

FINAL

**LEBANON CITY COUNCIL
BUDGET WORK SESSION**

Thursday, November 5, 2020, 5:30 p.m.

Remote Via Microsoft Teams: [LebanonNH.gov/Live](https://lebanonnh.gov/Live)

MEMBERS PRESENT: Mayor Tim McNamara, Assistant Mayor Clifton Below, Bruce Bronner, Erling Heistad, Karen Liot Hill, Suzanne Prentiss, George Sykes, Jim Winny, Karen Zook

MEMBERS ABSENT: None

STAFF PRESENT: City Manager Shaun Mulholland, Deputy City Manager Paula Maville, City Clerk Kristin Kenniston, Finance Director Vicki Lee, Deputy Finance Director Tina Stearns, Chief Assessor Rick Vincent, Fire Chief/Emergency Management Director Chris Christopoulos, Library Director Sean Fleming, Director of Planning & Zoning David Brooks, Lebanon Police Chief Richard Mello, Public Works Director James Donison, Airport Director Carl Goss, Parks & Recreation Director Paul Coats, Human Services Director Lynne Goodwin,

Mayor McNamara called the meeting to order at 5:30 p.m.

This meeting took place virtually due to the COVID-19 Pandemic and was conducted in accordance with the Emergency Orders issued by the New Hampshire Governor according to NH RSA 91-A "Right-to-Know Law."

All Councilors who were present for this Work Session are listed above.

Mayor McNamara announced this is not a Public Hearing but rather a work session for the Council to review staffs proposed budgets for 2021. However, the public is encouraged to listen in. There will be opportunities for public comments in the upcoming weeks.

1. Presentation by City Manager and Finance Director

**A. Overview of Proposed 2021 Annual Budget (pages 1-24, November 4, 2020, agenda packet)
Requesting \$61,511,220 (an increase of 1.4% from 2020).**

Introduction:

The Lebanon City Council is the legislative body for the City of Lebanon. Legislative power is the power to set overall policy, the power to raise and appropriate money (tax and spend) and set the purposes for expenditures. Appropriations can be only made by vote of the legislative body.

A municipal budget is the most important policy tool in a municipality's toolbox. It is the document that determines the type and level of services delivered to a community. The budget implements policy by appropriating and funding the expenditure of public monies. To appropriate money is to reserve from the public revenue a certain sum of money for a specified public purpose, and in-turn to authorize the expenditure of that sum for that purpose.

The 2021 City Budget provides for the cost of general City government, solid waste disposal, water treatment and distribution, sewage collection and disposal, municipal airport operations, emergency management and the acquisition or construction of major, expensive and long-lived capital facilities and equipment.

The Lebanon City Council Guiding Principles and Lebanon's Principles for a Sustainable Community, in concert with the Master Plan and the annual Outcomes and Work Plan, inform the foundation upon which the annual budget is based.

City Manager Shaun Mulholland began this session with a PowerPoint Presentation that covered the following:

- Public Policy and Resource Allocation.
- Budget Objectives: Ensure the municipal tax rate for 2021 increases no more than 3%; Meet the City's guiding principles and sustainability objectives; funding critical Capital Improvement Projects (CIPs); and maintain quality service levels to meet the public's expectations.
- Review of the City's 2020 initiatives: Going digital (95% paperless by July of 2020); Update water investment fees to offset Capital Projects; Implement sewer development charges to produce revenue to be used to offset Capital Projects; Continue implementation of the Fixed Asset Management System, and; Enhancing energy efficiency and reduce energy usage (i.e., Streetlight Project, Solar Projects, LFGTE Project, building upgrades).
- Review of the 2021 initiatives: Create transparency; Energy efficiency/greenhouse gas reduction strategies; Study new water source/sewer system infiltration reduction; Debt stabilization plan, and; Finance software replacement program/related software transition.
- How your tax dollars are spent: County (7%), Municipal (37%), School State (8%), and School Local (48%).
- Tax rate factors: Expenditures, Revenues (other than property tax), Fund Balance used to reduce tax rate, Assessed Valuation, Overlay (offsets tax abatements), and War Service Tax Credits. Mr. Rick Vincent reviewed how and why an assessed property valuation is done.
- Change in Municipal Tax Rate for years 2019-2023 (graph on page 9, agenda packet).
- Unassigned Fund Balance Policy and graphs depicting the changes from 2021-2025 and unassigned fund balance (pages 10-12, agenda packet). This is especially important to look at because the redline on the graph represents the minimum of 19% UFB Standards, which drops below the standard after 2023.
- 2020-2021 Budget Comparisons (page 13, agenda packet). In summary, the proposed **Total Request for 2021 is \$61,511,220 (an increase of 1.4% over the 2020 budget)**. There is an 11% decrease in Capital Improvement spending. Operating Budget is up by 2.7%. There is a projected increase in the 2021 tax rate of 3%, an 8% increase in Water Rates, and a 7.2% increase in Sewer rates.
- Cost drivers include: A 33.7% Debt Service increase; a 1.5% General Wage increase; Health Insurance cost increase of 12.3%; Retirement Rate increases of 6.35%-25.87%; increase in Overlay of \$100K, and; Reduction various revenues due to COVID-19. Ms. Leskiewicz spoke about Health Insurance cost increases, which are partly due to the number of cases claimed and cases that exceeded the cost of \$70K.
- General Fund Budgetary Impacts for 2021 represents a cost increase of 2.7% equal to \$927,595. (Breakdown of the 2021 General Fund and % change details from the 2020 budget can be found on pages 18 & 19, agenda packet.)

