FINAL

LEBANON CITY COUNCIL
SPECIAL SESSION MINUTES
Wednesday, May 8, 2024 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, Christian Simon, Douglas Whittlesey, Devin Wilkie, and Karen Zook

MEMBERS ABSENT: Councilor George Sykes

STAFF PRESENT: City Manager Shaun Mulholland, Deputy City Manager David Brooks, City Clerk/Tax Collector Jaseya Ewing, Deputy City Clerk Kara Tracy, Deputy Tax Collector Diane Mulholland, Deputy City Manager of Special Projects Paula Maville, Public Works Assistant Director Rick Brown, Public Works Director Jay Cairelli, Recreation, Arts & Parks Director Paul Coats, Director of Planning & Development Nathan Reichert, Deputy Director of Planning & Development Tim Corwin, DPW Administrative Services Manager Kelly Crate, Cyber Services Director Perry Eaton, Libraries Director Sean Fleming, Human Services Director Lynne Goodwin, Airport Director Carl Gross, HR Director Samantha Lauzon, Finance Director Vicki Lee, Deputy Finance Director Alesia Williams, Fire Chief/Emergency Management Director Jim Wheatley, Assistant Fire Chief Jeff Libbey, Police Chief Phillip Roberts, Chief Innovation Officer Melanie McDonough,

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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.
   - Councilor Zook was attending the meeting remotely because she was ill.

2. **PLEDGE OF ALLEGIANCE:** Councilor Simon led the Council in the Pledge.

3. **Special Meeting**

   A. Review and vote to approve the Strategic Plan **(Note: The completed Strategic Plan can be found on pages 1-144, Council agenda packet. All suggested changes by the Council at a previous meeting have been incorporated into the Strategic Plan)**

Statement from the City Manager

Shaun Mulholland

> The City's Strategic Plan details the Council's goals and priorities. The plan brings together the collective efforts of our elected officials, City staff, and volunteer board members to implement the public policy we seek to achieve.

Your Lebanon City Council

This Strategic Plan is endorsed and overseen by your elected City Councilors, serving as a testament to our collective commitment to Lebanon's future.

Timothy J. McNamara
MAYOR-COUNCILOR AT-LARGE

Clifton Below
ASSISTANT MAYOR-WARD 3

Douglas Whittlesey
COUNCILOR-WARD 1

Chris Simon
COUNCILOR-WARD 1

Devin R. Wilkie
COUNCILOR-WARD 2

George Sykes
COUNCILOR-WARD 2

Karen Zook
COUNCILOR-WARD 3

Erling Heistad
COUNCILOR - AT-LARGE

Karen Liot Hill
COUNCILOR - AT-LARGE

Land Acknowledgement

"Every community owes its existence and vitality to generations from around the world who contributed their hopes, dreams, and energy to making the history that led to this moment. Some were brought here or removed against their will, some were drawn to leave their distant homes in the hope of a better life, and some have lived on this land for more generations than can be counted.

The City of Lebanon is situated upon ancestral and unceded lands of the Abenaki people, known as the Alnôbak in their own language. The land, known as Koas (place of the Pines), sits within the greater ancestral territory of the Abenaki and Wabanaki homeland, called Ndakinna. This acknowledgment reminds us of the significance of place, the continued existence of Abenaki people, and our commitment to building respectful relationships with those who call these lands home today."

This land acknowledgment statement was developed In consultation with a local Abenaki chief and the Lebanon Diversity, Equity, and Inclusion Commission.

How we got here.

