FINAL

LEBANON CITY COUNCIL
WORK SESSION MINUTES
Wednesday, May 11, 2022, 5:30 p.m.

Remote Via Microsoft Teams: LebanonNH.gov/Live

MEMBERS PRESENT: Mayor Tim McNamara, Assistant Mayor Clifton Below, Erling Heistad, Karen Liot Hill, Christian Simon, George Sykes, Douglas Whittlesey, Devin Wilkie, and Karen Zook

MEMBERS ABSENT:

STAFF PRESENT: City Manager Shaun Mulholland, Deputy City Manager Paula Maville, City Clerk Kristin Kenniston, Finance Director Vicki Lee, Deputy Finance Director Alesia Williams, Director of Planning & Development David Brooks, Chief of Police Phillip Roberts, Deputy Chief of Police Matthew Isham, Assistant Director of Public Works Everett Hammond, Assistant Director of Public Works Jay Cairelli, Fire Chief/Emergency Management Director Chris Christopoulos, Fire Captain Jim Wheatley, Utilities Maintenance Supervisor Rick Brown, Airport Director Carl Gross, Recreation/Arts/Parks Director Paul Coats, HR Director Gloria Leskiewicz, Human Services Director Lynne Goodwin, Lebanon Libraries Director Sean Fleming, Cyber Services Director Perry Eaton, DPW Administrative Services Manager Kelly Crate

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1. CALL TO ORDER: Mayor McNamara called the meeting to order at 5:30 p.m.

City Manager Mulholland made his meeting announcement noting this meeting is a Workshop and not a regular meeting so normally public comment is not taken. There will be subsequent Council meetings in the fall, and during the Budget Hearing, which is December 21st, where public comments can be made. Guidance from the Council will go out to Department Heads after this meeting as to what the expectations are for their budgets. Budget decisions will be made by the end of October and will be sent to the Council for their review. The Council's workshops begin in November, but the first CIP workshop meeting will be in October. The final Budget Hearing will be held on December 21, 2022.

2. ANNUAL WORK SESSION:

A. Review and Discussion of

2021 Year-end – Vicki Lee, Finance Director & Alesia Williams, Deputy Finance Director

Details can be found on ***pages 2-6, agenda packet.***

Below are the financials for the budget year ending December 31, 2021. These are unaudited, and subject to change.

Under state budget law, the City is governed by the concept of a "bottom line" budget. That is, while appropriations are allocated and tracked in several functional categories which allows the City to efficiently track and manage its operations, it is the total of the approved budget that dictates the maximum expenditure level for each fiscal year. It follows therefore, that the categories summarized may end a given fiscal year in a deficit position if total fund expenditures do not exceed the City Council's approved "bottom line."

The City's General Fund indicates that approximately $1.5M of the approved FY 2021 budget, will be put back into fund balance. This amount is net of both revenues and expenditures including encumbrances as of 12/31/2021.

As of the last audit, the fund balance of $13.2M has been increased to include the net revenue and expenditures of $1.5M and reduced by council approved expenditures of $950K from fund balance ($250K for the special assessment and $700K for Spencer Street) and the use of fund balance of $1,535K to reduce the tax rate which leaves a net fund balance of $12.2M.

General Fund Revenues

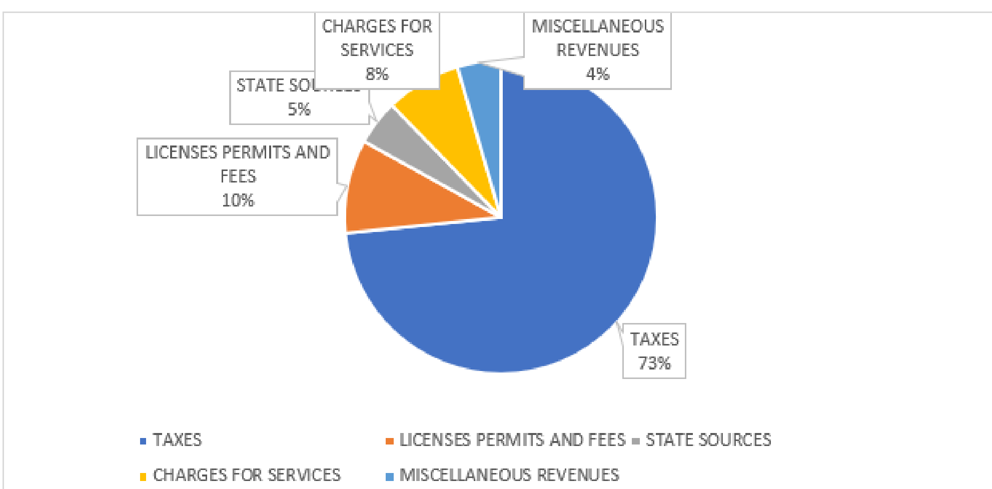
City revenues continue to outpace budgetary estimates despite impacts from the COVID-19 pandemic. Revenues collected exceeded budgeted by $912K.

Highlights of over-budget estimates are:

- Building Permits - $244K
- Ambulance Revenue - $121K
- Motor Vehicle Registrations - $218K

Shortfalls were from recreation programs and interest income.

	Budget	Actual	Difference	
TAXES	24,196,652.00	24,224,619.30	(27,967.30)	100.1%
LICENSES PERMITS AND FEES	3,195,430.00	3,698,204.13	(502,774.13)	115.7%
STATE SOURCES	1,536,473.00	1,585,189.79	(48,716.79)	103.2%
CHARGES FOR SERVICES	2,568,070.00	2,709,659.81	(141,589.81)	105.5%
MISCELLANEOUS REVENUES	1,479,675.00	1,671,384.80	(191,709.80)	113.0%
	32,976,300.00	33,889,057.83	(912,757.83)	102.8%



General Fund Expenditures

City expenditures were underspent by $586,582, approximately 1.7% of the budget.