- Revenue Projections: Taxes = 4.5% increase; Licenses & Permits = .4% increase; Intergovernmental Revenues = 8.6% increase; Interfund Transfers = 11% decrease; and Bond Proceeds = 32.9% decrease. (Note: Bond Proceeds are treated as revenue in that they provide funds for payment of projects. Bonds are loans that must be paid back with interest over the period of the loan.)
- Graphs depicting the 2021 expenditures by Function, Department, Fund, Projected Revenues, and Total Debt Service (pages 21-25, agenda packet). Mr. Mulholland's goal is to not spend more in Debt Service than what is being retired.

2. Review of 2021 City Budget: Question & Answer Session with City Departments:

A. City Manager (To include City Manager & City Council Operations, Legal; and Advance Transit) Pages 26-29, November 4, 2020, agenda packet.

- **City Manager: Requesting \$1,242,200.00 (a decrease of 9.35% or \$-128,070.00 from the 2020 budget).**
- **City Council Operations: Represents a 13.89% reduction in spending** (page 29, November 4, 2020, agenda packet).
- **Legal: No change from the 2020 budget.** (page 28, November 4, 2020, agenda packet)
- **Advance Transit: No change from the 2020 budget** (page 29, November 4, 2020, agenda packet).

B. Finance Department (includes Information Services (pages 30-35, November 4, 2020, agenda packet): **Requesting \$6,688,980 (an increase of 9.99% over the 2020 budget or \$607,410.00).**

Ms. Vicki Lee introduced her staff and reviewed the Finance Department's proposed budget to the Council.

Councilor Liot Hill and Ms. Lee discussed the Grant Application process, noting that part of the fees would be for Mr. Doug Smith (Finance Consultant) as well as Shelley Hadfield (City Consultant). Ms. Lee explained that the City initially pays the upfront costs for grant applications, but if/when the grant funds are awarded, the City is then reimbursed by those funds, noting Headrest as an example for a CDBG grant.

- **Information Services (IT):**
- **Requesting \$167,210.00 (an increase of 100%, or \$167,210.00 over the 2020 budget) for Cybersecurity in 2021**

Mr. Perry Eaton, IT Director, reviewed his budget with the Council, which is included in the Finance Department's budget.

C. Human Resources (pages 36-37, November 4, 2020, agenda packet): - **Requesting \$262,270.00 (a decrease of 5.18% or \$-14,340.00 from 2020) for Human Resources in 2021.**

Ms. Gloria Leskiewicz, HR Director, introduced her staff and reviewed the HR Budget to the Council.

D. City Clerk (pages 39-41, November 4, 2020, agenda packet): Ms. Kristin Kenniston, City Clerk, introduced her staff and reviewed the City Clerk Budget to the Council as follows: - **Anticipated Revenues: \$2,699,400.00 (increase of \$10,900.00 over 2020, or 0.41%)**

- **Requesting \$604,600.00 (a decrease of \$-44,690.00 from 2020, or –6.88%).**
- The biggest reduction change is going from four elections in 2020 to one election in 2021.
- E. **Assessing** (pages 42-43, November 4, 2020, agenda packet):
 - **Requesting \$417,800.00 (a decrease of \$-124,485.00, or -22.96% from 2020) for the Assessing office in 2021**

Mr. Rick Vincent, Chief Assessor, reviewed the Assessing Office’s proposed budget to the Council and informed them about an involuntary layoff decision that was made to reduce costs in his budget. This layoff will start at the start of the new year.

Mr. Mulholland explained the reason for this layoff was to not only save in salary costs but to save the cost of benefits being paid. He informed the Council there would be two more involuntary layoffs coming.

Councilor Sykes expressed his concern about laying off employees to reduce the budget and requested to be notified about any decisions made in this regard. The Council concurred and will meet separately to discuss this issue.

- F. **Library** (pages 44-46, November 4, 2020 agenda packet):
 - **Requesting \$1,259,960.00 (a decrease of \$-80,960.00, or -6.04% from 2020).**

Library Director Sean Fleming reviewed the Lebanon Libraries proposed 2021 budget to the Council and informed them that the Lebanon Libraries budget has been cut down to \$-102,000 instead of the \$-80,960.00 as depicted in the budget above. He also noted the Lebanon Libraries will be cutting their open hours to avoid layoffs and spoke about the changes that would be taking place for services to be provided by the libraries due to COVID-19.

Mr. Mulholland will provide the Council with an updated budget sheet for the Library.

ADJOURNMENT:

***Councilor Bronner MOVED for adjournment.
Seconded by Councilor Heistad.***

Roll Call Vote:

Mayor McNamara, Assistant Mayor Below, and Councilors Bronner, Heistad, Liot Hill, Prentiss, Sykes, Winny and Zook all voting Yea.

None voted Nay.

****The Vote on the MOTION was unanimously approved (9-0)***

The meeting was adjourned at 8:16 PM.

Respectfully submitted,
Dona E. Gibson
Recording Secretary