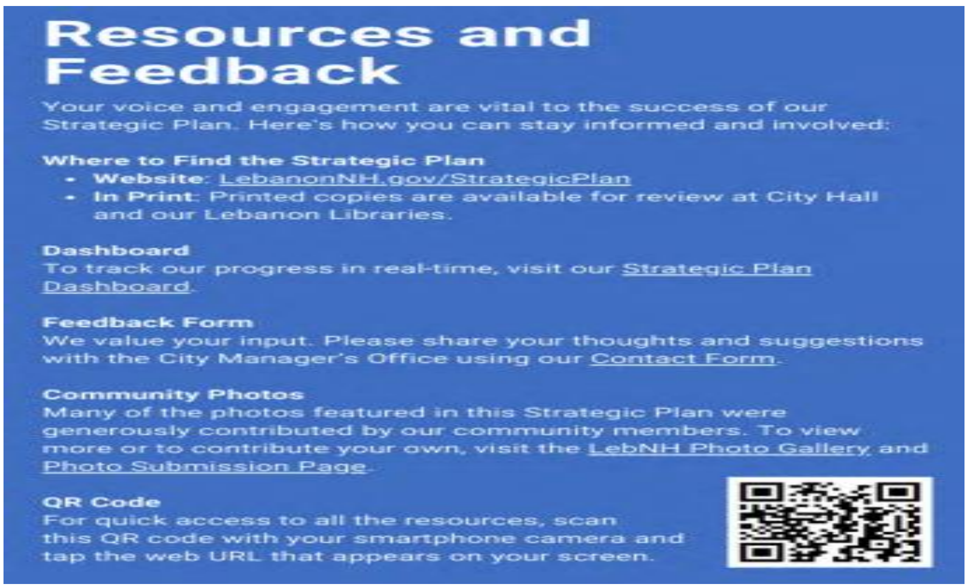
The genesis of the Strategic Plan lies in its department-focused annual Outcomes and Work Plan, and its Master Plan. Recognizing the need for a broader vision, City Manager Shaun Mulholland initiated brainstorming sessions in 2022 to transform the work plan into a comprehensive strategic plan. This endeavor, deeply collaborative in nature, involved extensive consultations with city departments, boards, and community stakeholders. With the City Council's endorsement in January 2023, the plan moved to a public feedback phase, ensuring our community's voice is integral to the plan's finalization. This Strategic Plan, now set to guide our city's operational and budgetary directions for the next three years, represents our collective commitment to Lebanon's progressive future.

Where we are going.

As we look to the next three years, the Strategic Plan charts a clear course for Lebanon's continued vitality and prosperity. Building on the insights and feedback from our community, we've identified ten functional areas, each with its own objectives, vision statements, and key performance indicators (KPIs).

These areas reflect the city's immediate priorities and our long-term aspirations. Each strategic objective area identifies the city departments, boards, and partners responsible for bringing these visions to life. With action items and timelines set for the next three years, we are poised to make tangible progress in each area. Furthermore, our commitment to transparency ensures that our community can track these advancements in real-time, fostering a sense of collective ownership and accountability.

As we move forward, the Strategic Plan serves as both our compass and roadmap, ensuring that every step we take aligns with our shared vision for Lebanon's bright and promising future.



Council/Staff Comments: None. Discussed at length at previous Council meetings.

Councilor Whittlesey MOVED *that the City Council approve the Strategic Plan and Objectives for 2025-2028.*
Seconded by Councilor Wilkie

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

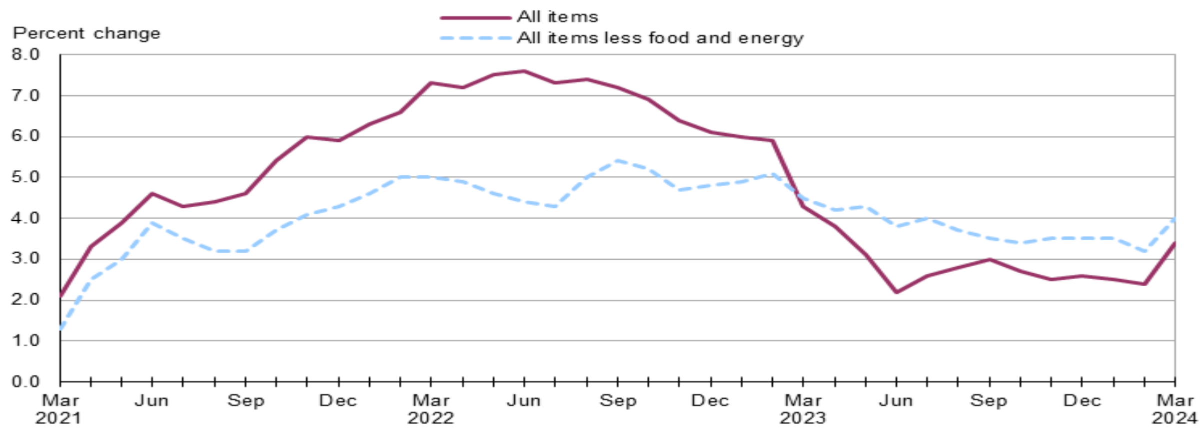
****The Vote on the Motion was approved by members present (8-0)***

B. Presentation of 2025 Financial Outlook (Note: The complete 2025 Financial Outlook presentation can be found on pages 142-176, Council agenda packet.)

