

MINUTES

City of Concord Finance Committee Meeting
June 3, 2021 @ 5:30 PM
City Council Chambers

Present: Mayor James Bouley, City Councilors Brent Todd, Jennifer Kretovic, Erle Pierce, Rob Werner, Byron Champlin, Fred Keach, 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, Councilors Werner and Grady Sexton indicated they were with family members; all other committee members indicated they were alone.

The Mayor stated that this meeting was to review the FY 2022 budgets for the Special Revenue and Enterprise Funds.

The Mayor noted that there seemed to be some confusion as to when the public hearing for the budget would be taking place. He indicated that there would be no public hearing tonight; that the public hearing would be held on Monday, June 7th. However, he reminded the committee members that they needed to make a collective decision whether or not to proceed with budget adoption on June 7th, or put it off a bit until after the State budget has been adopted. He indicated that discussion regarding this matter would take place at the end of tonight's meeting.

A motion was made and seconded to approve the minutes from the May 27, 2021 Finance Committee meeting. 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 2021 revenues are projected to exceed the budget and be short of expenses by \$41,000. This will wipe out the remaining 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 2022 revenues, budget to budget, are planned to increase \$19,000 or 6.6%. FY 2022 expenses, budget to budget, are planned to increase by \$31,000 or 11.1%, mainly due to wage and benefit changes.

PARKING: City Manager Aspell noted that the Parking Fund has taken a hit in revenues this past year due to the pandemic.

FY 2021 revenues are projected to be down by \$745,000. FY 2021 expenses are projected to be down by \$367,000, which is not enough to make up the revenue shortfall and will eat into the working capital.

FY 2022 revenues are budgeted to decrease by \$398,000, as we are anticipating an increase in parking revenue only in the second half of the fiscal year. FY 2022 expenses are budgeted to decrease by \$290,000.

Manager Aspell indicated that he had made a number of expense and revenue changes in the FY 2022 budget, as follows:

- Reduction of wages and benefits totaling \$166,500;
- Reduction of supplies, uniforms, fuel, utilities, taxes, and contracted services totaling \$130,400;
- Increased costs for snow removal, water/wastewater totaling \$17,400;
- Increased revenue for supplemental rents (contractual), parking encumbrance permits, and dumpster pad rentals totaling \$211,000; and
- Reduced parking card revenues by \$50,000.

Manager Aspell noted that there has been a lot of work done in this fund, from parking meters to garage repairs, and that, for FY 2022, we are regrouping due to the revenue loss. If the revenues do not rebound, the fund may need some future support from the General Fund.

Manager Aspell gave an overview of the Parking pro forma, which shows a projected loss of \$102,000 for FY 2021. We are now estimating a loss of \$480,000, or \$378,000 worse than budget. This loss can be absorbed by the \$618,000 working capital balance and leaves only \$138,000.

In FY 2022, we are budgeting for a loss of \$210,000. This loss would not be fully absorbed by the remaining working capital and we will need to address this as the next fiscal year progresses and watch how the revenues are rebounding.

Rate increases are proposed 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 Fennessy asked Manager Aspell if all possible cuts in expenses had been made to help this struggling fund. Manager Aspell indicated that any further cuts would cut into revenues and wouldn't be beneficial to the fund. He said he made all the cuts he can without affecting revenue.

Councilor Pierce asked why uncollected parking ticket revenue is not in the budget as projected revenue. Deputy City Manager Brian LeBrun indicated that, per Generally Accepted Accounting Principles, we don't budget this as revenue until the money is actually collected. There's no guarantee that fines will be collected, therefore, if we were to do this, we would be overstating our revenue.

Councilor Pierce asked if there was a report that shows the status of uncollected parking tickets. Deputy Manager LeBrun indicated that a report like that could be produced by the Parking Division through Matt Walsh. Councilor Pierce thanked Deputy Manager LeBrun and indicated that he would follow up with the Parking Committee.

