FINAL

LEBANON CITY COUNCIL
SPECIAL SESSION MINUTES
Wednesday, May 10, 2023, 5:30 p.m.
Council Chambers
Remote Via Microsoft Teams: LebanonNH.gov/Live

MEMBERS PRESENT:	Mayor Tim McNamara, Assistant Mayor Clifton Below, Erling Heistad, Karen Liot Hill (Remote), George Sykes, Douglas Whittlesey, Devin Wilkie, and Karen Zook
MEMBERS ABSENT:	Christian Simon
STAFF PRESENT:	City Manager Shaun Mulholland, Deputy City Manager David Brooks, Deputy City Manager-Public Services Nik Coates, Lebanon Chief of Police Phillip Roberts, Cyber Services Director Perry Eaton, Finance Director Vicki Lee, Deputy Finance Director Alesia Williams, Library Director Sean Fleming

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

2. **PLEDGE OF ALLEGIANCE:** Councilor Whittlesey led the Council in the Pledge.
   - City Manager Shaun Mulholland announced the meeting criteria for the public.
   - Councilor Liot Hill attended remotely via cell phone because she was in the midst of a long commute and got held up by traffic.

3. **SPECIAL MEETING:**

City Manager Mulholland reviewed the background/history for the City's new Strategic Plan process and how it will be used in the budget process, which will work in concert with the City's Master Plan. The focus of the Master Plan is on land use, while the Strategic Plan will focus on the operational issues of the City, as well as other issues outside of the scope of the Master Plan. The genesis of the Strategic Plan comes from the annual Outcomes & Work Plan (OWP), which was a department-focused plan developed by staff on an annual basis. The Strategic Plan is focused on key functional areas of the City government. The City of Lebanon built the Strategic Plan using Miro, a popular collaborative whiteboard tool, which allowed the City to work through its strategic planning process in an open, transparent, collaborative environment.

The objective is to have the Council driving this process. This process also included input from City Boards/Commissions/Committees, City Staff, the public, the Lebanon School Board, and the Lebanon Housing Authority (not able to participate at the time). Comments from the April 25, 2023, and the April 27, 2023, meetings were incorporated into the proposed Strategic Plan. This is also a process that is being pushed by International City/County Management Association (ICMA) across the country.

The most recent Lebanon Strategic Plan can always be viewed by visiting the City's website: LebanonNH.gov/StrategicPlanBoard

At this meeting, Council members will actually vote on the proposed Strategic Plan, which will cover a three (3) year period with the primary focus being 2024 and then 2025/2026. The Strategic Plan is designed to be practical and ***not aspirational***. These are things the City plans to do. It is hoped the Council will be able to approve the Action Items to the Strategic Plan by the end of July. (***Note: Action Items were not included in this presentation***.)

A. **Review and vote to approve the Strategic Plan** ***(Pages 2-12, Council agenda packet), which included the Strategic Objective and Vision Statements for following topics.***

Proposed Strategic Plan Objectives

- High Performing Government
- Housing and Neighborhood
- Financial Stability and Efficiency
- Recreation, Arts, and Parks
- Environment and Sustainability
- Public Safety
- Transportation
- Economic Vitality
- Social Health and Justice
- Public Health

LebanonNH.gov/StrategicPlan

Mayor McNamara pointed out a couple of grammatical changes he wanted made.
Amendments:

1. Under the Recreation, Arts and Parks Vision Statement: The second statement: Change to read: "The City has "recently" created the Arts & Culture Commission.
2. Under Environment & Sustainability Vision Statement/Energy Section: The previous sentence starts with "This includes a shift to the use of electric power vehicles and electric power building heating sources…: Add: "and a shift to energy produced by solar, landfill gas, and other renewable sources."

Mayor McNamara opened the floor to the public for their comments: No one came forth, either in person or virtually.

Councilor Heistad MOVED to adopt the City of Lebanon's Strategic Plan Objectives as currently proposed, with the amendments above, and as presented on pages 2-12 in the May 10, 2023, Council agenda packet.
Seconded by Councilor Whittlesey.

Roll Call Vote:
Assistant Mayor Below, and Councilors Heistad, Liot Hill, Sykes, Whittlesey, Wilkie, Zook and Mayor McNamara all voting Yea.
None voted Nay.
Absent from vote: Councilor Simon.