Description	2021 Approved Budget	Actual Expensed	YTD Available Balance	% of Budget Used
City Clerk	$ 642,510	$ 541,631	$ 100,879	84.3%
City Manager	$ 1,241,200	$ 1,188,170	$ 53,030	95.7%
Finance	$ 5,668,130	$ 5,075,857	$ 592,273	89.6%
Cyber Services	$ 1,411,290	$ 1,400,341	$ 10,949	99.2%
Fire	$ 4,334,990	$ 4,181,083	$ 153,907	96.4%
Human Resources	$ 262,270	$ 256,017	$ 6,253	97.6%
Human Services	$ 639,600	$ 474,885	$ 164,715	74.2%
Library	$ 1,259,960	$ 1,266,192	$ (6,232)	100.5%
Planning & Zoning	$ 1,079,720	$ 1,024,919	$ 54,801	94.9%
Police	$ 6,220,120	$ 6,172,771	$ 47,349	99.2%
Public Works	$ 4,540,250	$ 5,147,560	$ (607,310)	113.4%
Recreation	$ 854,990	$ 854,794	$ 196	100.0%
Long Term Debt-Prin	$ 3,558,790	$ 3,550,922	$ 7,868	99.8%
Long Term Debt-int	$ 1,441,500	$ 1,431,928	$ 9,572	99.3%
Transfer to Spec Rev	$ 510,980	$ 512,649	$ (1,669)	100.3%
Transfer to CIP	$ 1,040,000	$ 1,040,000	$ -	100.0%
Transfer to Capital Reserve	$ 755,000	$ 755,000	$ -	100.0%
TOTALS	**$ 35,461,300**	**$ 34,874,718**	**$ 586,582**	**98.3%**

<u>Other Funds –</u>

- <u>Solid Waste Disposal Fund</u> is responsible for the operation and maintenance of the landfill, recycling facilities and hazardous waste processing. Revenues at year end exceeded expenditures by $86K. However, revenues came in less than anticipated (revenues budgeted $4,487,830). Tipping Fees came in at $586K less than budgeted; however, coupon sales came in $126K higher, as well as recycle sales coming in at $110K more than expected. Therefore, expenditures were underspent to stay in line with revenues. Expenditures were budgeted to come in $11K more than revenues (expenditures budgeted $4,498,830). 2021 unaudited fund balance $2,998,311.

Landfill Fund	
Revenue Received	$ 4,159,531
Expenditures & Encumbrances	$ (4,072,925)
	$ 86,606

- <u>Water Treatment and Distribution Fund</u> is responsible for the provision and distribution of clean and safe drinking water, the planning, maintenance and replacement of water treatment facilities, pump stations, water tanks, and the water distribution system. Revenues exceeded expenditures by $280K. Revenues didn't come in as budgeted due to water user charges by $146K. Revenues were budgeted to exceed expenditures by $406K. (Revenues budgeted $4,130,550, expenditures budgeted $3,724,290). 2021 unaudited fund balance $3,448,418.

Water Fund	
Revenue Received	$ 3,995,643
Expenditures & Encumbrances	$ (3,714,786)
	$ 280,857

- <u>Sewage Collection and Disposal Fund</u> is responsible for the safe and hygienic collection and treatment of wastewater, and the planning, maintenance and replacement of the wastewater collection system, pump stations and wastewater treatment plant. Revenues exceeded expenditures by $11K. Revenues were budgeted to exceed expenditures by $239K (Revenues budgeted $7,368,570, expenditures budgeted $7,128,990). However, sewer charges and the sewer development revenue came in underestimated by $335K; therefore, expenditures were underspent to stay in line with revenues. 2021 unaudited fund balance $3,296,463.

Sewer Fund	
Revenue Received	$ 6,999,909
Expenditures & Encumbrances	$ (6,988,661)
	$ 11,248

- Municipal Airport Fund is responsible for the operation and maintenance of the Lebanon Municipal Airport. At year end, revenues exceeded the budgeted amount due to the resulting in a surplus of approximately $700. (Revenues budgeted $1,192,790, expenditures budgeted $1,358,250)

  Two AIPs in 2021 were used to help meet critical airport needs during the COVID-19 pandemic by providing funds to offset loss of revenue. The grant parameters allowed for a wide range of operating expenses to be covered. Those two grants were AIP63 — Coronavirus Aid, Relief, and Economic Security (CARES) Act, and AIP67 — Airport Coronavirus Response Grant Program (ACRGP). AIP67 continues in 2022 along with a new grant — AIP69, Airport Rescue Plan Act (ARPA). 2021 unaudited fund balance $1,081,817.

Airport Fund	
Revenue Received	$ 1,942,076
Expenditures & Encumbrances	$ (1,243,751)
	$ 698,325

Unassigned Fund Balance

The residual classification for the City's General Fund includes all amounts not contained in other fund balance component classifications and therefore not subject to any constraints. Appropriation from the Unassigned Fund Balance requires approval of the City Council.

The *unaudited* Unassigned General Fund Balance as of December 31, 2021 is $12.2M. This amount could change if the auditors make adjustments or change the reserve for contingencies.

City Manager Mulholland noted that the positive fund balance for the Airport cannot be expected each year and is not part of the City's general revenue so these funds have to be spent on particular projects at the Airport. However, these funds are for things that the City will not have spent from other funds.

In response to Councilor Liot Hill's question regarding the low income from the landfill's revenues, City Manager Mulholland noted that the numbers of the tonnage of trash has been down during COVID and people are not going out to restaurants, etc. He also spoke about a possible economic downturn, so people are already starting to cancel projects, whether they are new buildings or renovations, which impacts the landfill on receiving funds construction demolition and debris.

2022 1st Quarter Budget Reports-Vicki Lee, Finance Director & Alesia Williams, Deputy Finance Director

Complete details can be found on ***pages 7-10, agenda packet.***

The following report highlights key points for the City's General Fund operating budget, Solid Waste Disposal Fund, Water Treatment and Distribution Fund, Sewage Collection and Disposal Fund and Municipal Airport Fund.

GENERAL FUND

Expenditures

The following chart summarizes appropriations, expenditures and amounts encumbered as of March 31st (25% of the fiscal year) by department. For FY 2022, 28.9% of appropriations have been expended or encumbered (obligated for future expenditure) during the quarter.

Not all operating costs are absorbed equally over the course of each year. For example, most debt service payments are due in the 3rd or 4th quarter, and support for local non-profit organizations is typically disbursed in the first month of the fiscal year.