AIRPORT: FY 2021 revenues are slightly short of budget by \$12,000. FY 2021 expenses are also under budget by \$11,000.

FY 2022 revenue, budget to budget, is down \$8,000. FY 2022 expenses, budget to budget, are up \$17,000, mainly due to wage and benefit changes, as well as a transfer-out to capital for tree removal work (CIP #75).

Manager Aspell reviewed the Airport pro forma.

FY 2021 has a projected loss of \$86,000 and we are estimating a loss of \$88,000.

For FY 2022, we are budgeting for a loss of \$112,000. The ending working capital is still sufficient to cover this loss; however, the projected ending working capital in FY 2025 will be in the negative.

Councilor Fennessy asked if the pandemic had any effect on the Airport. Deputy Manager Carlos Baia indicated that it mainly affected revenue from fuel sales and use of the airport. He noted that lease payments continued to be made throughout the pandemic.

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

FY 2022 revenue, budget to budget, is up \$9,600, mainly due to the planned increase in the use of fund balance. FY 2022 expenses, budget to budget, are also up \$9,600, mainly due to the increase in the transfer-out to the General Fund to offset debt service for conservation property purchases.

GOLF COURSE: Manager Aspell indicated that the Golf Course has been extremely busy since the course opened in May 2020, and has done extremely well during the pandemic. He gave kudos to Golf Pro Phil Davis, Golf Course Manager Sid Chase, and golf course staff for keeping the course in great shape, continuing to make significant improvements, and keeping members and customers happy and returning.

FY 2021 revenues are estimated to be up by \$243,000. This reflects an increase in revenue in all categories. FY 2021 expenses are projected to be up by \$65,000. While we have had a number of unanticipated expenses like boiler repairs, the biggest increase is in Pro Shop cost of sales. Although Pro Shop sales are up over \$26,000, this increase in sales has a direct cost to the course, and much of the sales are for golf clubs, which have a lower profit margin.

FY 2022 revenues, budget to budget, are up \$78,000, and the annual contribution from the General Fund has been eliminated. FY 2022 expenses, budget to budget, are up \$71,000.

Manager Aspell indicated that, as of May 27th, memberships are at the highest they've been since he's been here. He noted that the course has picked up several new outings and that the event tent is being used for other non-golf related events. Manager Aspell indicated that the course is in fantastic shape with major improvements happening on the 13/14 holes, and he gave credit to the City Council for their decision to invest in the golf course which is paying off.

Deputy Manager LeBrun shared that, as of May 27th, revenues for FY 2021 have increased even more than was expected.

Manager Aspell explained that he is making an accounting change in how membership revenue is recorded. Currently, the full membership payment is recorded in the fiscal year it is collected. However, the membership year crosses over two fiscal years. Under Generally Accepted Accounting Principles, the revenue should match the usage. Therefore, starting in FY 2021, 45% of the membership revenue will be reflected in the fiscal year it is collected and 55% will be deferred to the next fiscal year.

Manager Aspell reviewed the Golf Course pro forma.

In FY 2021, the fund was projected to break even. Now the estimated results are for a gain of \$179,000 (less the deferment of a portion of the membership revenues of approximately \$118,000).

For FY 2022, the projected net is a gain of \$7,000.

Councilor Fennessy thanked Golf Pro Phil Davis and his staff for doing a great job. He indicated that he hopes the increased usage and revenue isn't just a "blip" as a result of the pandemic, and he hopes that if it is just a "blip", that we take advantage of the increased revenue to make necessary improvements at the course.

Councilor Keach recognized former City Councilor Mark Coen for his vision in treating the golf course like a business.

Councilor Todd recognized the hard work by Golf Pro Phil Davis and his staff and said he hopes the momentum continues, especially as the 125th anniversary of the course approaches.

