FINAL

LEBANON CITY COUNCIL
MINUTES, BUDGET REVIEW
Tuesday, November 1, 2022, 5:30 PM
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 (Remote)

MEMBERS ABSENT:

STAFF PRESENT: City Manager Shaun Mulholland, Deputy City Manager David Brooks, City Clerk Kristin Kenniston, City Manager Executive Assistant Beth Beraldi, Director of Planning & Development Nathan Reichert, Senior Planner Tim Corwin, LPD Chief of Police Phillip Roberts, LPD Deputy Police Chief Matthew Isham, Finance Director Vicki Lee, Deputy Finance Director Alesia Williams, Airport Director Carl Gross, HR Director Gloria Leskiewicz, Lebanon Libraries Director Sean Fleming, DPW Administrative Services Manager Kelly Crate, Chief Innovation Officer Melanie McDonough, Cyber Services Director Perry Eaton

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1. **CALL TO ORDER:** Mayor McNamara called the meeting to order at 5:30 p.m.
   - City Manager Shaun Mulholland announced the meeting criteria for the public, noting this is a City Council Work Session, the Council will not be taking any action on the budget items listed below, and public comments will not be taken. There will be time for public comments on December 14, 2022 @ 6 PM, which is the Public Hearing on the 2023 Budget. All the Budget Workshops are listed on the City's Website.
   - Councilor Zook noted her reason for attending this meeting remotely was due to a family health situation.

2. **PRESENTATION BY CITY MANAGER & FINANCE DIRECTOR**
   A. Overview of Proposed 2023 Annual Budget- Presented by City Manager Shaun Mulholland and Finance Director Vicki Lee

City Manager Mulholland explained that the budget is a public policy document about resource allocation. We use several other documents to lead us in the directions to develop those policies, which are listed below.

<u>Public Policy and Resource Allocation:</u>

Budget Objectives:

Ensure	Meet	Fund	Maintain
Ensure the municipal tax rate for 2023 increases no more than 2.5%	Meet the City's Guiding Principals and Sustainability Objectives	Fund critical Capital Improvement Projects	Maintain quality service levels to meet the public's expectations

City Manager Mulholland explained and reviewed the budget objective as listed above. To ensure the municipal tax rates do not increase more than 2.5%, we have embarked on a long-term budget and debt management strategy that predates his arrival in the City. This was part of the CSO era. We are beyond those projects, but we are not beyond paying for them. We have a backlog of Capital Projects because of the CSO work. The goal is to make sure we do not have spikes in the tax rate and that they have a level increase as we move forward. At present, the City is using its cash reserves to hedge the tax rate to pay for the debt service that has already occurred. We need to sustain our operating costs and also deal with the debt management.

2022 Initiatives:

The object is to continue the following:

Continue	**Continue paperless and transparency initiatives; electronic payment process for landfill**
Develop	**Continue development of the various West Lebanon improvement projects/plans.**
Create	**Create wastewater capital needs assessment similar to the water assessment plan.**
Continue	**Continue implementation of the Fixed Asset Management System.**
Enhance	**Enhance energy efficiency and reduce energy usage: Streetlight Project, Solar Projects, LFGTE Project, Building upgrades, etc…**

City Manager Mulholland extended kudos to LEAC (Lebanon Energy Advisory Committee) for the work they did to enhance the City's energy efficiency.

Enhance	Emergency Management capability and response

This has been a priority because of climate change, and we see this across the entire planet due to the natural disasters that are occurring and are increasing in severity and frequency. We are not going to be immune from these events and need to get ourselves in a position where we can respond to these to get the city back on its feet when these things happen.

Review	Options for Public Safety software (2023 purchase)

We were looking at a 2023 purchase for the Police Department's Record Management System (which is outdated), but this has been delayed. A lot of police departments have already switched to a particular program, which has not worked out well state-wide, so we are in a holding pattern. This will be an expensive switchover to give us the data we need.