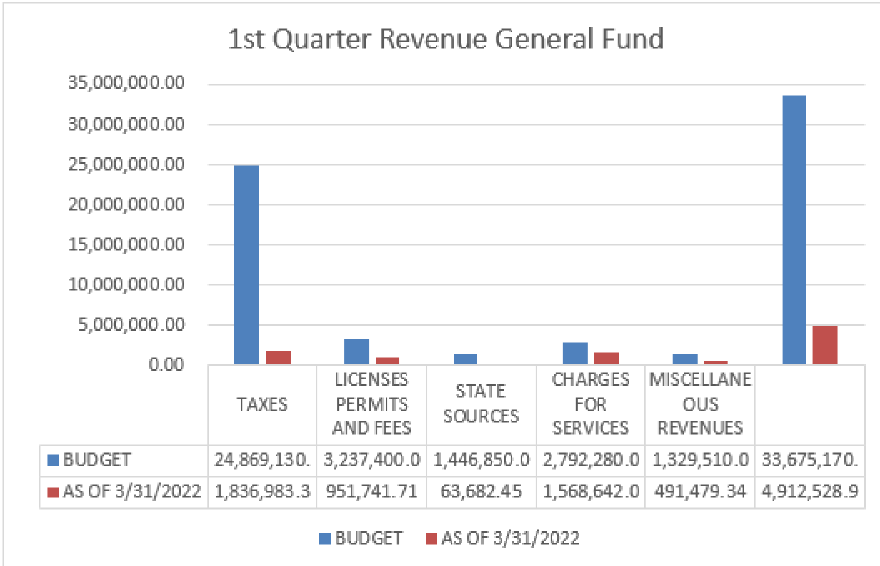
The 28.9% expended and encumbered to date is close to each of the past two fiscal years, which had percentages of 27.2% (2021) and 29.7% (2020), respectively, so it is historically at the level expected.

QUARTLERY REPORT FOR CITY OF LEBANON						
AS OF MARCH 31, 2022						
GENERAL FUND		2022 BUDGET	AS OF 3/31/2022	ENCUMBRANCES	YTD AVAILABLE BALANCE	% OF BUDGET USED
	CITY CLERK	$ 721,630	$ 166,439.31	$ -	$ 555,190.69	23.1%
	CITY MANAGER	$ 1,284,480	$ 260,569.24	$ -	$ 1,023,910.76	20.3%
	CYBER SERVICES	$ 1,705,560	$ 314,514.51	$ 41,792.00	$ 1,349,253.49	20.9%
	FINANCE	$ 5,391,890	$ 1,622,956.35	$ 6,495.00	$ 3,762,438.65	30.2%
	FIRE	$ 4,775,030	$ 1,050,740.20	$ 7,713.34	$ 3,716,576.46	22.2%
	HUMAN RESOURCES	$ 350,060	$ 73,200.84	$ 10,500.00	$ 266,359.16	23.9%
	HUMAN SERVICES	$ 554,900	$ 308,700.85	$ -	$ 246,199.15	55.6%
	LIBRARY	$ 1,383,440	$ 326,203.74	$ 10,434.00	$ 1,046,802.26	24.3%
	PLANNING	$ 1,142,110	$ 245,469.07	$ -	$ 896,640.93	21.5%
	POLICE	$ 6,893,010	$ 1,484,583.67	$ 344,102.43	$ 5,064,323.90	26.5%
	PUBLIC WORKS	$ 4,904,010	$ 936,688.56	$ 84,560.66	$ 3,882,760.78	20.8%
	RECREATION ARTS & PARKS	$ 1,116,720	$ 227,126.20	$ 19,928.00	$ 869,665.80	22.1%
	DEBT SERVICE	$ 4,837,990	$ 1,495,246.71	$ -	$ 3,342,743.29	30.9%
	INTERFUND TRANSFER	$ 1,555,540	$ 1,555,540.00	$ -	$ -	100.0%
	TOTALS	$ 36,616,370	$ 10,067,979.25	$ 525,525.43	$ 26,022,865.32	28.9%

Revenues

The following chart summarizes amounts budgeted and collected year-to-date by general revenue category. Revenues collected throughout the course of a given fiscal year total approximately 14.6% of the amount budgeted for FY 2022, which compares to 14.6% (2021) and 15.8% (2020) in the previous two fiscal years. Highlights for the quarter include:

- Tax bills will be going out by June 1st, due July 1st.
- Motor vehicle registrations are just below the quarterly benchmark at 23.1% collected.
- Building permits are trending well above the quarterly benchmark at 46.8% collected.
- Ambulance Service revenue is collected just above the quarterly benchmark at 25.4%.



<u>Other Funds –</u>

- <u>Solid Waste Disposal Fund</u> is responsible for the operation and maintenance of the landfill, recycling facilities and hazardous waste processing.

QUARTLERY REPORT FOR CITY OF LEBANON						
AS OF MARCH 31, 2022						
LANDFILL FUND		2022 BUDGET	AS OF 3/31/2022	ENCUMBRANCES	YTD AVAILABLE BALANCE	% OF BUDGET USED
	REVENUE	$ 4,127,230.00	$ 966,879.42		$ 3,160,350.58	23.4%
	EXPENDITURES	$ 4,046,450.00	$ 1,054,719.50	$ 206,601.92	$ 2,785,128.58	31.2%

- <u>Water Treatment and Distribution Fund</u> is responsible for the provision and distribution of clean and safe drinking water, the planning, maintenance and replacement of water treatment facilities, pump stations, water tanks, and the water distribution system.

QUARTLERY REPORT FOR CITY OF LEBANON						
AS OF MARCH 31, 2022						
WATER FUND		2022 BUDGET	AS OF 3/31/2022	ENCUMBRANCES	YTD AVAILABLE BALANCE	% OF BUDGET USED
	REVENUE	4210810	1206883.87		$ 3,003,926.13	28.7%
	EXPENDITURES	$ 4,141,290.00	$ 1,566,238.32	$ 205,067.09	$ 2,369,984.59	42.8%

- <u>Sewage Collection and Disposal Fund</u> is responsible for the safe and hygienic collection and treatment of wastewater, and the planning, maintenance and replacement of the wastewater collection system, pump stations and wastewater treatment plant.

QUARTLERY REPORT FOR CITY OF LEBANON						
AS OF MARCH 31, 2022						
SEWER FUND		2022 BUDGET	AS OF 3/31/2022	ENCUMBRANCES	YTD AVAILABLE BALANCE	% OF BUDGET USED
	REVENUE	$ 7,277,230.00	$ 2,092,646.45		$ 5,184,583.55	28.8%
	EXPENDITURES	$ 7,264,330.00	$ 3,137,429.82	$ 163,340.53	$ 3,963,559.65	45.4%

- <u>Municipal Airport Fund</u> is responsible for the operation and maintenance of the Lebanon Municipal Airport.

