

FINANCE COMMITTEE MEETING  
September 10, 2014  
City Hall/City Manager's Office  
7:00 P.M.

Members Present:

Mayor Jean  
Deputy Mayor Varney  
Councilor Keans  
Councilor Walker  
Councilor Lauterborn (arrived at 8:18 PM)  
Councilor Larochelle  
Councilor Torr

Other Councilors Present

Councilor Hamaan  
Councilor Collins  
Councilor Gray  
Councilor Bogan

Others Present

City Manager Fitzpatrick  
Deputy City Manager Cox  
Police Chief Allen  
DPW Director Nourse  
Resident Tom Kacinzski

MINUTES

1] Call to Order

Mayor Jean called the meeting to order at 7:00 P.M.

2] Public Input

There was no public input.

3] Old Business

3.1. Arena Capital Projects Funding

This agenda item was rescheduled to the October Finance Committee meeting.

3.2 Fund Balance Policy

Deputy City Manager Cox explained that two main provisions of the fund balance policy are:

1. To set a target range of 8 % to 17 %.
2. To establish a practice of using fund balance monies from the restricted sources first and then move to less restricted.

**Councilor Walker MOVED to recommend to the full City Council to adopt the policy as presented. Councilor Keans seconded the motion which was ADOPTED by a unanimous voice vote.**

4] New Business  
4.1 Utility Extension

Public Works Director Nourse explained for the Committee the two methodologies detailed by the materials in the meeting packet.

After some discussion, Mayor Jean determined that the consensus of the Committee to be that a formal policy is not warranted or desired.

However, the Committee consensus was that use of both methodologies would serve as a useful tool for staff and Council in evaluating and ranking proposed utility projects. It was also suggested that staff research to see how private utility companies analyze the costs of infrastructure extensions.

Mayor Jean stated that this item would be kept in Committee for future discussion.

4.2 Codes Software

Deputy City Manager Cox and Councilor Hamann updated the Committee on the work of the staff group that issued a Request for Proposal (RFP) from software vendors. Two firms responded - EnerGov and ViewPoint.

The RFP group has received proposals and pricing and is now working to evaluate how each solution might meet the needs of the City. A follow-up report from the group's leader, Senior Accountant Mark Sullivan, is expected at the October Finance Committee meeting.

4.3 422 Old Dover Road

Deputy City Manager Cox outlined the specifics pertaining to this property and made a recommendation that the Council direct the Tax Collector to take a tax deed.

**Councilor Keans MOVED to recommend that the full Council direct the Tax Collector to execute a Tax Deed upon the property located at 422 Old Dover Road. Councilor Walker provided a second to the motion which was ADOPTED on a unanimous voice vote.**

4.4 Rochester Opera House LeeAnn Rimes

Mayor Jean determined that the consensus of the Committee was to move the December 9, 2014 Finance Committee meeting to an alternate night.

4.5 Unclaimed Sureties

After a brief discussion of the history of the two unclaimed sureties, **Mayor Jean MOVED to:**

1. **Transmit the "Ford" surety to the State of NH unclaimed property division and**
2. **Request the Planning Department work with Public Works to determine the "Chapman" surety could be used to fund site work improvements in that development.**

**Councilor Torr seconded the motion which was ADOPTED on a unanimous voice vote.**

5] Finance Director's Report

Deputy City Manager Cox confirmed with the Committee that the Trustees of the Trust Fund would appear before the Committee at the November meeting.

The Committee discussed the budget development calendar concept in which two full-day sessions would be used to present all departmental budgets. This item was kept in Committee for further discussion.

Mr. Cox informed the Committee that two more health insurance premium refunds had been received by the City totaling \$125,668.46. He confirmed with the Committee that the Council desires to follow the past practice of forwarding the appropriate refunds along to active employees and to retirees.

Mayor Jean and Mr. Cox explained to the Committee that Standard & Poor's Rating Services raised the City of Rochester's bond rating from AA- up to AA on September 9, 2014. Mr. Cox provided a handout (copy attached) detailing what this change in rating is based upon.

6] Monthly Financial Statements

There was no discussion on the Financial Statements.

7] Other

Police Chief Allen and City Manager Fitzpatrick jointly recommended to the Committee that the City move forward to fund and hire a full-time civilian prosecution attorney. This position would assume the duties now handled by sworn personnel in the Police Department. This position would be placed in the City Manager's legal department. Creation of this position would allow the re-assignment of the sworn personnel to direct policing work.

**Mayor Jean MOVED to recommend to the full City Council that a full-time civilian prosecution position be created and be funded in the amount of \$102,000 from General Fund undesignated fund balance. Councilor Torr provided a second to the motion which was ADOPTED by a unanimous voice vote.**

Councilors Walker and Gray informed the Committee that Cumberland Farms was proposing to convey to the City, land and engineering work valued at approximately \$70,000 for the re-design of the Milton Road and Flat Rock Bridge Road intersection. Director Nourse was requested to work on an estimate of the total cost to re-configure this intersection.