2023 Initiatives:

- Transparency, engagement and paperless initiatives
- Continue development of various West Lebanon improvements
- Enhance Emergency Management Capability and Response
- Continue Energy and Sustainability Projects
- Continue development of the Strategic Plan

Opportunities:

- Federal funding for infrastructure, energy and sustainability projects
- City's economy is strong
- Destination location for many reasons
- Top rated school system

<u>Rapidly Rising Threats:</u>

City Manager Mulholland also spoke about other factors that influence the tax rate as listed below:

- Rapidly rising salary rates-highest in the state
- Interest rate increase = direct impact on interest rates for new debt incurred
- Shortage of workers and products (supply chain)
- Rapidly rising consumer costs-fuel, electricity, food, and most other items
- Lack of Childcare-capacity and cost
- Housing costs continue to rise, limited inventory
- Climate change-public safety and infrastructure impacts

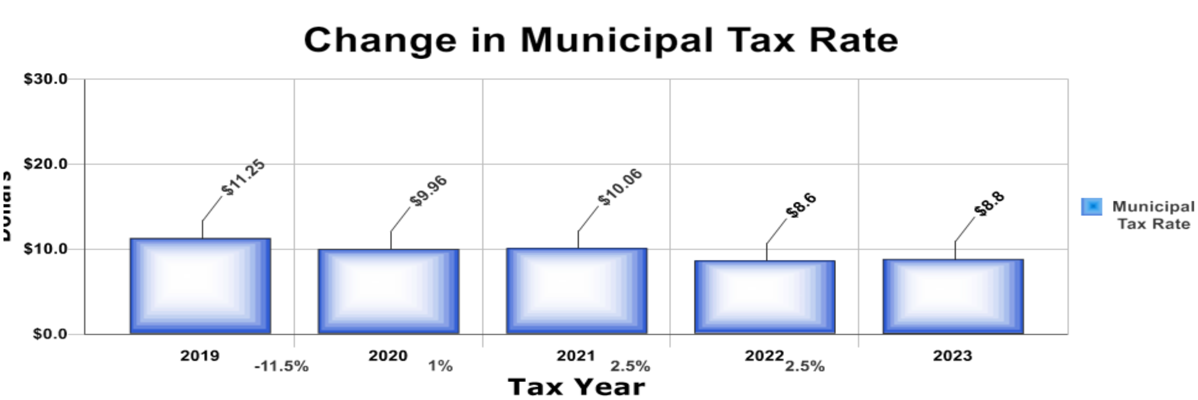
Tax Rate Factors

- Expenditures
- Revenues (Other than Property Taxes)
- Fund Balance Used to Reduce Tax Rate
- Assessed Valuation
- Overlay (Offsets Tax Abatements)
- War Service Tax Credits

= TAX RATE

<u>Consumer Price Index and Tax Rate Changes</u>

City Manager Mulholland reviewed/explained the <u>Consumer Price Index and Tax Rate Changes</u> for our region from 2017-2022 and how it would impact the City, noting finance strategies the City could take to manage cash flow. ***(Page 11, City Council agenda packet)***



Unassigned Fund Balance Policy

- MAINTAIN A RANGE BETWEEN 19% TO 24% OF CURRENT GENERAL FUND EXPENDITURE BUDGET
- STANDARD DEVELOPED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)
- ALLOWS FOR ADEQUATE CASH FLOW BETWEEN TAX BILLINGS
- SERVES AS A CASH RESERVE FOR EMERGENCIES

In Summary:

- The 2023 Total budget is **37.8%** higher than the 2022 Budget.
- The 2023 operating budget w/o Cap Improvements increased by **7.1%**.
- The 2023 General Fund Budget is up by **4%.**
- **2.5%** projected increase in the 2023 tax rate.
- **8%** increase in Water rates and **7.2%** increase in Sewer rates.