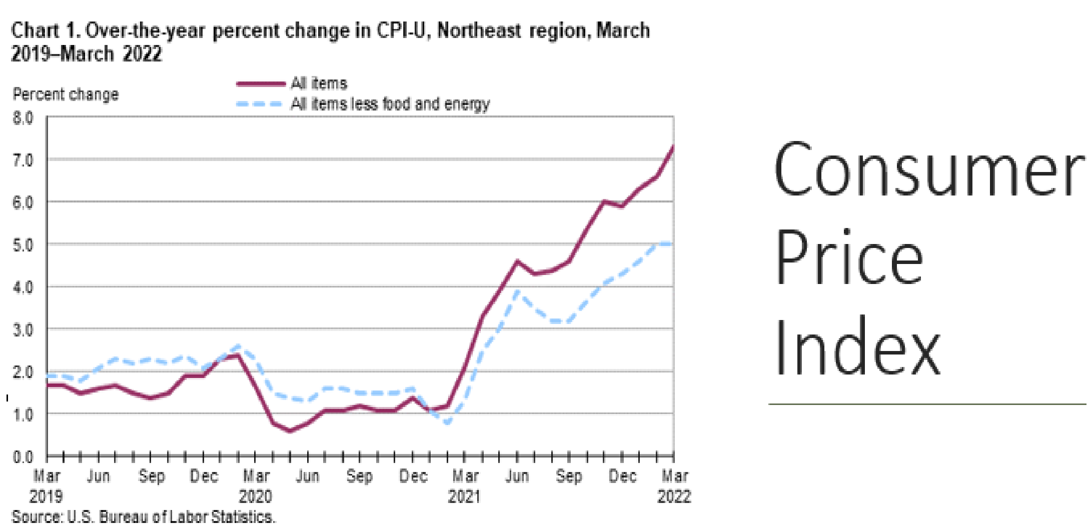
QUARTLERY REPORT FOR CITY OF LEBANON						
AS OF MARCH 31, 2022						
AIRPORT FUND		2022 BUDGET	AS OF 3/31/2022	ENCUMBRANCES	YTD AVAILABLE BALANCE	% OF BUDGET USED
	REVENUE	$ 929,040.00	$ 254,324.70		$ 674,715.30	27.4%
	EXPENDITURES	$ 1,479,310.00	$ 487,026.66	$ 26,343.50	$ 965,939.84	34.7%

Councilor Liot Hill questioned what the monthly lease was going to be for the new restaurant going into the Airport. Mr. Gross stated it is $1,009.00 per month.

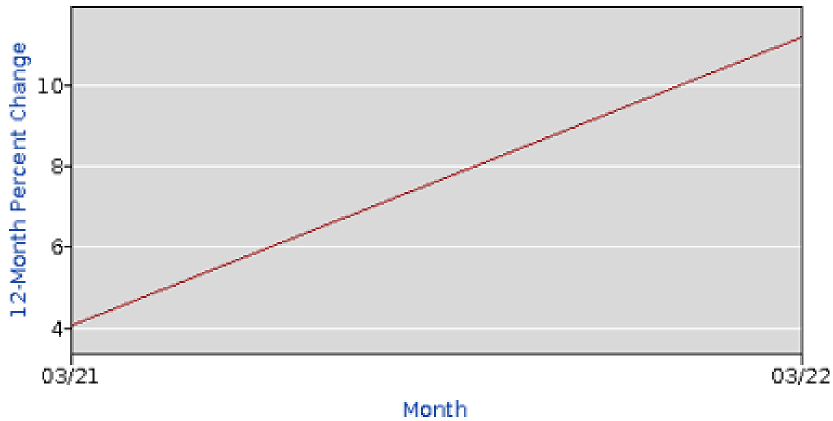
B. Presentation of *<u>2023-2025</u>* Financial Outlook - City Manager Shaun Mulholland

Complete details can be found on ***pages 11-51, agenda packet***. Memo from the Finance Department containing detailed graphs and information can be found on ***pages 11-21, agenda packet.***

City Manager Shaun Mulholland gave a PowerPoint presentation and reviewed the 2023 Financial Outlook for the City of Lebanon with the Council as follows:



Producer Price Index



City Revenue Impacts Vary by Source

- Property Tax
- MV Registration Fees
- Rooms & Meals Tax
- Development Fees
- Utility Users Tax, Franchise Payments
- Recreation and Fee Programs

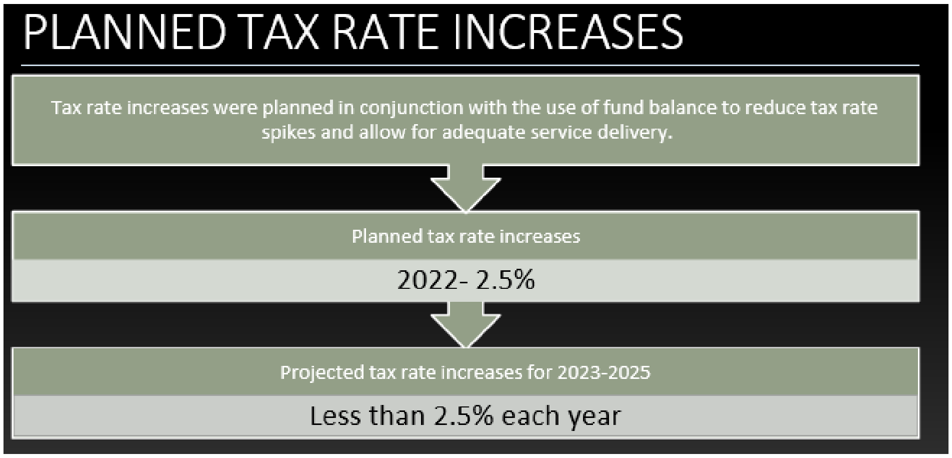
He noted the City has seen a healthy increase with the recent change in the State Statute, noting Rooms & Meals Tax had a predominate impact of reducing the tax rate for 2021 to 1%.

State Revenue Impacts

- Retirement Contribution-Police & Fire only, 7.5% for 1 Year
- Increased Municipal Bridge Aid & Highway Block Grant funding
- Grants relative to Housing
- Rooms & Meals Tax Distribution

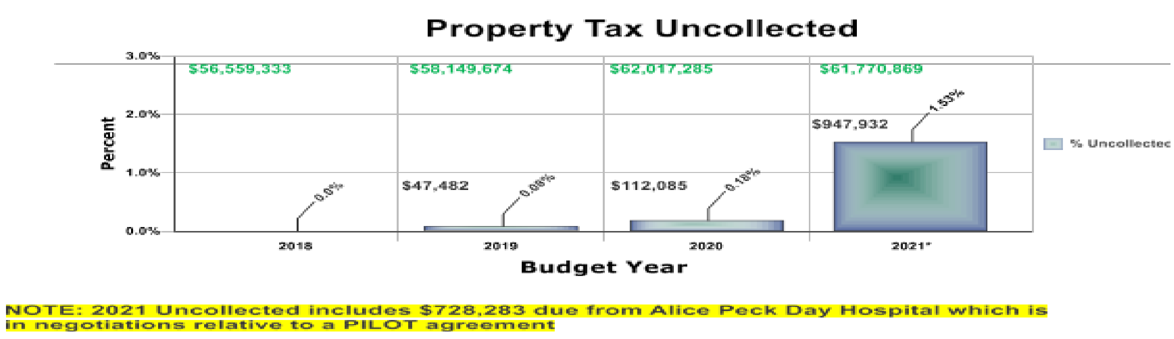
It appears the $100M for housing has passed NH Executive Council and they are now working on the Administrative Rules for these funds. We should have this information within the next 6 weeks. The City could receive $1M and is ready to submit a grant application as soon as the details come out, so the Council should be ready to discuss how to use the funds if/when they are made available.