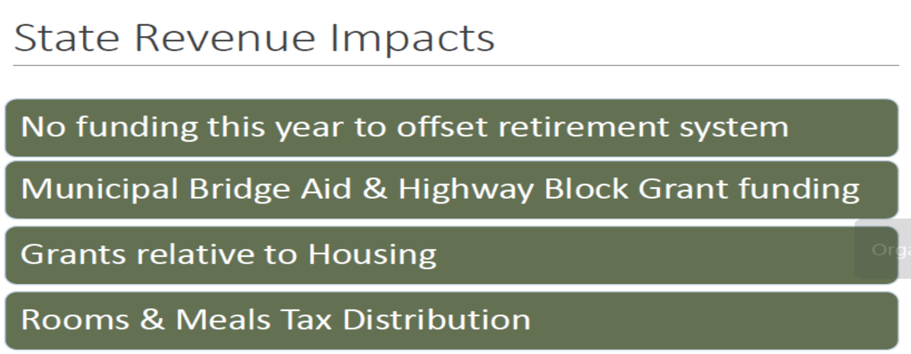
****The Vote on the MOTION was approved by those present (8-0)***

B. **Presentation of 2024 Financial Outlook** ***(For complete budget details, please refer to pages 13-43, Council agenda packet.)***

City Manager Shaun Mulholland reviewed and explained the 2024 Financial Outlook for the City of Lebanon as listed below. ***(Please note: Not all Charts listed in the May 10, 2023 Council agenda packet are listed below, but the page #'s where these Chart can be located have been included.)***

- **Consumer Price Index Chart:** ***Page 14, Council agenda packet.***
- **Municipal Cost Index Chart:** ***Page 15, Council agenda packet.***

For property taxes this year, we estimate a +/- 4.3% increase in new inventory, so the growth in the tax base is lower than projected; Motor Vehicle (MV) Registration fees are down a little; Rooms & Meals Tax will probably be about the same; Development Fees are still strong for now, although construction seems to be slowing in the City due to the cost of capital and construction.