City Manager Mulholland reviewed the in-depth 2025 Financial Outlook and highlighted the following:

Consumer Price Index - 3.4% Mar23-24

Chart 1. Over-the-year percent change in CPI-U, Northeast region, March 2021–March 2024



Source: U.S. Bureau of Labor Statistics.

Several reports show consumer confidence in the month of April 2024 went down considerably.

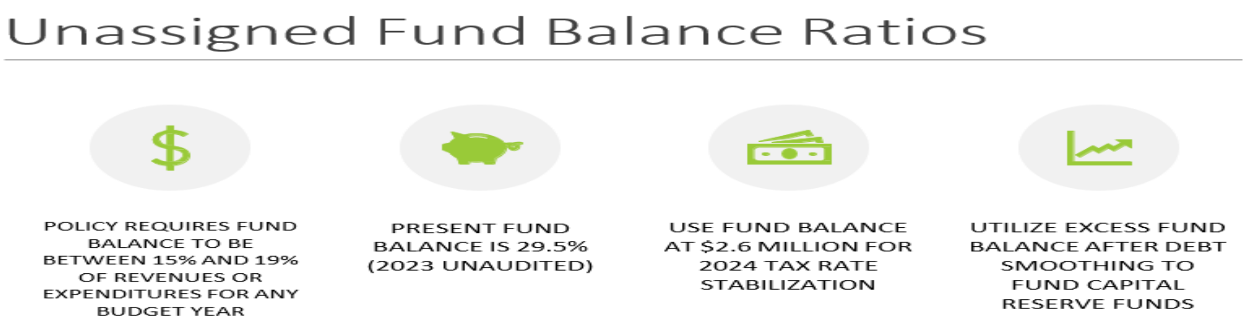
Please note that the Sewer/Water system and Landfill are not paid by property taxes. They are paid for solely by user fees.

- There will be no Municipal Bridge & Highway grant funding from the State of NH.
- There are additional grant funds remaining for housing. We are already getting aid from the State for housing to deal with the housing situation in the State.

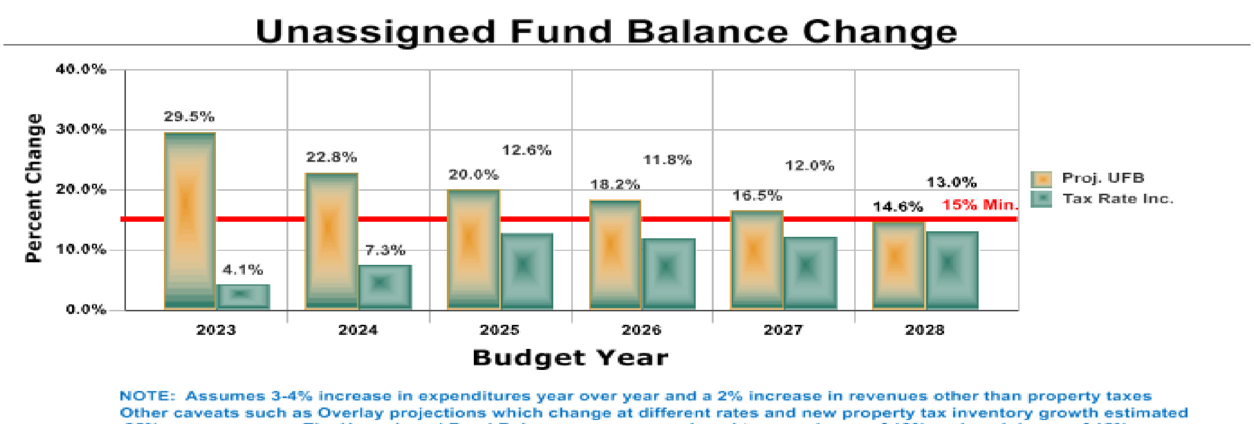
- For Tax Base growth we have been projecting a 2.5% increase. Unfortunately, we will actually be in the negative numbers this year primarily because Alice Peck Day came off the tax rolls and are paying a Pilot Agreement. As a result, we are now looking at a negative reduction in the tax base of about .21%. That will not be finalized until the fall, but this will be a $5M hit in the tax base.
- For Roadway/Infrastructure: The things we do and fail to do will impact us in the future (i.e., if we continue to stay at the same flat funding rate for a roadway, it will take us 200 years before we get back to that same road. That will lead to more roads needing reconstruction.) We are not spending any money this year to maintain roads. This is perhaps one of the biggest challenges the City faces: the deterioration of the infrastructure and the ability to deal with this in the long-term.