The Council discussed how the State would distribute the Rooms & Meal Tax and the formula the State is using.

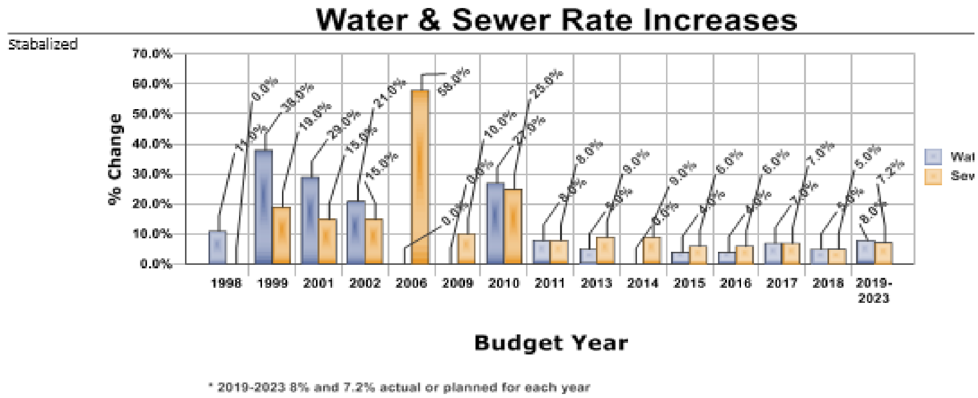


The projected planned tax rate increase depends on what the revenues are. In September/October the Council will have the opportunity to adjust the City's revenue numbers, which will have a direct impact on the tax rate.

In response to Councilor Liot Hill's question regarding whether or not any new construction will be added to the City's tax rolls (i.e., Juniper Hill), Mayor McNamara noted that since this project was only partially completed, it paid only partial taxes.



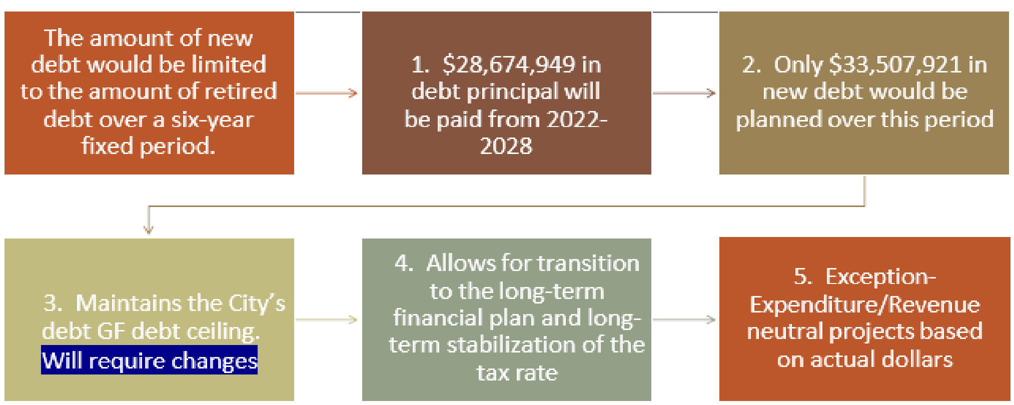
City Manager Mulholland noted Alice Peck Day Memorial Hospital (APD) was sent a proposal for payment in October of 2021, which they then assigned to an outside counsel. He is waiting to hear back from them, and will remind them again, noting this is accruing interest every day. He does not feel this will go into litigation and is cautiously optimistic this issue will be resolved.



Water & Sewer Bills Uncollected

Water		Sewer	
Assessed	$3,528,470	Assessed	$5,638,407
Uncollected	$24,232	Uncollected	$21,578

Limitation of Future Capital Projects General Fund



Impacts on CIP

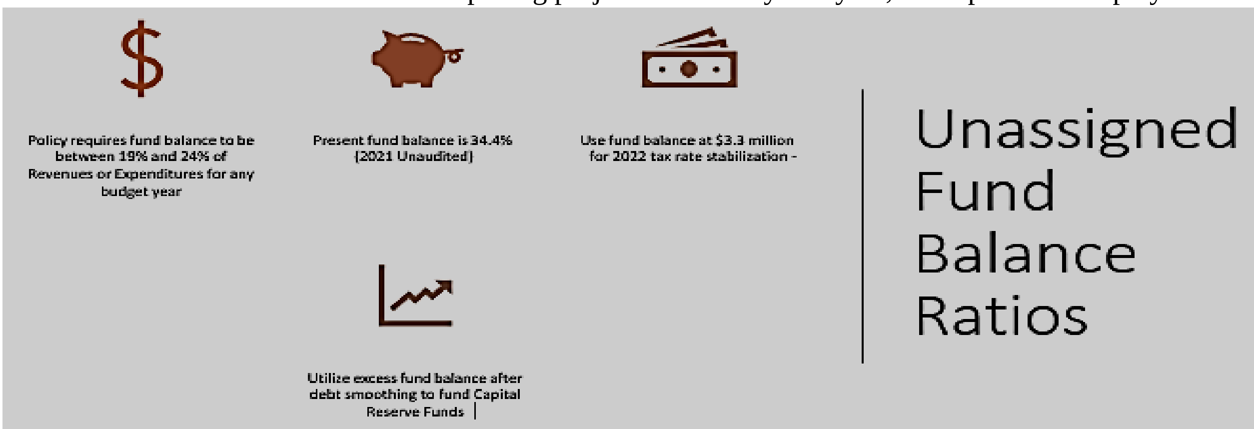
Projects have been backed up due to the impact of the CSO