Budget Overview All Funds

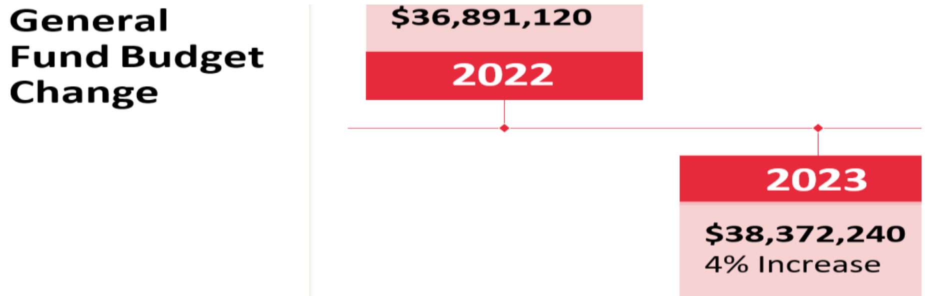
2022 Budget

- 2.5% increase in Tax Rate
- 8% increase in Water Rates
- 7.2% increase in Sewer Rates
- Total Budget **$70,758,950**
- Without capital $54,393,610

2023 Budget

- 2.5% increase in Tax Rate
- 8% increase in Water Rates
- 7.2% increase in Sewer Rates
- Total Budget **$97,527,640**
- Without capital $58,272,100 (**7.1%**)

City Manager Mulholland noted this is where property taxes come into play:

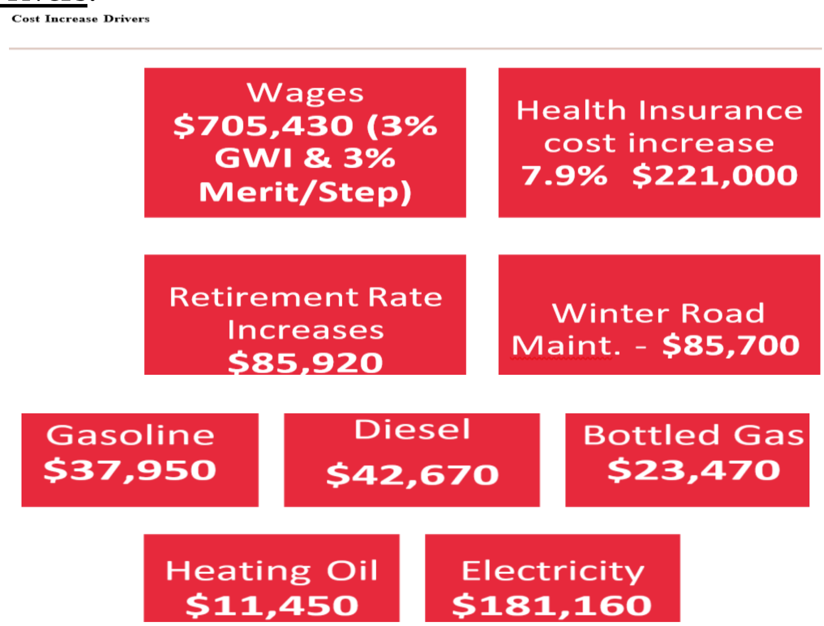


2023 General Fund Budgetary Impacts

- The 2023 General Fund Budget represents a cost increase of **4%** equal to **$1,481,120.**
- The total impact of cost increase drivers as listed on subsequent slides is equal to **$1,394,593.**

SPENDING VARIANCE = $86,527

<u>Cost Increase Drivers</u>:



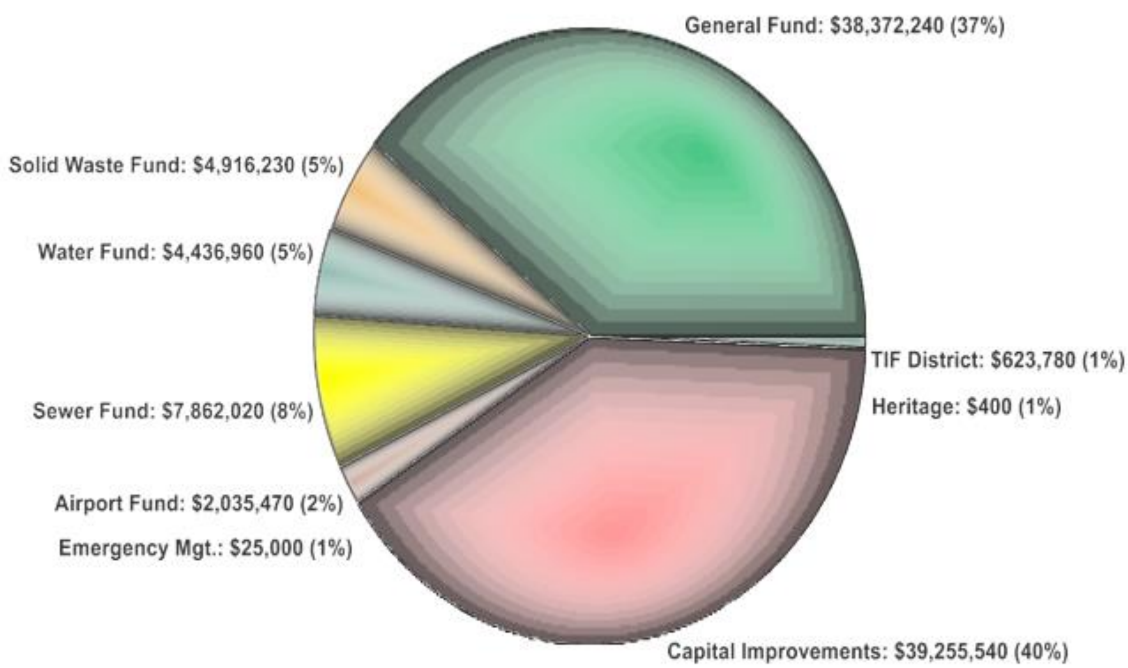
For Winter Road Maintenance, City Manager Mulholland noted that for the first time we have a contract to plow the back parking lots and the Police Station parking lot. Our crews have been unable to keep up with the snowstorms due to staff shortages (COVID and turnover in personnel). We have had some serious injuries where people have tripped, slipped or have fallen. For the costs of maintaining these parking lots appropriately, this makes sense to him to avoid injuries.

<u>Chart of Health Insurance increases from 2006 – 2023</u> ***(Page 20, City Council agenda packet)***

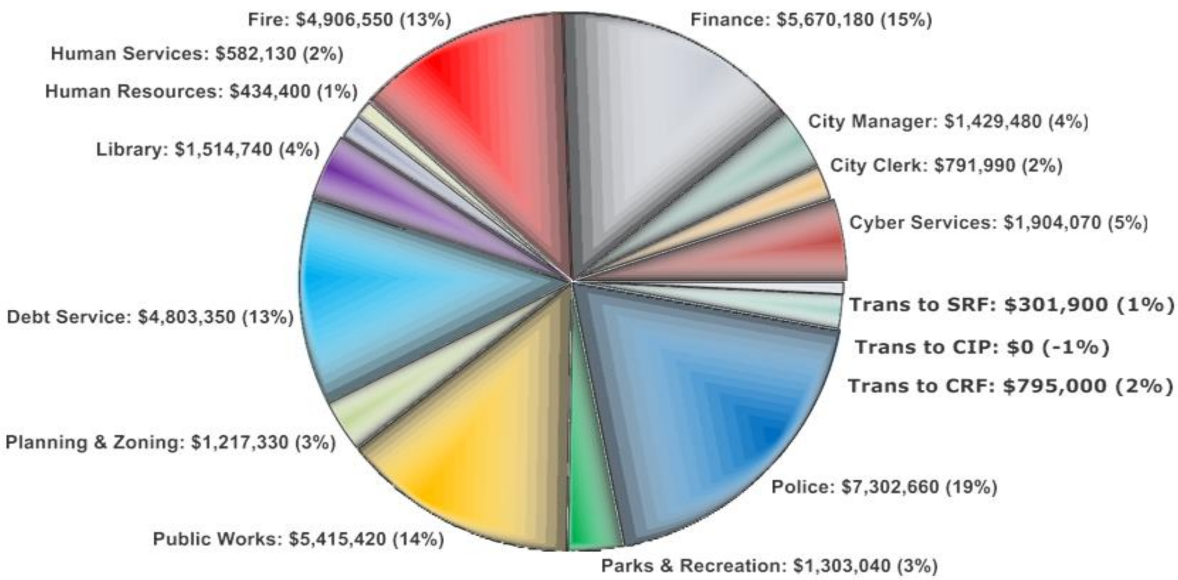
Wage Increases

- **3%** General Wage Increase (COLA)
- **3%** Merit or Step Increase
- Consumer Price Index for New England is **7.9%**