Assistant Mayor Below questioned if this was an endemic problem throughout the State/Region because of the rising costs in asphalt prices; labor costs, etc.

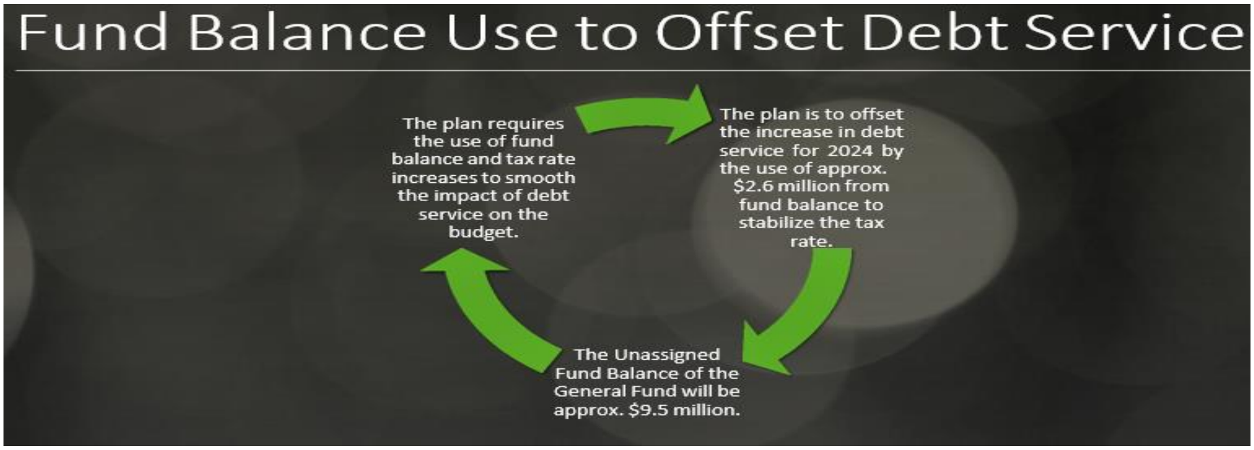
City Manager Mulholland noted that Claremont, NH spends more than Lebanon, noting we are way behind most other communities. We spent vast amounts on the CSO Projects, which included roadwork, but that is not the same as spending on roadway preservation. There will be long-term consequences that will balloon if we cannot turn this around. There will be no funds coming from the State/Federal Governments. Currently the City is spending $550K/yr. and it would take $1.5 million/yr. to get us to where we need to be and was uncertain where the funds would come from. When we make the budget presentation, there will be a lot of focus on roadways/sidewalks/guard rails/drainage systems.

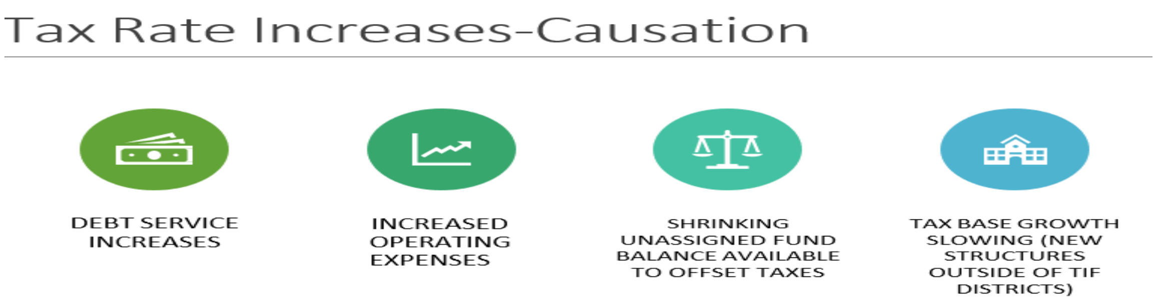


- Our ability to borrow, except for the exceptions in the policy, do not allow the City to do this any longer, so we have to pay for City vehicles with cash. The plan is to transfer Unassigned Fund Balance funds to Capital Reserve Funds to be able to pay for those vehicles.

