

Finance Committee

Meeting Minutes

Meeting Information

Date: May 10, 2022

Time: 6:00 P.M.

Location: 31 Wakefield Street

Committee members present: Mayor Callaghan, Deputy Mayor Lachapelle, Councilor Beaudoin, Councilor Gray, Councilor Hainey, Councilor Larochelle, and Councilor Hamann.

City staff present: Deputy City Manager Katie Ambrose, Deputy Finance Director Mark Sullivan,

Others present: Tom Kaczynski, resident. Ray Barnett, resident. Anthony Ejarque, Director of the Rochester Opera House.

Agenda & Minutes

1. Call to Order

Mayor Callaghan called the Finance Committee meeting to order 6:00 PM. Deputy City Clerk Cassie Givara took a silent roll call. All Councilors were present.

2. Acceptance of Minutes: April 12, 2022

Councilor Lachapelle **MOVED** to **ACCEPT** the minutes of the April 12, 2022 Finance Committee meeting. Councilor Hamann seconded the motion. Councilor Beaudoin referred the Committee to section 5.1.3 of the minutes regarding the Economic Development non-capital reserve fund. He pointed out that the minutes reference RSA 47:1-B. Councilor Beaudoin clarified that there is no such RSA in NH and suggested the reference be removed or corrected. The **MOTION CARRIED** to accept the minutes as amended.

3. Public Input

Tom Kaczynski, resident, addressed the Committee in regards to the REDC (Rochester Economic Development Commission) and inquired about their current membership, spending authority, and where more information can be found. Mr. Kaczynski also discussed the Opera House request appearing on this evening's agenda.

Ray Barnett, resident, spoke in regards to the elderly tax exemption and requested a Committee discussion on the topic at the following Finance Committee meeting. Mr. Barnett addressed the Committee regarding the process of public input and corresponding with

Rochester's elected Councilors.

4. Unfinished Business:

4.1.1 Economic Development Non-Capital Reserve Fund

Finance Director Ambrose explained that the resolution establishing the Economic Development non-capital reserve fund had been revised since the Finance Committee meeting on April 12, 2022. It had been slightly reworded for clarity based on discussions at the prior Finance Committee meeting.

Deputy Finance Director Sullivan stated that the resolution had been updated to make it more clear how money is to be put into the fund as well as the multi-layered process of how funds will be requested for expenditure; with Council ultimately having the final say on any appropriations from the fund.

Councilor Larochelle referred the Committee to third paragraph of the resolution and the wording that states, "Appropriations made to the Economic Development Reserve Fund will be submitted to the Trustees of the Trust Fund after July 1 but prior to June 30 of the fiscal year of the appropriation" which he felt was confusing. Councilor Larochelle said his understanding was that the phrasing was used in order to directly reflect the wording of the State RSA, however he was unable to find this wording within the RSA. He **MOVED to AMEND** the paragraph as follows:

~~"Appropriations made to the Economic Development Reserve Fund will be submitted to the Trustees of the Trust Fund after July 1 but prior to June 30 of the fiscal year of the appropriation"~~
Pursuant to RSA 34:3, appropriations made to the Economic Development Reserve Fund will be submitted to the Trustees of the Trust Fund from surplus funds remaining on hand at the end of the fiscal year."

Councilor Beaudoin seconded the motion. Finance Director Ambrose said that the way she interpreted the suggested language change was that it is in reference to transferring funds into the account from Unassigned Fund Balance. She speculated that this change directly conflicts with the language earlier in the resolution regarding how funds are appropriated into the account. Councilor Beaudoin read from the RSA and asked if the wording "...not more than half of its unencumbered surplus funds remaining on hand at the end of the fiscal year" would exclude funds derived from Waste Management host fees. Director Ambrose said that it would be in addition to these funds (if desired), not excluding these funds. She said that the original language was intended to illustrate how/when appropriated funds would be transferred to the Trustees. The appropriations into the fund are discussed in the earlier paragraph.

Councilor Beaudoin referenced the fourth paragraph of the resolution. He interpreted the language to mean that the REDC would need to come before Council for funding and inquired if there would need to be a rewrite of this section prior to adoption. He said the wording did not indicate Council needed to approve any expenditures, but rather than the REDC needed a majority

vote and then just needed to inform Council. There was a discussion on whether or not the wording conflicted with the requirements.