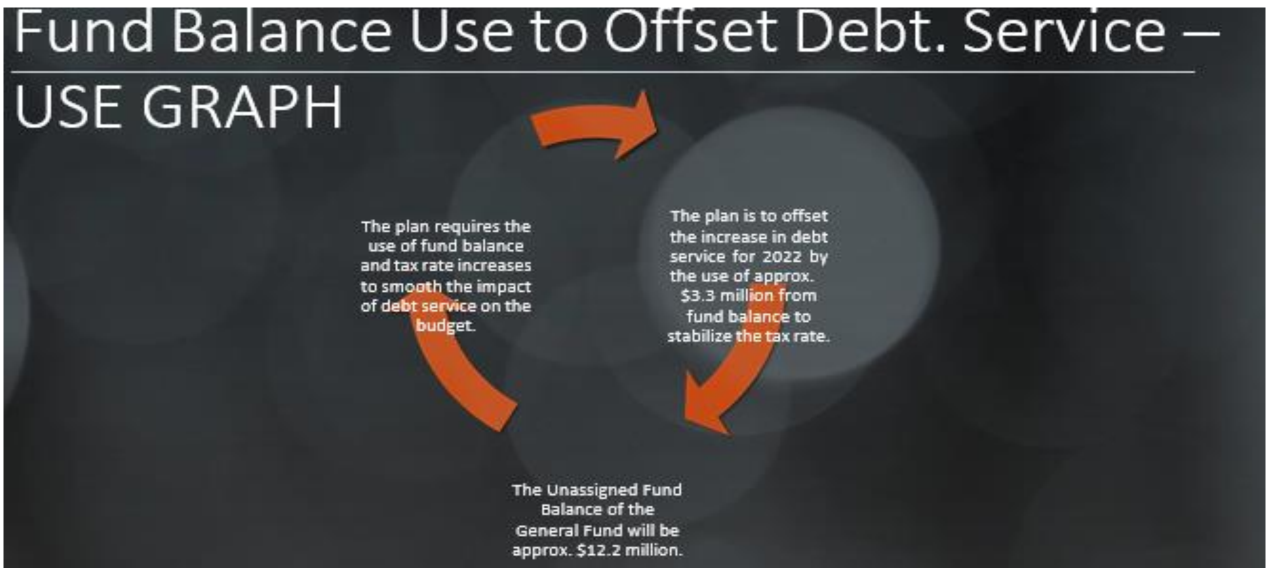
Failure to address known issues may result in cascading impacts

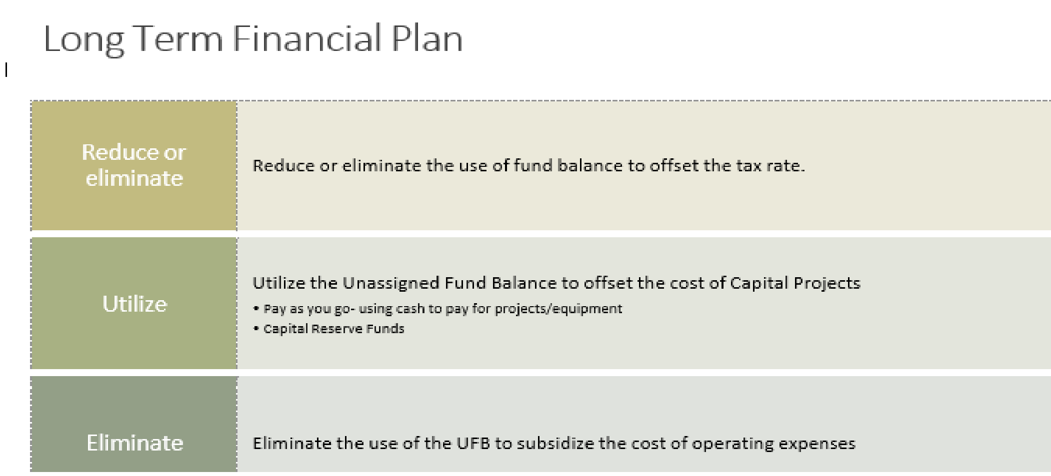
- Facilities
- Transportation Infrastructure
- Equipment and Vehicles

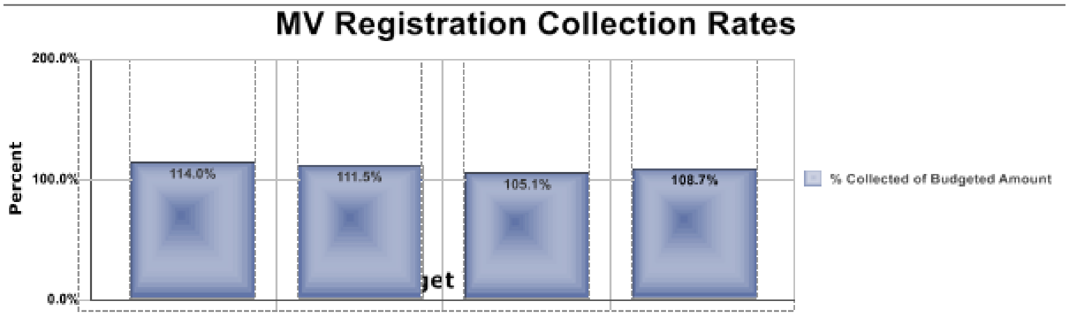
Could result in higher long-term costs and negative service delivery impacts

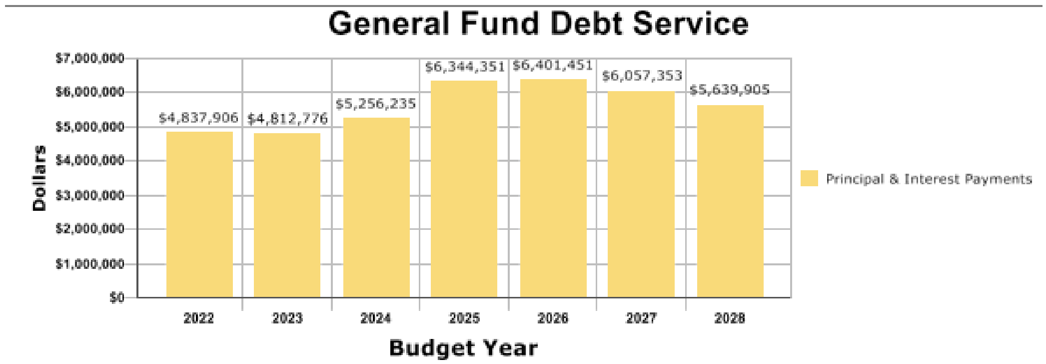
Normally, the City Manager does not see proposed CIPs at this point, but he has been holding meetings with individual departments to go over their CIPs to warn them of what is coming. Everything has gone up in price and the City will only be able to do those things that are high priorities, noting every City in the country is facing the same situation due to the state of the economy. He specifically spoke about the Seminary Hill School, noting the inflation rate increases for construction cannot continue. While we are bidding on projects, by the time a contract is ready to sign, the price has gone up to the point where the contractor cannot do the work. For the paving projects in the City this year, the asphalt went up by 6%.