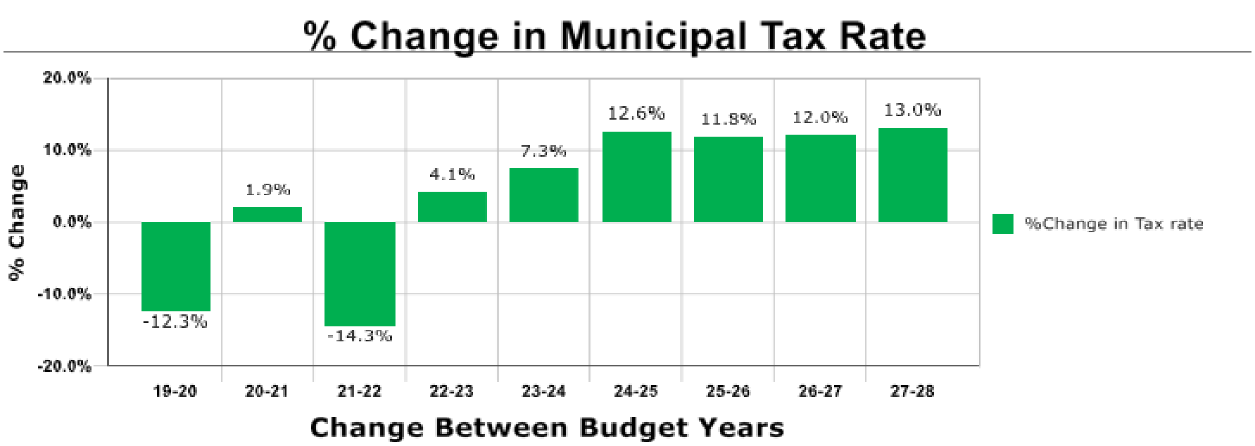


- By 2028 funds used from the City's Unassigned Fund Balance to offset the taxes will no longer be available. The City would need to spend about $1.8M to keep the 13.0% tax rate increase in 2028. Based on present projections, City Manager Mulholland hoped this makes the picture clear what the situation is that the City is facing.





This is unprecedented. In the past, the tax rate increases were fairly small (2.5%/yr.) and generally below that of which the economy was growing. Now tax rate increases will be significantly above 2.5%.



NOTE: The 2024-2025 and through 2028 are projections based upon a set of variable assumptions. The reductions between 2019-2020 and 2021-2022 are a result of the revaluation of properties. Without the revaluations the actual percentage of increase would have been approximately 2.5% each year. A revaluation of properties is scheduled for 2025 which will skew the rate.

- The projected tax rate change is pretty stark and the City Manager explained his reasons for this, noting that between 2022-2023 we were looking at a 4.1% increase. The tax rate increase for 2024 was 4.6% and now it stands at 8.1% (this may be too low). We are projecting that in October of 2024 the tax bills going out could possibly be an 8.2% to 8.3% increase. The School District's tax rate increase is $1.45 (base on the 2023 tax base). We do not know what the county's tax rate will be because they have not finalized their budget yet. In 2025, we are looking at a possible 12.6% increase in the tax rate. We are doing revaluations (in 2025) and suspect more of the burden will be pushed to the residential property owners because of the red-hot market for residential properties (i.e., properties will be valued more, which means they will have more of the tax burden). The 12.6% increase for 2024-2025 is the City's portion **and does not include** the School District and county's budgets.

STRATEGIES-TAX RATE IMPACTS

STRATEGIES	POTENTIAL IMPACTS
Maintain debt ceiling policy	Adds to CIP list & fails to address issues
Reduce operational spending	Reductions in service delivery
Limit tax credits & exemptions	Short term impact vs. long term benefit
Limit growth of TIF Districts	Short term impact vs. long term benefit
Utilize PAYGO & Capital Reserve Funds	Negatively impacts UFB & increases budget costs in the short term

Assistant Mayor Below spoke about his reasons regarding whether we should maintain the debt ceiling policy, noting an option would be to adjust our debt ceiling and capitalize items that can be appropriately considered capital items.