2023 Budget By Fund



2023 Expenditures by Department General Fund

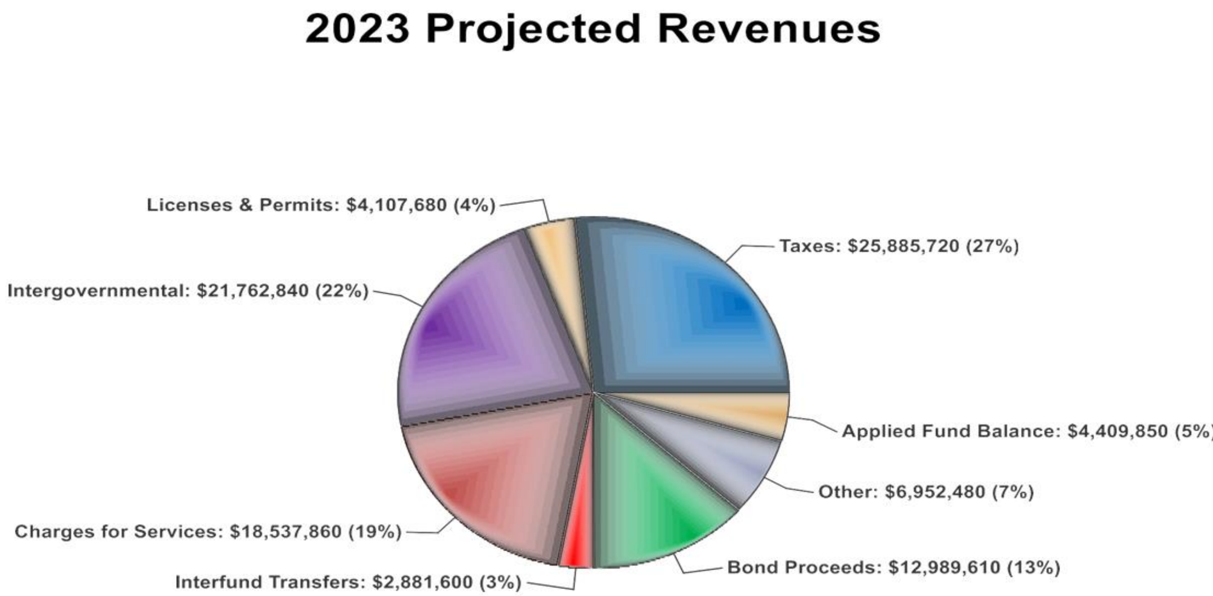


General Fund Revenue Projections:

General Fund Revenue Projections

- Taxes- **3%** increase in revenues projected.
- Licenses & Permits- **11.3%** increase in revenues projected.
- Intergovernmental Revenues- **.24%** increase.
- Charges for Services- **35.7%** increase
- Interfund Transfers – **4.6%** increase
- Bond Proceeds- **36.8%** increase*

** Bond proceeds are treated as revenue in that they provide funds for the payment of projects. Bonds are actually loans that must be paid back with interest over the period of the loan.*



3. REVIEW OF 2023 CITY BUDGET - QUESTION & ANSWER SESSION WITH CITY DEPARTMENTS

A. City Manager (Includes City Manager & City Council Operations; Legal; and Advance Transit) General Fund Line-Item Budget items for City Manager can be found on *pages 2-29, agenda packet.*

Deputy City Manager David Brooks noted there are some information graphics tools that are scattered throughout this document. They will help both the Councilors and the residents to visually see at a glance, what each department does, and the value they bring to the community. They will help provide some additional context to the individual line items.