**Councilor Varney MOVED to recommend to the full City Council an appropriation of \$1,801.00 for the Monarch School's building permit fees. Councilor Torr provided a second to the motion which was ADOPTED on a unanimous voice vote.**

8] Adjournment

Councilor Walker **MOVED** to adjourn the Finance Committee meeting. Councilor Larochelle provided a second to the motion which was **ADOPTED** by a unanimous voice vote. The meeting adjourned at 8:34 P.M.

Respectfully Submitted,

Blaine M. Cox  
Deputy City Manager

BMC:sam

**Summary:****Rochester, New Hampshire; General Obligation****Credit Profile**

Rochester GO		
<i>Long Term Rating</i>	AA/Stable	Upgraded
Rochester GO rfdg bnds		
<i>Long Term Rating</i>	AA/Stable	Upgraded

**Rationale**

Standard & Poor's Ratings Services has raised its rating on Rochester, N.H.'s general obligation (GO) bonds to 'AA' from 'AA-' based on its local GO criteria published Sept. 12, 2013. The outlook is stable.

A pledge of the city's faith and credit secures the bonds.

The rating reflects our assessment of the following factors for the city:

- Rochester is in Strafford County and has an estimated population of 30,102 residents. In our view, the city has an adequate economy with projected per capita effective buying income at 95% of that of the U.S. and a per capita market value of \$67,569. The city also benefits from the broad and diverse economy of the Boston, Mass. metropolitan statistical area. The county's 2013 unemployment rate was 5.1%.
- We consider the city's budgetary performance strong overall. For fiscal 2013, the city ended with a surplus in both the general fund and total governmental funds of 0.2% and 1.7%, respectively, after adjusting for recurring transfers and capital expenditure that will be financed by bond proceeds. Tax revenue, which we consider a stable source, generates about two-thirds of the general fund revenues. For fiscal 2015, the city adopted a \$91.6 million balanced budget.
- In our opinion, Rochester's budgetary flexibility is strong, with available reserves at 15.9% in fiscal 2013. For fiscal 2015, the city appropriated approximately \$1.8 million in fund balance toward the budget as it has done historically. As such, management does not expect the drawdown to be realized by fiscal year end.
- Supporting Rochester's finances is liquidity we consider very strong, with total governmental cash at 30.3% of governmental funds expenditures and 453% of total governmental funds debt service. The city also has what we consider to be strong access to external liquidity as it last issued GO bonds in 2013.
- We view the city's management conditions as strong, with "good" financial practices and policies. This indicates that the city's financial management policies and practices are good, but not comprehensive. Highlights include conservative assumptions coupled with a formal two-year historical trend analysis in budgeting for revenue and expenditures, and budget-to-actual results presented regularly to the city council. In addition, the city has a formal investment policy and holdings are presented to the city council at least annually. The city also has a formal five-year capital improvement plan that is updated annually and identifies funding sources for projects and a formal reserve policy limited to no less than 5%. The city, however, does not have a formal debt management policy and it does not conduct any long-term financial planning.
- In our opinion, Rochester's debt and contingent liability profile is very strong. Total governmental fund debt service is 6.7% of total governmental fund expenditures, and net direct debt is 39.2% of total governmental fund revenue.

We consider overall net debt to be low at 2% of market value, with approximately 77% of all debt retired in 10 years. The city plans to issue approximately \$31 million in the next two-to-three years for a school renovation project as well as other various capital projects.

- In fiscal 2013, Rochester contributed \$2.7 million toward the New Hampshire Retirement System, which equaled its annual required contribution (ARC). The system is funded at 56%. The pension contribution represented 2.5% of total government expenditures. The city's other unfunded postemployment benefit (OPEB) liability of \$11.8 million is incurred primarily from an implicit subsidy of retirees purchasing health insurance at 100% of the premium cost. The city's combined pension and OPEB contributions were 2.9% of total fiscal 2013 governmental expenditures.

We consider the Institutional Framework score for New Hampshire municipalities as strong.

## Outlook

The stable outlook reflects Standard & Poor's opinion of Rochester's very strong budgetary flexibility and liquidity profile, coupled with strong management conditions. Although we do not expect to change the rating within the two-year outlook horizon, a positive rating action beyond that period would include consistently positive operating results and continuing improvement and sustainable budgetary flexibility. Negative factors that could lead to a rating action beyond the two-year horizon would be deterioration in the local economy and a decline in Rochester's financial performance leading to lower financial reserves.

## Related Criteria And Research

### Related Criteria

USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

### Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: New Hampshire Local Governments

Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.