 2021 expenses, budget to budget, are up \$20,300 or 3.1% due to increased wages, outside services, supplies and utilities. Capital outlay is down \$15,800.

Manager Aspell noted the following PCR's are being proposed for the arena:

- \$4,200 to replace pressure relief valves;
- \$7,060 for mechanical integrity inspections;
- \$6,250 for process hazard analysis;
- \$840 square credit card processing fees;
- \$5,000 increase in cost of goods sold;
- \$8,500 decreased facility rentals due to loss of floor shows;
- (\$12,500) additional revenue due to starting ice skating one week earlier this year; and
- \$500 to purchase skating helmets for rental.

This budget is anticipating the arena operations getting back to normal and any changes will impact the results.

Councilor Matson asked about the affect COVID-19 is having on floor shows that have been scheduled, some of which require quite a bit of lead time. The loss of floor shows will affect revenue and we are watching things closely and waiting to see how things develop in the area of social distancing in the future.

Manager Aspell reviewed the Arena pro forma. The fund had a budgeted gain of \$18,300 and now is showing an estimated loss of \$25,400.

For FY 2021, we are budgeting a gain of \$12,400.

Manager Aspell noted that the General Services Department and Arena staff have done an excellent job managing all arena programs. Fortunately, the ice season was just about complete by mid-March when the stay at home orders were issued. The majority of lost revenues are a result of decreased rentals for floor shows and any concession income that would have resulted from those shows.

The projected net for the remainder of the years, through 2026, show annual losses. The fund balance will carry the arena through 2024, but starting in 2025, the General Fund will likely need to start making transfers to the Arena, much like what is currently occurring in the Golf fund.

SOLID WASTE: The Solid Waste Advisory Committee's (SWAC's) work with the General Services Department and this fund have kept operations flexible. This allowed the City Council the ability to provide a pause in purple bags for solid waste disposal during the pandemic.

During the reprieve from the Pay-As-You-Throw (PAYT) Program, solid waste tonnage has increased about 45 tons per week. Extra tonnage cost is about \$3,000 per week and an extra collection crew costs about \$6,750 per week. Lost bag revenue translates to about \$97,500 per month. Recycling tonnage has remained relatively constant.

FY 2020 revenues, budget to estimate, are down \$356,000 due to commercial disposal sales, the PAYT Program, and PAYT containers. FY 2020 expenses, budget to estimate, are down \$74,700 due to lower compensation and outside services costs.

FY 2021 revenues, budget to budget, are down \$42,100 or less than 1%, mainly due to lowered commercial disposal revenues. FY 2021 expenses, budget to budget, are up \$43,300 or 1%, due to increased wages and benefits, contractual costs, and utilities.

Also included in this budget are \$3,000 for increased street sweeping costs and \$7,000 for continued PFAS testing at the Old Turnpike Road landfill.

Councilor Hatfield asked how the budget would be affected if the City were to make changes to the way it handles spring yard waste and fall leaf collection. There was considerable discussion about the feasibility of doing bulk leaf collection and still being able to maintain social distancing amongst collection crews, as well as the costs involved in collecting bagged leaves. It was agreed that further review and discussion needs to take place around this issue.

Councilor Pierce asked if pandemic relief funds from the State might trickle down and help the Solid Waste fund. Manager Aspell indicated that PAYT funds are not recoverable; however, additional tonnage is recoverable, but it will be a very small amount of money – probably around \$20,000.

Manager Aspell reviewed the Solid Waste pro forma.

For FY 2020, we had budgeted for an \$80,800 loss and the loss is now estimated to be \$362,500, due to changes to the PAYT Program during the Governor's emergency order time and the downturn in the economy.

For FY 2021, the projected net is a loss of \$166,200 and the estimated ending working capital in FY 2021 will be \$1.1 million, still significantly better than the 10% of expenses goal.

A 25% PAYT increase is projected in FY 2022, and will bring the projected net for FY 2022 through 2024 back into the positive. Continuing along the fiscal years through 2025 and 2026, the fund shows annual losses and a reduced ending working capital.

The contract with Casella ends in FY 2024, therefore we will be negotiating a contract extension or otherwise and expect increased costs at that time, especially with what is occurring in the recycling world today.

City Administration will continue to work with the SWAC on these issues and bring recommendations to the City Council at the appropriate time.

WATER FUND: There is no increase to water rates being proposed in FY 2021.

FY 2020 revenues, budget to estimate, are down \$120,800 due to water usage being lower than planned. Water production is down due to all the restaurant, hotel, and business closures during the pandemic. FY 2020 expenses, budget to estimate, are down \$27,300, mainly due to utility savings.