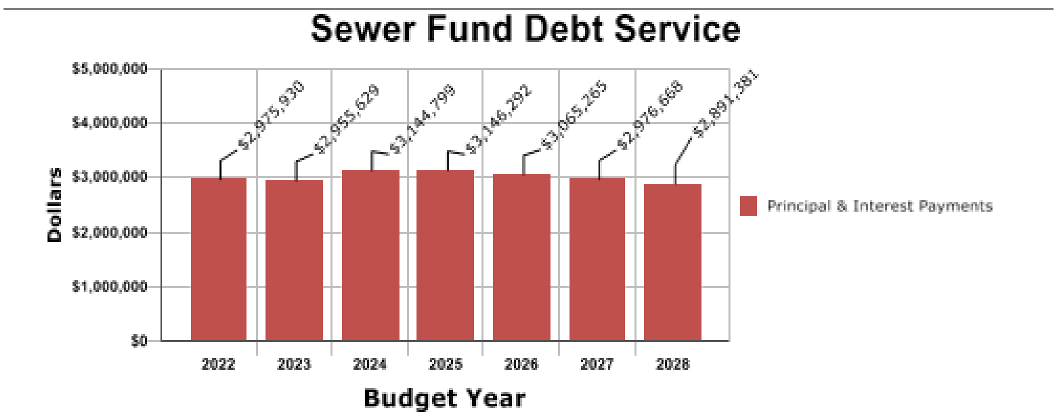


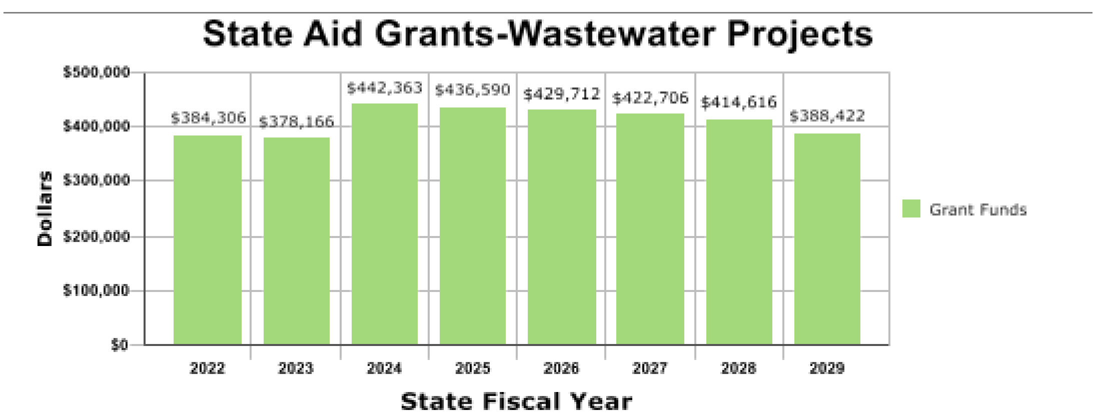


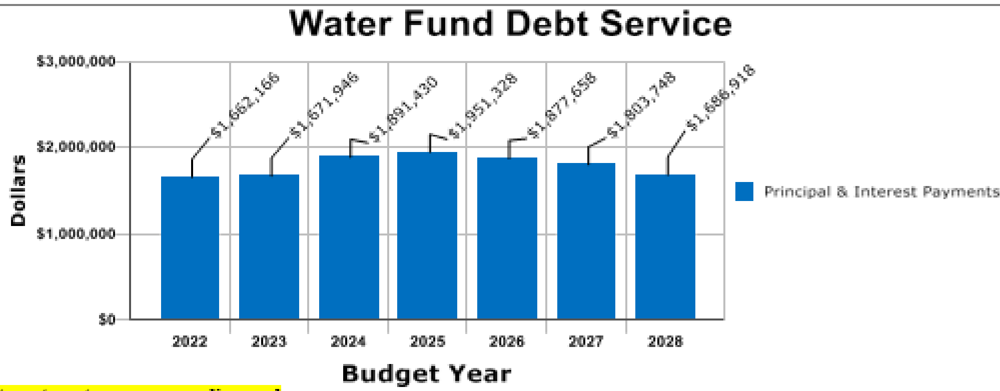



MV Registration Collection Rates
Percent
200.0%
100.0%
0.0%
114.0%
111.5%
105.1%
108.7%
% Collected of Budgeted Amount


General Fund Debt Service
Dollars
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
$4,837,906
$4,812,776
$5,256,235
$6,344,351
$6,401,451
$6,057,353
$5,639,905
2022
2023
2024
2025
2026
2027
2028
Budget Year
Principal & Interest Payments


Sewer Fund Debt Service
Dollars
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
$2,975,930
$2,955,629
$3,144,799
$3,146,292
$3,065,265
$2,976,668
$2,891,381
2022
2023
2024
2025
2026
2027
2028
Budget Year
Principal & Interest Payments

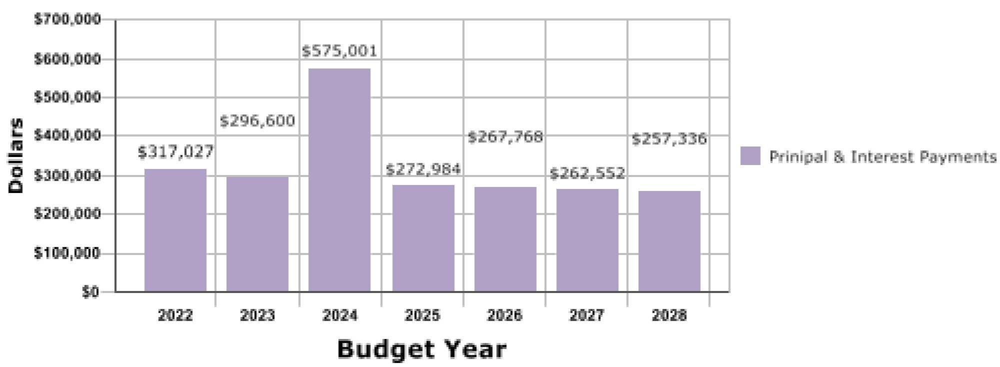

State Aid Grants-Wastewater Projects
Dollars
$500,000
$400,000
$300,000
$200,000
$100,000
$0
$384,306
$378,166
$442,363
$436,590
$429,712
$422,706
$414,616
$388,422
2022
2023
2024
2025
2026
2027
2028
2029
State Fiscal Year
Grant Funds



The need to find an alternate water source was discussed.