<u>Total Requested Appropriation for 2023:</u> $**1,429,480** **(> of 11.9% over 2022)**

Mr. Brooks reviewed and explained the five (5) sections of the City Manager's budget line items, which included Public Communications, City Manager, City Manager Other (purchased services), Legal Services, and Advance Transit. He noted that 90% +/- of the City Manager's Section of the budget is for wages/benefits.

Council Discussions:
In response to Councilor Whittlesey's question regarding subscription costs, Melanie McDonough stated these subscriptions were just a repeat of what we already have minus some software that we are looking at.

B. Finance / Assessing Departments Finance Budget line items can be found on ***pages 30-33, agenda packet.*** **Ms. Vicki Lee, Finance Department, presented and reviewed the Finance/Assessing Departments budget line items.**

Total Requested Financing Appropriation for 2023: $5,325,130 (> of 7.27% over 2022)

The Finance office provides finance assistance to all City departments ensuring all financial transactions are conducted legally and ethically.

- **Assessing Department** (Assessing Budget line items can be found on ***page 34, agenda packet.)***

Total Assessing Department Requested Appropriation for 2023: $31,950 (< of 8.47% over 2022)

C. Planning & Development Department (Planning & Development Budget information and line items can be found on ***pages 35-38, agenda packet.)*** **Presented by Nathan Reichert, Director of Planning & Development presented and reviewed the budget line items.**

Total Requested Appropriation for 2023: $ 584,830 (< 24.01% change over 2022)

PLANNING & DEVELOPMENT DEPARTMENT AT A GLANCE:

DEVELOPMENT REVIEW

- 80: average number of applications reviewed annually by the Planning Board, Zoning Board, Conservation Commission, and Heritage Commission
- 295,000 sq. ft.: non-residential development reviewed and approved in 2020 & 2021
- 693: dwelling units reviewed and approved in 2020 & 2021
- $129,000: application fee revenue generated in 2020 & 2021

BUILDING PERMITS, INSPECTIONS and CODE ENFORCEMENT

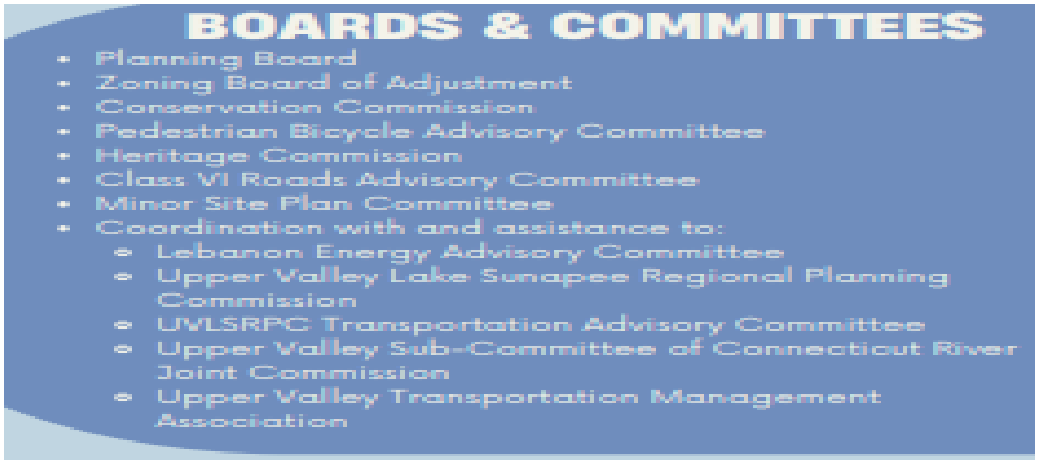
- 1,037 – building permits issued in 2020 & 2021
- $2,169,000 – building permit fee revenue generated in 2020 & 2021
- 4,460 – number of building permit inspections conducted
- $282,300,000 – value of approved building development in 2020 & 2021
- Enforcement of Building Code, Zoning Ordinance, approved site plans, and Health Code
  - Respond to complaints including inspections, coordination with other City departments and state agencies, and assist with legal actions