Mayor Bouley gave kudos to Golf Pro Phil Davis and the tone he has set for customer service at the course, which he feels is top notch. He also indicated his pleasure that Beaver Meadow has become a year-round facility.

ARENA: Manager Aspell noted that the Arena fund suffered significant revenue reductions as a direct result of the Governor's Executive Orders on arenas across the state. There were complete closures for a period of time, significant capacity reductions, and no dry floor events during the summer of 2020. Manager Aspell commended Arena Manager Jeff Bardwell and his staff for their continued efforts to manage the arena operations and keep things moving forward during these unprecedented times.

Manager Aspell also commended Arena Manager Bardwell for forming the NH Rink COVID-19 Coalition, which provided important information to the Governor's Economic Reopening Task Force. He indicated that Mr. Bardwell's leadership in forming the coalition, and the group's input to the Reopening Task Force, was recognized by the Board of Directors of the North East Ice Skating Manager's Association (NEISMA) as being one of the most effective groups during the pandemic.

FY 2021 revenues, budget to estimate, are down \$191,000. These revenues are down in almost all categories, with the main loss being in Pro Shop sales and concession sales. FY 2021 expenses, budget to estimate, are down by \$44,000.

FY 2022 revenues, budget to budget, are down \$2,400 or nearly flat. FY 2022 expenses, budget to budget, are up \$36,000 or 5.4% due to increased wages, debt service, and transfer out for overhead.

This budget is anticipating the arena operations will be nearly back to normal during FY 2022.

Manager Aspell reviewed the Arena pro forma. The fund had a budgeted gain of \$12,000 and now is showing an estimated loss of \$135,000 due to the significant reduction in revenues related to the pandemic.

For FY 2022, we are projecting a loss of \$26,000. While there is sufficient working capital to cover the projected losses through FY 2023, starting in FY 2024, the Arena fund will likely need some General Fund assistance for operations and any significant capital projects.

Councilor Fennessy asked what the outlook is for dry floor events this summer. Manager Aspell indicated that they are coming back. General Services Director Chip Chesley concurred and said dry floor events look promising.

SOLID WASTE: FY 2021 revenues, budget to estimate, are down \$293,000 due to commercial disposal sales being short of budget. FY 2021 expenses, budget to estimate, are down \$381,000 due to lower outside services costs related to lower commercial disposal sales.

FY 2022 revenues, budget to budget, are up \$30,000 or less than 1%. FY 2022 expenses, budget to budget, are up \$37,000 or less than 1%.

Manager Aspell indicated that the only new item being proposed in this budget is \$13,600 for a dumpster pad rental fee to be paid to the Parking Fund.

Manager Aspell reviewed the Solid Waste pro forma.

For FY 2021, we had budgeted for a loss of \$166,000. The loss is now estimated to only be \$78,000.

For FY 2022, the projected net is a loss of \$174,000. The estimated ending working capital balance is able to absorb this planned loss and still stay significantly ahead of the 10% of expenses goal.

Manager Aspell reminded the committee that the first 10-year period of the contract with Casella will expire in FY 2024. He indicated that the City will be negotiating a contract extension, or otherwise, and he expects increased costs at that time, especially with what is happening in the recycling world today.

This pro forma projects a 25% PAYT bag price increase in FY 2023. The Solid Waste Advisory Committee will be working on this issue, as well as the contract provisions over the next year.

Manager Aspell also noted that we have a 10% bag price increase proposed for FY 2025, as a placeholder, in light of anticipated cost increases for solid waste disposal and recycling.

Manager Aspell indicated that, overall, this fund is in solid shape, and the staff at General Services do an excellent job managing this operation..

WATER & WASTEWATER RATE STRUCTURE CHANGES: Prior to reviewing the Water and Wastewater budgets, Manager Aspell noted that there are four ordinance changes being proposed along with a report from General Services for the City Council to consider on June 7th, concerning the annual rate changes and the overall rate structure changes for the Water and Wastewater funds.