FY 2021 revenues, budget to budget, are up \$93,200 or 1.5%, mainly due to an anticipated increase in water usage and backflow device testing as we get back to normal. FY 2021 expenses, budget to budget, are up \$462,000 or 7.3%, mainly due to increases in wages and benefits, debt service, and transfer out to the General Fund.

Two PCR's are being recommended in this budget: \$6,500 for confined space equipment, and \$33,200 for water meter testing.

Manager Aspell reviewed the Water fund pro forma.

A loss of \$55,800 was budgeted for FY 2020 and now we are estimating the loss to be \$149,300, due to lower water production.

For FY 2021, we are projecting a loss of \$424,600, with no rate increase being recommended. This fund is still very healthy, with an ending working capital of \$3.2 million compared to a target of \$1.7 million. However, in looking at the projected net for future years, we are projecting losses each year and rate increases to minimize these losses.

Even with rate increases, these losses chip away at the working capital through FY 2026 where the ending working capital is about equal to the working capital target.

In comparing Concord's rate to other communities, Concord's rate is one of the lowest of the comparable communities.

Manager Aspell noted that we will need rate increases in the future, but considering the state of the working capital balance, and the increase in the wastewater fund to be discussed next, he thought it was best to hold off on increasing water rates for another year.

Councilor Champlin asked why Concord was so well positioned as opposed to other communities. Manager Aspell responded that most of Concord's water usage is residential and that there are not many high volume users, as in other communities. Manager Aspell also noted Concord's conservation measures as a factor, as well as its investments in our distribution system.

Mayor Bouley excused himself from the meeting at 7:00 PM due to another commitment. Mayor Pro Tem Bouchard took over as Chair of the meeting.

WASTEWATER: An 8.24% rate increase is being proposed for this year.

FY 2020 revenues, budget to estimate, are down \$455,000. This is due to sewer usage being down \$242,700 and the use of \$275,000 from fund balance, which the City Council approved earlier this year to support the PFAS issues for the remainder of FY 2020. FY 2020 expenses, budget to estimate, are down by \$325,000 due to lower wages and benefits and lower utilities.

FY 2021 revenues, budget to budget, are up \$152,100 or 1.9% due to the increase in sewer service revenues. FY 2021 expenses, budget to budget, are down \$325,700 or 3.7%, due to decreases in wages, benefits, supplies and debt service.

Also included in this budget are the following:

- \$770,000 increase in the Outside Services line for offsite sludge disposal to deal with the emerging PFAS issues;
- \$170,000 net reduction in our chemical expenses;
- \$10,000 to replace chemical pumps; and
- \$5,000 for a chemical tank replacement.

Prior to the Mayor's 7:00 PM departure from the meeting, he asked if any City staff would be attending the legislative hearing being held on June 2nd regarding HB 1264, which pertains to PFAS. General Services Director Chip Chesley informed the committee that Wastewater Treatment Plant Superintendent Dan Driscoll would be attending the hearing on behalf of the City.

Manager Aspell reviewed the Wastewater Fund pro forma.

For FY 2020, a net loss of \$889,100 was budgeted for. Now the estimated loss is \$1 million, which is a direct reflection of the closure of restaurants, hotels, and businesses during the pandemic.

For FY 2021, we are budgeting a loss of \$411,300 and that is with an 8.25% rate increase. The FY 2021 ending working capital is \$2.456 million, or just slightly above the target of \$2.377 million.

In looking at the remaining out years on the pro forma, starting in FY 2022, the projected net is positive and will remain positive through 2026 with the projected wastewater rate increases. The ending working capital in 2026 is planned to be ahead of the target working capital.

The pro forma also shows the millions of dollars of capital projects projected for future years. The need for these projects is a main driver for the rate increases that will be needed to support the additional debt service costs.

In comparing Concord's rate to other communities, Concord's current rate is the 4th lowest, and with the rate increase will move to the 5th lowest. Concord will still be lower than Rochester, Portsmouth, and Dover. Combined with the water rates, Concord is still very competitive with these other communities.

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

The committee was reminded that the next meeting will be held on Thursday, June 4th, at 5:30 PM, at which time there will be a public hearing on the entire proposed budget, followed by a committee work session.

With no other discussion, a motion was made and seconded to adjourn. The motion passed with a unanimous roll call vote and the meeting was adjourned at 7:15 PM.

Respectfully submitted,

Sue Stevens, Executive Assistant