Councilor Larochelle read from RSA 34:3 and reiterated that he felt the wording in the resolution needed to be changed to reflect the wording of the enabling legislation, which he felt was more clear. Councilor Lachapelle stated that the fiscal year runs from June 30 through July 1, and keeping this context in mind, the wording stating that this transfer would happen in “the fiscal year of the appropriation” does not need to be clarified.

Councilor Gray stated that RSA 34:3 outlines the process of funds going into the account, whereas RSA 34:6 directs what can and cannot be done with money already within the fund. He cautioned against mixing language from these two different portions of the RSA and suggested that before any recommendations are made, the City Attorney should review and weigh in on the matter. Director Ambrose further clarified the intent of the suggested amendments to the resolution, with the wording from RSA 34:3 stating the limitation on unassigned fund balance being utilized, which is already limited by State RSA and does not need to be restated. The proposed deletion suggested by Councilor Larochelle dictates that funds be transferred to the Trustees within the same fiscal year as the appropriation. She advised that this proposed change would insert language which already exists as well as removing a requirement.

There was further discussion on suggested changes to the resolution and how these suggested changes could potentially affect the intent or cause confusion. The Committee discussed the way the State RSA reads versus the proposed ordinance. Director Ambrose suggested changing the resolution as follows:

“Appropriations made to the Economic Development Reserve Fund will be submitted to the Trustees of the Trust Fund ~~after July 1 but prior to June 30 of the fiscal year of the appropriation~~ **within the same fiscal year of the appropriation**”

Councilor Larochelle **WITHDREW** his motion to amend the resolution. Councilor Beaudoin **WITHDREW** his second. Councilor Larochelle **MOVED** to amend the resolution to reflect the wording suggested by Director Ambrose above. Councilor Lachapelle seconded the motion. Councilor Gray requested input from the City Attorney on the proposed change prior to the next City Council meeting at which action will be taken on this item. The **MOTION CARRIED** by a unanimous voice vote to amend the resolution.

Councilor Beaudoin explained why he would not support the motion to approve this resolution. He stated that the current process has been in place for over 30 years and had been working well. He gave background on the original intention of the fund. He questioned the functions and authority of the Economic Development Commission and the amount of Council oversight, which he felt was lacking based on the wording of the resolution. Councilor Beaudoin explained his interpretation of the State RSA 162-G and how it applies to the spending and investing abilities of REDC. He urged the Committee to oppose the motion until further work up and review was completed.

Deputy Finance Director Sullivan clarified and corrected the statements made by Councilor Beaudoin. He asserted that, based on City Ordinance and further reflected by the wording of the resolution, Council has full control and the REDC does not have unlimited spending authority as implied. He also clarified that the REDC does not have bonding authority, as stated by Councilor Beaudoin.

Councilor Larochelle spoke about his time on the REDC in the past and stated that it is an advisory commission, which is unable to expend money without approval above and beyond what had already been approved in the budgetary process.

Councilor Beaudoin **MOVED** that the following amendment be made to the fourth paragraph of the resolution:

"All requests for expenditure shall be approved by the 2/3rds vote of the Economic Development Commission prior to being presented to City Council **for final approval**. Upon said 2/3rds vote expenditure requests ~~may~~ **shall** then be presented to City Council....."Expenditure requests ~~can~~ **shall** be presented as part of the annual budget process, or through supplemental appropriations"

Councilor Gray seconded the motion. Councilor Lachapelle pointed out that replacing the word "can" with "shall" makes the referenced presentation of expenditure requests a requirement, regardless of whether or not any exist, which could be problematic. Deputy Finance Director Sullivan stated that the way it is currently written allows the REDC to follow one of two paths, depending on when the funding is needed; either through the budget process or through supplemental appropriation following the budget approval. Councilor Beaudoin **WITHDREW** his amendment to change "can" to "shall." Councilor Gray **WITHDREW** his second to the motion. Councilor Beaudoin read his amended motion as follows:

"All requests for expenditure shall be approved by the 2/3rds vote of the Economic Development Commission prior to being presented to City Council **for final approval**. Upon said 2/3rds vote expenditure requests ~~may~~ **shall** then be presented to City Council....."Expenditure requests can be presented as part of the annual budget process, or through supplemental appropriations"