Manager Aspell indicated that the rate changes consist of the annual increase considerations and will increase the amount of funding in each of the funds. This increase goes into effect in September during years that the City Council makes a rate change.

Manager Aspell noted that the rate structure change does not increase the overall revenue in the funds. It will bring both of the funds into line with industry best practices and will allocate a fixed charge for both funds. Currently, the wastewater fund does not have a fixed charge. The fixed charge will be based on the meter size. For the Water Fund, the minimum usage charge, as part of the fixed fee, will be eliminated, and customers will pay for the water they actually use. The overall net revenue for each of these funds due to the structure change will be neutral. Neither fund will bring in additional revenue based on the structure change. The structure change will go into effect in July 2021.

Manager Aspell went on to review the Water and Wastewater budgets.

WATER FUND: FY 2021 revenues, budget to estimate, are up \$189,000. FY 2021 expenses, budget to estimate, are up \$87,000, mainly due to wage and benefit changes.

FY 2022 revenues, budget to budget, are up \$129,000 or 2%, a reflection of the rate increase that will go into effect in September. FY 2022 expenses, budget to budget, are up \$199,000 or 2.9%, mainly due to increases in wages and benefits and outside services.

Four PCR's are being recommended in this budget: \$20,000 for Division Head labor grade adjustments; \$2,400 for chemical compliance testing; \$7,700 for chemical cost increases; and \$8,200 for training.

Manager Aspell reviewed the Water fund pro forma.

A loss of \$425,000 was budgeted for FY 2021, and now we are estimating the loss to be \$323,000. For FY 2022, we are projecting a loss of \$494,000. With the planned increases each year, the ending working capital in FY 2027 is \$2.2 million, just slightly ahead of the target working capital of \$2.1 million. A 3.5% rate increase is proposed for FY 2022.

WASTEWATER: An 8% rate increase is being proposed for this year.

FY 2021 revenues, budget to estimate, are up \$211,000, mainly due to increased leachate and septage processing. FY 2021 expenses, budget to estimate, are down by \$197,000 due to lower wages and benefits and lower utilities.

FY 2022 revenues, budget to budget, are up \$322,000 or 4% due to the increase in sewer service charges and leachate/septage processing. FY 2022 expenses, budget to budget, are up \$228,000 or 2.7%, mainly due to wage and benefit increases and increases in outside services.

Also included in this budget are the following:

- \$19,000 for Division Head labor grade adjustment;
- \$6,000 for Loudon Road sewage pump replacement
- \$15,000 for replacement of the Penacook valve actuator;
- \$12,000 for a part-time Equipment Operator;
- \$5,000 for hazardous gas detection equipment; and
- \$5,100 for required training.

Manager Aspell reviewed the Wastewater Fund pro forma.

For FY 2021, a net loss of \$411,000 was budgeted for. Now the estimated loss is \$3,700, or \$408,000 better.

For FY 2022, we are budgeting a loss of \$317,000. With the projected increases, the ending working capital in FY 2027 is \$2.9 million, right on target.

This ended the review of the proposed FY 2022 budget.

Mayor Bouley asked committee members if they wanted to hold the public hearing and adopt the budget as originally planned on June 7th, or if they wanted to wait and adopt the budget at a later date after more information is available from the State budget. Discussion ensued about pushing out the public hearing until the Governor's executive orders regarding public meetings ended to enable members of the public to testify in person if they so wished.

After considerable discussion, the committee decided to cancel the meeting on June 7th and hold the public hearing and budget adoption on June 21st, at which time the meeting will be held in person at Council Chambers and the public will be able to testify in person. Budget adoption will follow the public hearing. If issues arise out of the public hearing which necessitates the City Council to take some time to ponder, a meeting will be held on June 24th to adopt the budget.

With no other discussion, the meeting adjourned at 6:52 PM.

Respectfully submitted,
Sue Stevens, Executive Assistant

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