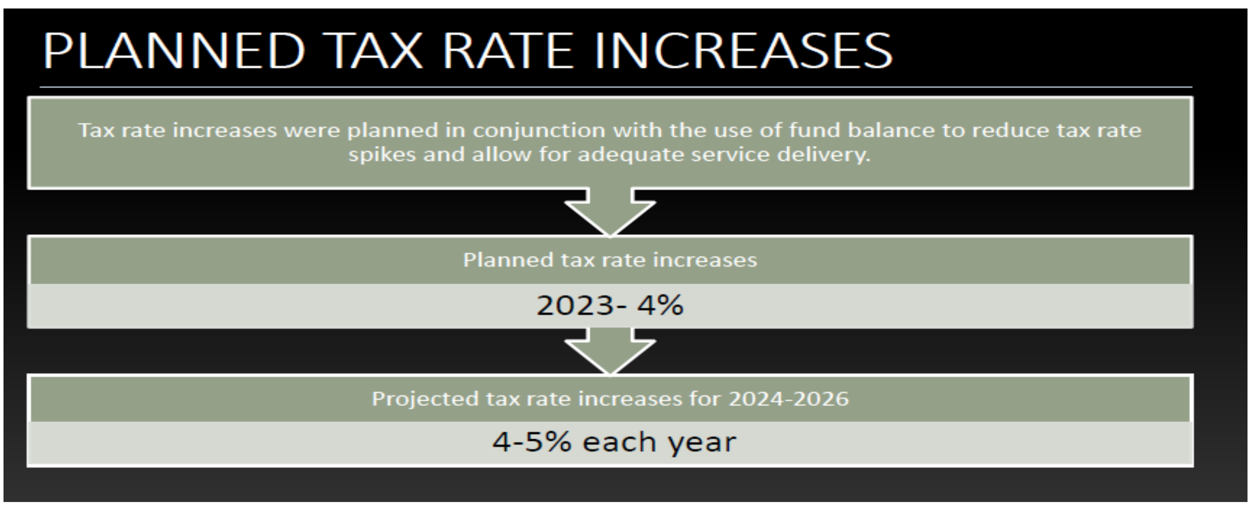


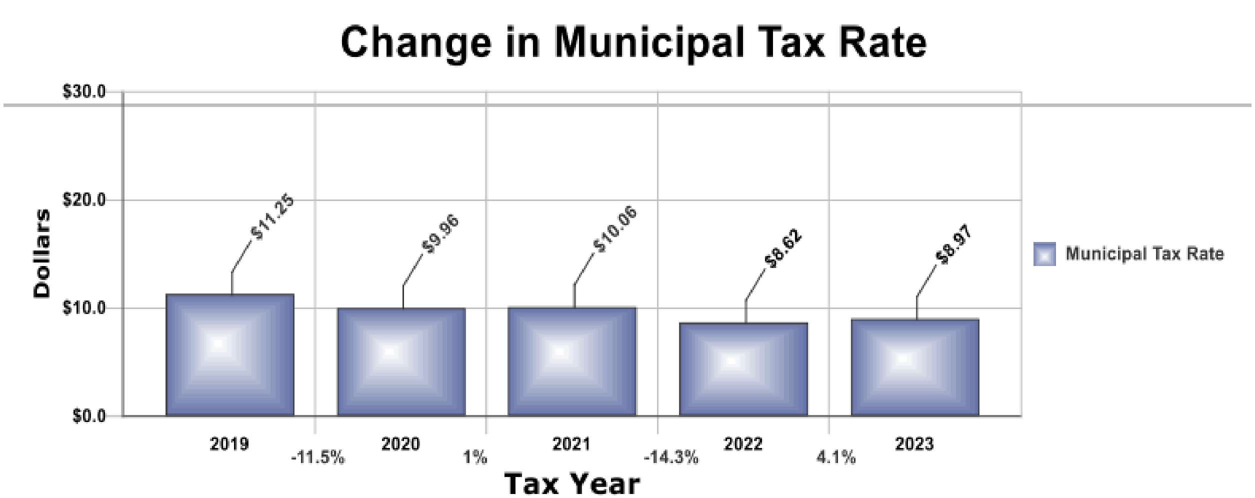
The NH State Budget has not passed yet, so it is uncertain how much funding the City will receive from State Revenues.