Councilor Hamann speculated that using the word "shall" imposes an unnecessary requirement on REDC to come before Council. He pointed out that they are already required to come to Council for any expenditure approvals; if the word "shall" is used and their plans change or fall through following a 2/3 vote, they would still be required to come before Council just to alert them that they had a plan which was no longer moving forward. Councilor Beaudoin concurred and **MOVED** to amend the amended amendment to read:

"All requests for expenditure shall be approved by the 2/3rds vote of the Economic Development Commission prior to being presented to City Council **for final approval**. Upon said

2/3rds vote expenditure requests ~~may~~ shall ~~may~~ then be presented to City Council....."Expenditure requests can be presented as part of the annual budget process, or through supplemental appropriations"

Councilor Gray seconded the motion. There was brief discussion on further amending the resolution. The **MOTION CARRIED** by a unanimous voice vote to amend the resolution with the final recommended wording as follows:

"All requests for expenditure shall be approved by the 2/3rds vote of the Economic Development Commission prior to being presented to City Council **for final approval**. Upon said 2/3rds vote expenditure requests may then be presented to City Council

.

"Expenditure requests can be presented as part of the annual budget process, or through supplemental appropriations"

Councilor Lachapelle **MOVED** to recommend to full Council the resolution as amended. Councilor Hamann seconded the motion. The **MOTION CARRIED** by a unanimous voice vote.

Councilor Beaudoin inquired about the process of creating this new fund and the requirements involved, such as public hearings and schedule of said process. Director Ambrose stated that the City Attorney does have the entire process outlined and this timeline, including Public Hearings, will be followed according to statute. Director Ambrose stated that this would be confirmed with the attorney.

5. New Business-

4.1.1 Opera House-Fly Wheel Replacement

Anthony Ejarque, Opera House Director, explained that this request is for the Opera House fly system; this is a weighted mechanical system that raises and lowers lighting as well as scenery and backdrops. He stated that this system has been in place since its inception in 1908 and still utilizes thousands of pounds of sandbags for counterweight. Mr. Ejarque explained that the Opera House is proposing to replace this weighted sandbag system with a mechanical system, which is much safer.

Mr. Ejarque explained that the Opera House was closed for quite a long time due to COVID, and although they have reopened, they are currently only able to present smaller shows and events in part due to capacity limitations. He reported that are losing a significant amount of money each month and requested these improvements to assist in ongoing revitalization efforts. Councilor Beaudoin referenced the money the Opera House had received in GOFERR funds and asked how this money had been used. Mr. Ejarque said that the grants received were used to sustain the operation of the Opera House, the RPAC (Performance Arts Center), as well as leases, payroll, insurance, and other monthly expenses on top of monthly rent.

Councilor Larochelle asked for more information on the risks associated if the improvements are not completed. Mr. Ejarque said that he believed that the Opera House was one of the few remaining facilities that uses this sandbag system; most other organizations have modernized. He stated that approximately 7,000 pounds of sandbags are suspended over the stage and the performers below. He explained that the nylon ropes are replaced every 5 years or so and the bags are held up with cleats. The potentially risks of this system were discussed.

Mayor Callaghan asked if the Opera House had applied for any of the ARPA funds or other federal grants. Mr. Ejarque clarified that the City owns the facility and the Opera House rents, which makes them ineligible for many of these grants. Infrastructure improvements and structural changes would need to be applied for by the property owner. Councilor Hamann asked Finance Director Ambrose if this project would qualify for any of the City's ARPA funds. Director Ambrose said she would review the treasury guidance to confirm.

There was a conversation regarding this project being excluded from the City Manager's budget and whether or not it could be moved to the 6-year CIP. Deputy Director Sullivan said that this could potentially be done at the Council level; the Council could move to include the project in the FY23 CIP program as cash.

4.1.2 General Fund Unassigned Fund Balance-Follow up Discussion

Finance Director Ambrose said that originally, this presentation was planned for the Finance meeting. However, following the public input at the April 19 Workshop meeting and the questions regarding the unassigned fund balance, the presentation was instead done at the May 5 City Council meeting.

Deputy Finance Director Sullivan briefly summarized the report showing updated usage of fund balance.

Reports from Finance & Administration

5.2.1 Monthly Financial Report Summary-March 31, 2022

Mr. Sullivan stated that the City is trending strong on host fees, motor vehicle registrations, and building permits with the only soft spot being interest income. Expenses are overall slightly above budget.