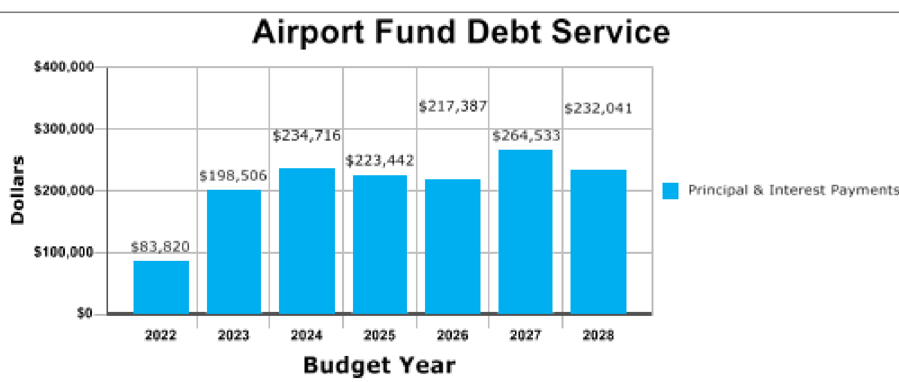
PFOA/PFAS Cleanup was discussed

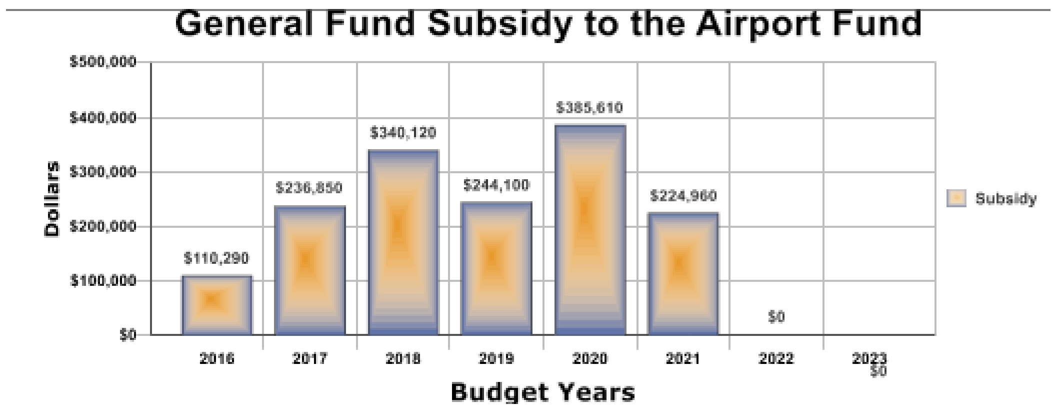
Solid Waste Fund Debt Service



Airport COVID Related Grants

Grant Name	Award Year	Amount	Drawdown	Remaining
CARES Act	2020	$1,060,370	$1,060,370	$0.00
ACRGP (Airport Coronavirus Response Grant Program)	2021	$1,003,521	$671,743	$331,778
ACRGP Concession Relief	2021	$2,220	$0	$2,220
ARPA (Airport Rescue Grant)	2022	$1,051,081	$15,459	$1,035,622





C. Input from City Council: 2023 Budget Process

The Councilors spoke about their three (3) priority objectives/guidance on what they would like to see happen in the City's budget for 2023 as follows:

Councilor Whittlesey:

1. Housing: Missing middle
2. Continued infrastructure investment within the scope of the Debt Management Plan
3. Overall financial sustainability/stability

Councilor Sykes:

1. Developing a strategic plan for the City's bus service because we still do not have bus service after 6 PM and on weekends
2. Development of the Mascoma River

Councilor Zook:

1. Social Services
2. Infrastructure
3. Housing

Councilor Simon:

1. Water: Working towards planning for an alternative water source for the City
2. Infrastructure
3. Retainment of employees in order to have a strong, vibrant City

Mayor McNamara:

1. Housing: Specifically addressing those areas that the market is not addressing and facilitating a continuum of housing in order to retain residents and employees over time
2. Infrastructure: Specifically, regarding water
3. Childcare, which he felt was as important as housing

Assistant Mayor Below:

1. Property Tax Rates: Stay on target of 2.5 or less in the increase of property tax rates
2. Water/sewer rates: Try to moderate the increases that could be caused by finding an alternative water source
3. Energy/Sustainability in our Climate Action Goals, particularly in housing

Councilor Liot Hill: She agreed with Assistant Mayor Below on Property Tax Rates and the water/sewer rates.

1. Housing: Liked the idea of exploring a demonstration project
2. West Lebanon Revitalization: Would like the City to keep moving forward with the West Lebanon Plan
3. Community Engagement: Have the Citizen's Academy come back and have the Council do Town Hall Meetings/Listening Sessions in different areas of the City

Councilor Heistad:

1. "Truly Affordable" Housing
2. Social Services: Community Nurses, taking care of those who cannot take care of themselves, and having people age in place
3. Recreation for the community

Councilor Wilkie:

1. Housing
2. Public Health: To include public nurses and ecological sustainability/safe, affordable housing
3. Accessibility: Includes transparency, community involvement/engagement by meeting people where they are to make sure people are having a say in what is happening in Lebanon (i.e., resources; public spaces; recreation, public transit)

City Manager Mulholland noted these ideas were helpful and should be wrapped into the City's Strategic Plan, which will be a document listing the Council's priorities that will help to drive the City's budget. He also noted the difference between the City's Master Plan (primarily focused on land use) and the Strategic Plan (focused mainly on the City's operations/Capital Expenditures, and should mirror what the City's Guiding Principles are).

The Council debated taking a position from time-to-time on different Planning Board project decisions regarding development, with most disagreeing for the following reasons:

- The Planning Board should be an independent body working on each project individually under a series of regulations;
- Hesitation to endorse a project of n specific private developer;
- There are other ways the Council can endorse development without endorsing developers or individual projects;
- Concerns about being sued because someone expressed an opinion, as opposed to just looking at the rules and whether or not the proposed development fits within the rules; and,
- Setting a bad precedent by endorsing developers or individual projects outside of the Planning Board's regulations.

Next Steps: Guidance will be issued to Department Heads and work on a Strategic Plan will continue. Once a draft is ready, City Manager Mulholland will send it to the Council, all the City's Boards/Commission/Committees for their review.

3. ADJOURNMENT:

The meeting was adjourned at 7:23 PM.

Respectfully submitted,
Dona E. Gibson

Recording Secretary