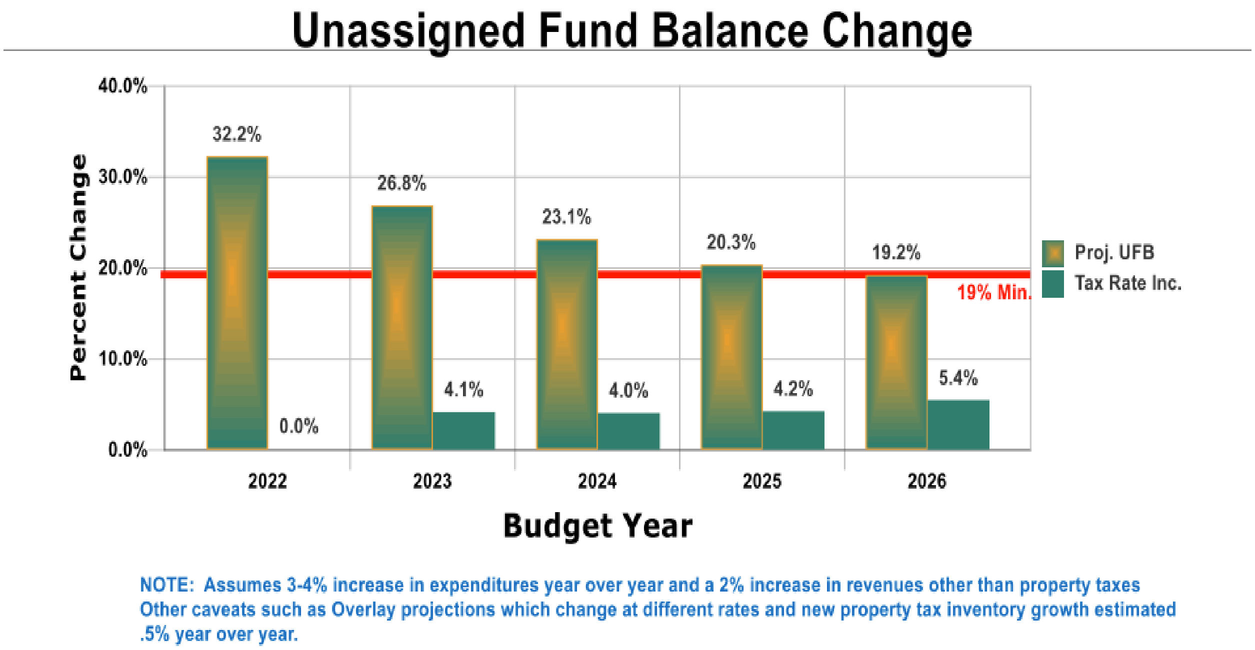
Challenges

- CIP Projects stacking up = Debt Service spike scenarios
- Return of Airport Fund subsidy = draw on the general fund
- Unassigned Fund Balance diminishing = Reduces ability to hedge the tax rate
- Competitive Labor Markets = Upward pressure on salaries
- Tax base growth slowing as construction slows = limits spread of cost on tax base
- Roadway/Infrastructure maintenance backlog growing worse

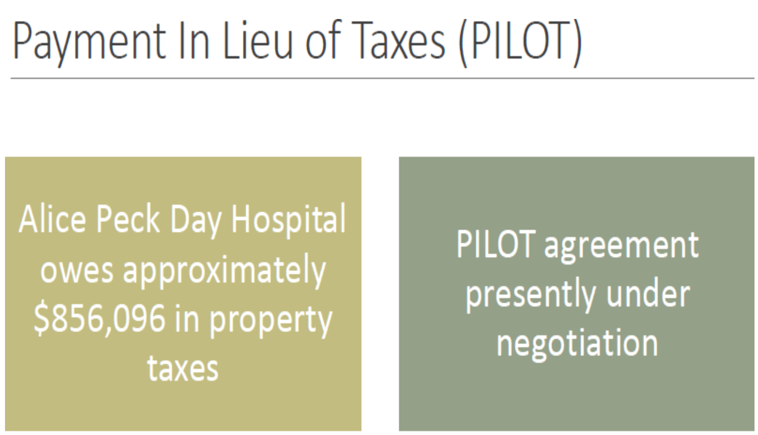
For Roadway/Infrastructure: The City has been spending $500K/year for years and the cost of construction has gone up considerably. In the last couple of years, we used what was left over in the budget to do roadwork to improve the situation. If we continue to just spend $500K/year, we will be looking at more repairs and budget challenges in the future.







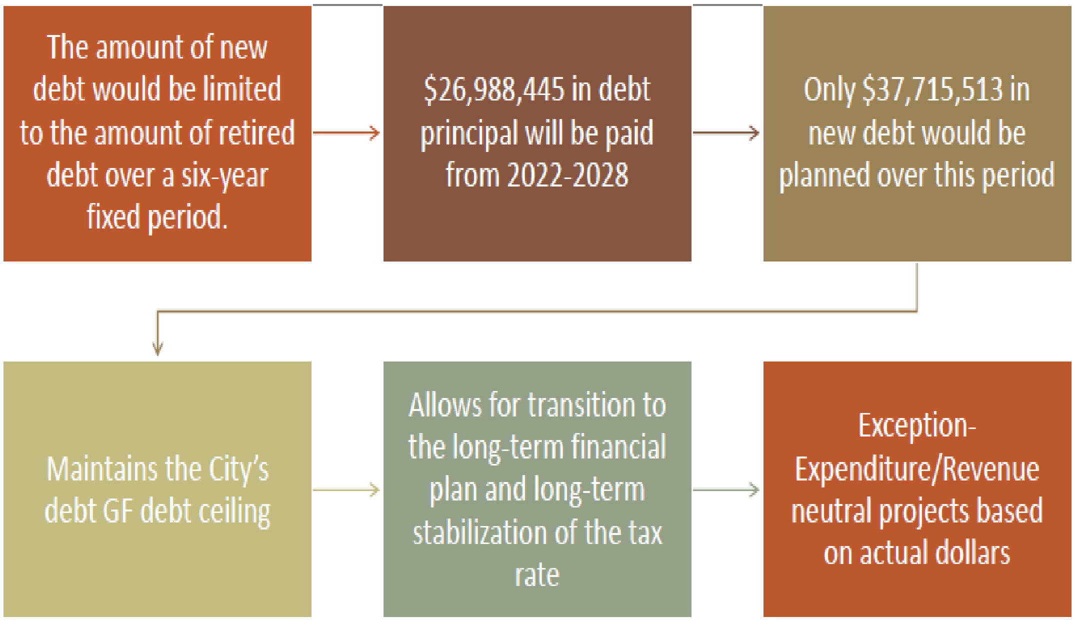
The slide above is the most important one to pay attention to because the Unassigned Fund Balance is where the concern is. We are presently at 32.2% (2022) and are expecting it to drop down to 26.8% this year (2023) even when a small amount of the Unassigned Fund Balance is used. We expected to have $650K from the 2022 budget that would go into the Unassigned Fund Balance but instead we have about $17K. The Unassigned Fund Balance is being depleted faster than we can replenish it. In 2025 (it could be earlier), we will be at the bare minimum for our Unassigned Fund Balance, which means there is less to offset the Tax Rate so the Tax Rate will go up even higher.