Mayor Callaghan asked about delinquent property taxes, which a resident had stated were elevated at a prior Council meeting. Deputy Director Sullivan stated that the delinquent taxes were elevated as they pertain to the conservative amount for which the City had budgeted. However, he stated that the level is not the highest it has ever been and it does not appear that residence are defaulting at a higher level than in past years. Councilor Larochelle asked about the rate of interest

charged on delinquent taxes. Mr. Sullivan said the State requires a maximum no more than 8% charged in interest. Director Ambrose gave the statistics on delinquent taxes for the prior three years, which have decreased each subsequent year.

There was a discussion regarding the Waste Management host fees and the timeline on the contract.

6. Other

Councilor Beaudoin referenced Mr. Barnett's statements during public input in regards to Rochester's elderly exemption and how the City is behind what other neighboring communities offer. He inquired if this matter can be discussed through the budget process or if it comes from the committee level. Director Ambrose stated that the Chief Assessor brings forward an analysis yearly to the Finance Committee for discussion and recommendation if needed. She stated that to her knowledge, Rochester was not far behind other communities, but stated she would request an updated analysis from the Assessor to verify and would include a memo in the next packet. Councilor Gray spoke about pending legislation, which may change the requirements to be eligible for the veteran's credits and briefly spoke about income limitations required for eligibility.

7. Adjournment

Mayor Callaghan **ADJOURNED** the Finance Committee meeting at 7:23 PM

Respectfully Submitted,

Cassie Givara
Deputy City Clerk

Resolution Pursuant to RSA 34:1-a Establishing an Economic Development Reserve Fund

BE IT RESOLVED BY THE MAYOR AND THE CITY COUNCIL OF THE CITY OF ROCHESTER, AS FOLLOWS:

By adoption of this Resolution, the City Council establishes a Non-Capital Reserve Fund pursuant to RSA 34:1-a for the purpose of encouraging economic development within the City, encouraging the development of industrial and commercial sites, promoting the City as an attractive location for businesses and residents, and acquisition of land related to the same. The name of such fund shall be the Economic Development Reserve Fund.

The City Council, at its sole discretion, may appropriate funds into said Economic Development Reserve Fund through supplemental appropriations or the annual budgeting process, however, in no case shall said annual appropriation be less than One Hundred Thousand Dollars (\$100,000.00). Revenue sources can be Waste Management Host Fee Revenues, or General Fund Unassigned Fund Balance. In addition, other unanticipated revenue sources, and proceeds from transactions that were originally derived from the Economic Development Reserve Fund, may also be appropriated into the fund upon a majority vote of the City Council.

Pursuant to RSA 34:6, the Trustees of Trust Funds shall have custody of all non-capital reserves transferred to the Economic Development Reserve Fund. The Trustees of the Trust Fund will hold the monies appropriated to the Economic Development Reserve Fund in a separate liquid investment account. Appropriations made to the Economic Development Reserve Fund will be submitted to the Trustees of the Trust Fund ~~after July 1 but prior to June 30 of the fiscal year of the appropriation.~~ **within the same fiscal year of the appropriation**

Pursuant to RSA 34:10, the City Council names the Economic Development Commission as its agent to carry out the objects of the Economic Development Reserve Fund. All expenditures made by the Economic Development Commission shall be made only for or in connection with the purposes for which said Fund was established and only in accordance with §7-38-40 of the City Code. All requests for expenditures shall be approved by the 2/3rds vote of the Economic Development Commission prior to being presented to City Council **for final approval**. Upon said 2/3rds vote expenditure requests may then be presented to City Council. Expenditure requests shall identify expense categories, or specific project scope detail. General administrative, travel and conference activities shall be ineligible expense activities. Expenditure requests can be presented as part of the annual budget process, or through supplemental appropriations. All approved expenditures shall follow the City's Purchasing Policy.

The City Council may dissolve the Economic Development Reserve Fund at its sole discretion. Upon dissolution of any portion of said fund appropriated from the General Fund said funds will lapse to surplus (General Fund Unassigned Fund balance) and cannot be repurposed directly to a different capital fund or project.

DRAFT

To the extent not otherwise provided for in this Resolution, the Finance Director is hereby authorized to designate and/or establish such accounts and/or account numbers as necessary to implement the transactions contemplated by this Resolution.