GIS & OPEN SPACE MANAGEMENT

- Manage and operate City's Geographic Information Support System providing support for City Departments and projects and public access via the GIS internet viewer
- Manage the Lebanon Open Space Program, including oversight of 2,000 acres of conservation land and 21 miles of trails

MASTER PLANNING, PROJECT DEVELOPMENT, & PROGRAMMING

- Master Plan updates and implementation
- Downtown West Lebanon and downtown Lebanon visioning implementation
- Annual Capital Improvement Progam (CIP) Planning
- Multi-modal transportation planning including NH DOT 10 Year Plan programming and Lebanon Walk Bike Ride
- Grant applications and administration including NH DHS Certified Local Government (CLG) and NH DOT Transportation Alternative Program (TAP)



Mr. Reichert noted that one of the questions the Planning & Development Department will be focusing on this year will be housing. We all know there is a significant housing issue in the Upper Valley. The housing market needs to be analyzed and we have some studies and grants underway. We also have tasks with updating the housing area within the Upper Valley in the Master Plan. We are thinking about innovative ways to entice more housing into the marketplace, and various types of housing as well, not just apartments/single-family detached residential housing. The Year of Housing is going to be their theme.

Council Discussions:

Mayor McNamara noted that with the interest rates going up for mortgages, hopefully this will bring the cost of building down and help to encourage more builders to build more efficient, smaller houses.

Councilor Liot Hill stated that housing is needed, but it also causes a lot of tension. She was curious about how the plans for this year in housing will incorporate public engagement.

Mr. Tim Corwin, Senior Planner, noted that one of the proposed amendments to the Zoning Ordinance is to allow what is referred to as a Cottage Housing Development. This will require not only approval by the Council, but an approval by the voters in March. This will require some education as it is a relatively new topic and could be controversial. An initial public information session is scheduled for Tuesday, November 15, 2022 at 6:00 PM, at the Lebanon Library. We are anticipating scheduling future events as well. We will get into the details of zoning during this (and future) sessions.

D. Recreation, Arts & Parks (Budget information and line items can be found on ***pages 39-43, agenda packet**.)* **Mr. Paul Coats presented and reviewed the Budget line items.**

Total Requested Appropriation for 2023: $1,128,140 (> of 18.59% over 2022)

- **Outside Recreation Services included in total request are:**
  - -Total for Recreation, Arts & Parks Department: **$499,370**
  - -Department RAP Programs: **$117,520**
  - -Day Camp: **$117,960:** We always try to make camp affordable by maintaining the scholarship program, and working with the LISTEN Center to allow people who cannot afford the rates we to be able to still attend camp.
  - -Pool: **$156,860:** We are primarily seeing an increase due to the cost of electricity. This is the one place within our facilities assets that uses a tremendous amount of electricity. We are looking to be in Phase II of the Solar Program to bring solar to the pool and hope this offsets the cost of electricity to some degree
  - -Farmers Market: **$20,050**
  - -RAP Public Parks: **$326,550**
  - -Patriotic Purposes: **$12,000:** Fireworks have gone up significantly and were up by 25% this year. We canceled the show in August and are taking a deep dive into fireworks for 2023.
  - -Arts & Culture: **$8,000**
  - -Lebanon Outing Club: **$40,000 (< of 11% from 2022): This might be a clerical error on** Mr. Coats part. He will check to see if this should be increased to $45K.
  - -Greater Lebanon Youth Hockey: **$2,730 (same as 2022)**
  - -Lebanon Youth Baseball: **$1,500 (same as 2022)**

Council Discussions:
Councilor Liot Hill questioned if the salaries are at a rate to hire more people for the pool. Mr. Coats

stated we made sure our rates are going to be very competitive, noting colleagues around the State closed their pools and some had to have waterfronts not guarded. There were a lot of tough decisions made around the State and country, but Lebanon does not face this situation.

E. City of Lebanon 2023 Proposed Operating Budget Link:
2023 Proposed City Budget | Lebanon, NH (lebanonnh.gov)

Meeting Adjourned at 6:56 P.M.

Respectfully submitted,
Dona E. Gibson
Recording Secretary