Alice Peck Day has paid their 2022 taxes but has not paid the 2021 tax. We have been in discussion with them and are cautiously optimistic they will take care of this issue.

Water/Sewer Rate Increases Chart: ***Page 23, Council agenda packet.***

Limitation of Future Capital Projects
General Fund



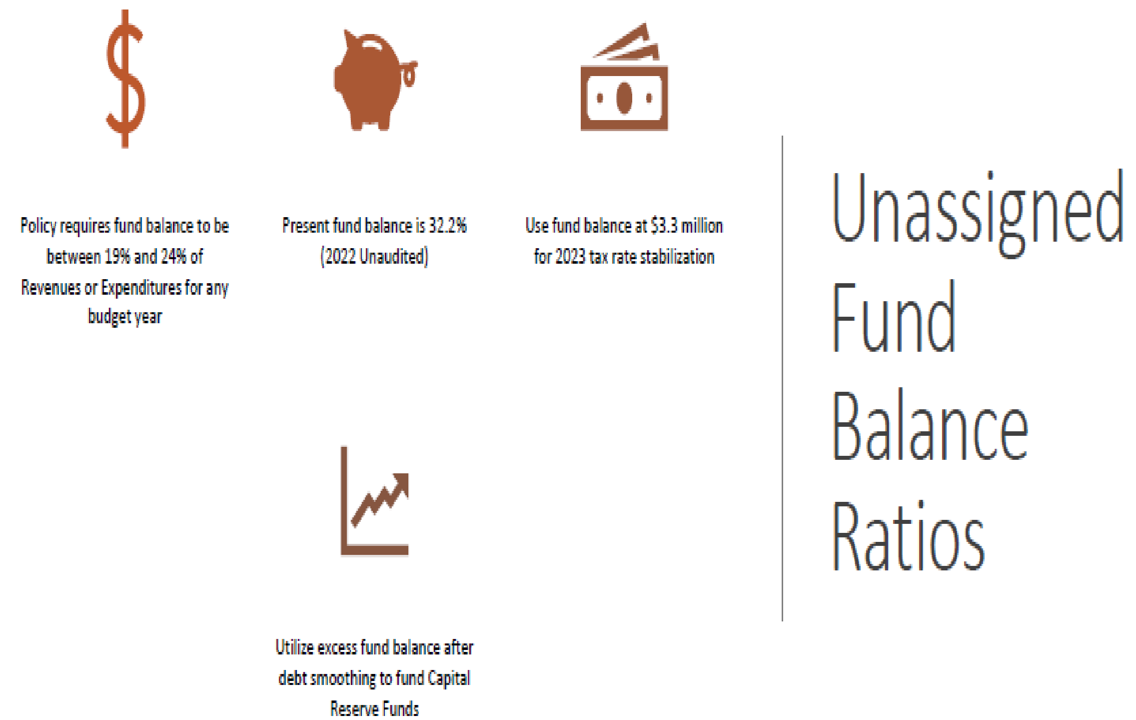
Impacts on CIP

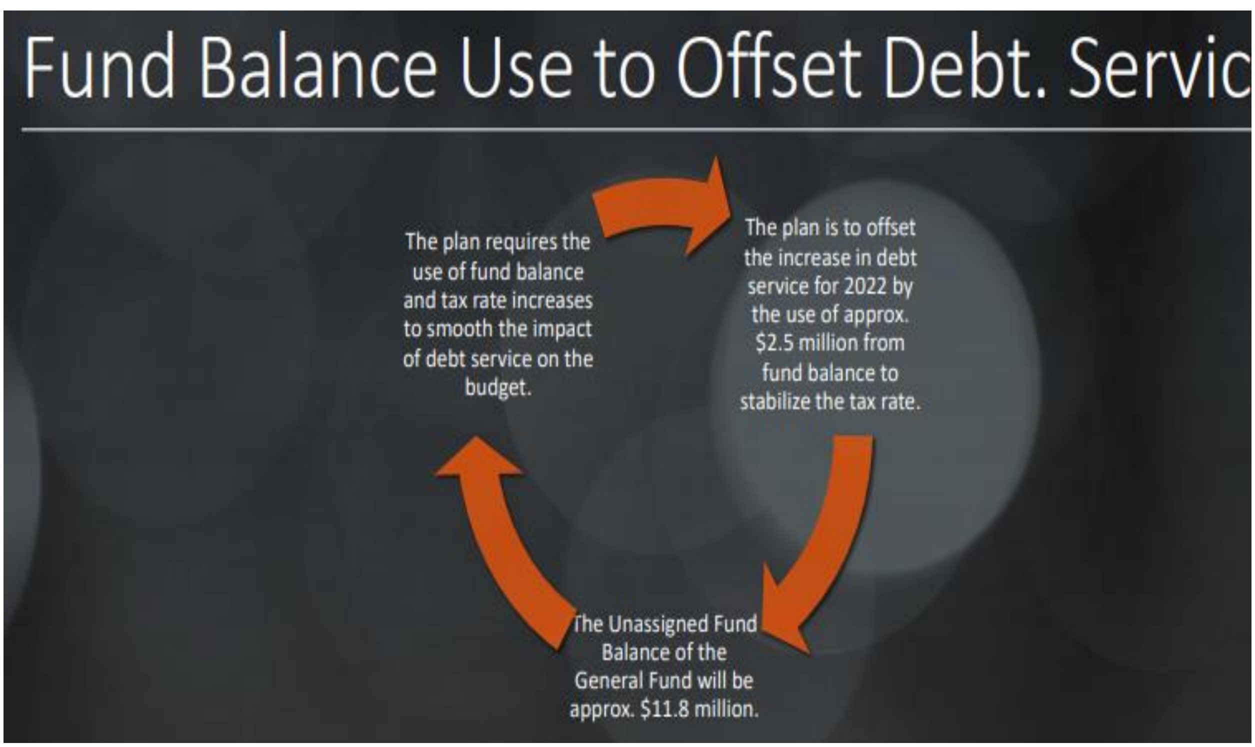
Projects have been backed up due to the impact of the CSO

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





This will continue to be a problem because we will have less money to do this fund.

Long Term Financial Plan

Reduce or eliminate	Reduce or eliminate the use of fund balance to offset the tax rate.
Utilize	Utilize the Unassigned Fund Balance to offset the cost of Capital Projects • Pay as you go- using cash to pay for projects/equipment • Capital Reserve Funds
Eliminate	Eliminate the use of the UFB to subsidize the cost of operating expenses

Uncollected Property Tax Chart: ***Page 29 , Council agenda packet.***

<u>GENERAL FUND</u>: ***Pages 31-32, Council agenda packet.***
- General Fund Debt Service Chart
- MV Collection Rates Chart

<u>SEWER FUND</u>: ***Pages 32-53, Council agenda packet.***
- Sewer Fund Debt Service Chart
- State Aid Grants-Waste Water Projects Chart

<u>WASTEWATER FUND</u>: ***Page 37, Council agenda packet.***
- Water Fund Debt Service Chart: This will change dramatically when the additional well is added and when we look at the distribution system costs. Our policy on water rates will probably have to change once the cost for the distribution system is known.

<u>SOLID WASTE FUND</u>: ***Page 39, Council agenda packet.***
- Solid Waste Fund Debt Service Chart: It is uncertain what the cost will be for the PFAS issue but it will cost something at some point in time.

<u>AIRPORT</u>:

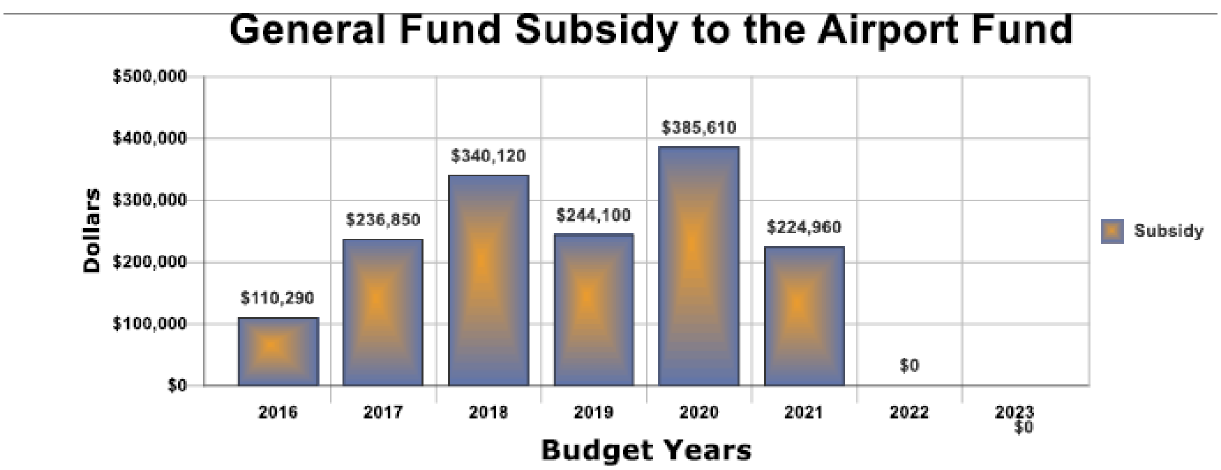
Airport COVID Related Grants

Grant Name	Grant Number	Award Year	Amount	Drawdown	Remaining
CARES Act	63	2020	$1,060,370	$1,060,370	$0
ACRGP (Airport Coronavirus Response Grant Program	67	2021	$1,003,536	$1,003,536	$0
ACRGP Concession Relief	68	2021	$2,220	$2,220	$0
ARPA (Airport Rescue Grant)	69	2022	$1,051,081	$353,239	$697,842

Sooner or later the money from these grants will be running out.

Airport Fund Debt Service Grant Chart: ***Page 42, Council agenda packet.***

General Fund Subsidy to the Airport Chart: ***Page 43, Council agenda packet.***



C. Input from City Council: 2024 Budget Process

Mayor McNamara noted that for the next two years we cannot anticipate a lot of additional revenue. He thought the boom in construction projects over the last several years has slowed down because of the increase in construction costs. Those extra revenues we have seen, in terms of development fees and property taxes, are not likely to continue. He was looking at the 4-5% increases in the Tax Rate over the next several years and noted we need to really look at is:

- Where we can cut;
- How do we make the best utilization of funds;
- What are the basic services we need/want to provide; and

- What is reasonable in terms of tax increases?

This past spring, the Elderly Exemption was increased, and we may need to do this again. We are still seeing a lot of people on fixed incomes, or nearly fixed incomes, who probably cannot tolerate a 4-5% increase in the Tax Rate over multiple years and was concerned about the population who are very sensitive to even a 1% increase.

Councilor Whittlesey concurred with Mayor McNamara's comments, noting the City is going to get squeezed from inflation and limited revenue growth. He added to the Mayor's comments by stating it is not just what services we provide but also the level of services we will be able to provide and spoke about his reasons. The Council should start looking out several years in advance.

Mayor McNamara agreed with Councilor Whittlesey, noting the Council should look at the budget issues with a multi-year focus.

Councilor Sykes asked the Council to be mindful of, as discussions continue, the City Manager and the Department Heads who will present a budget to us and if there are hard decisions to be made, we, as the Council, should be making them.

Councilor Heistad noted that as we think about the budget, it is one thing to see a single year increase of 4-5%, but it is another thing to see a 4-5% increase that goes over 4-5 years. Then, you are looking at 20% rather than 4-5%. We really need to keep the budget in perspective as it would put a lot of people in a lot of (financial) trouble and wanted to make sure the Council does not push the budget up any more than it has to be.

Mayor McNamara never thought there would be a silver lining with COVID, but felt the influx in federal COVID funds that we were able to take advantage of in the last couple of years has helped the City keep our property tax collections up and able to subsidize things like the Airport and do some capital projects. He spoke about the (tax) disparity across the State and noted it is unlikely that a wholesale change in the NH tax system will be coming over the next several years.

Councilor Liot Hill was no longer able to participate in this meeting.

4. ADJOURNMENT:

Councilor Whittlesey MOVED for adjournment.
Seconded by Councilor Heistad.

****The Vote on the MOTION was unanimously approved by those present (7-0).***

The meeting was adjourned at 6:16 PM.

Respectfully submitted,
Dona E. Gibson
Recording Secretary