City Manager Mulholland noted Lebanon is at the top of the list for NH Municipal Bonds. In our policy, there will still be a lot of debt financing because we have a few exceptions, so even though the ceiling is in effect this will not stop the borrowing and it is up to the Council to decide what level is appropriate. For vehicles we paid 5.5% for short-term loans, so it makes sense to pay for these in cash. He spoke about the reasons why there are things we should pay cash for and things we should not borrow for.

Councilor Liot Hill was uncertain how limiting the TIF Districts would lower the tax rate projections if the development that is going on in those TIF Districts is development that otherwise would not be happening. She wanted to know the costs/benefits of limiting the TIF Districts; what is palatable to the Council; what are the things we think are appropriate to ask the taxpayers to make sacrifices for; and what are the places we are going to have to look at making sacrifices ourselves?

City Manager Mulholland spoke about the last revaluation noting there was no new building in the Downtown area, but the tax base grew by 22%. Now, 22% goes into the TIF District that should have gone into the General Fund. That is robbing the fund for the School District, the county, and certainly the General Fund of the City.

Councilor Liot Hill suggested limited growth of TIF Districts should be limited to a timeframe (i.e., until the revaluation is completed). She agreed with City Manager Mulholland that there is a problem in the way TIF Districts are executed, but that does not mean TIF Districts are the problem.

Councilor Whittlesey agreed that the Downtown TIF District has a problem, but we have to be very careful about how we approach this because we want to make sure the TIF District is paying for itself and explained his reasons. In terms of borrowing, being strategic is more important. We should use cash in high rate environments and use borrowing in low rate environments and explained his reasons. Part of the reason we are in the situation we are in now is because we did not have a strategic borrowing plan to pay for the CSO Projects and are seeing the effects in our budgets right now. If we continue to borrow in higher rate environments, like now, we have to be very careful about what we borrow on because 10/20/30 years down the line we will still be kicking the can down the road.

Assistant Mayor Below noted another strategy would be to reduce the rate for the Downtown District, or eliminate it, because it would put a lot more funds back into the tax base and further explained his reasons.

Mayor McNamara noted that $600K/$700K is going into the TIF District every year and these funds are not being spent.

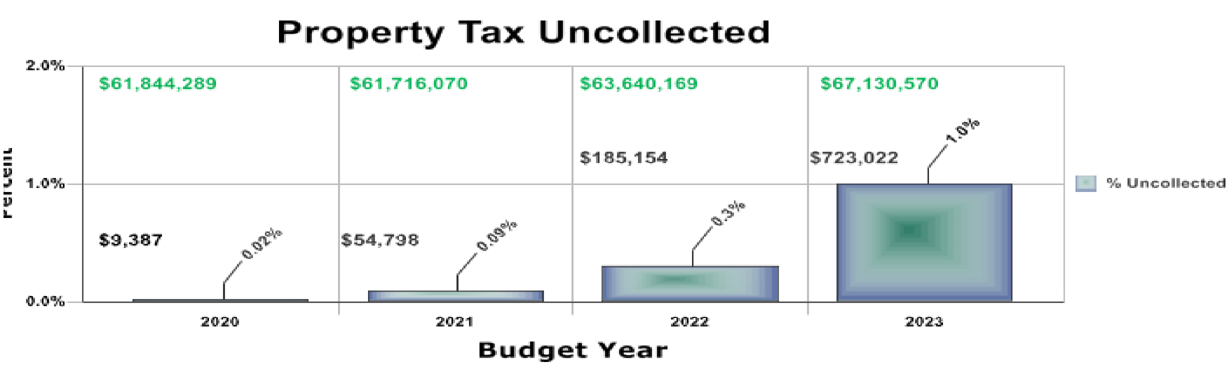
The Council discussed the potential of repealing and creating a new Lebanon Downtown TIF District; what would be the tax base without the TIF District; what the short term gain would be vs. the long term growth for the TIF District; and, potentially taking those funds ($600K/$700K) and transferring them to either the School or the City's General Fund.

Long Term Financial Plan

Reduce or eliminate
Reduce or eliminate the use of fund balance to offset the tax rate.

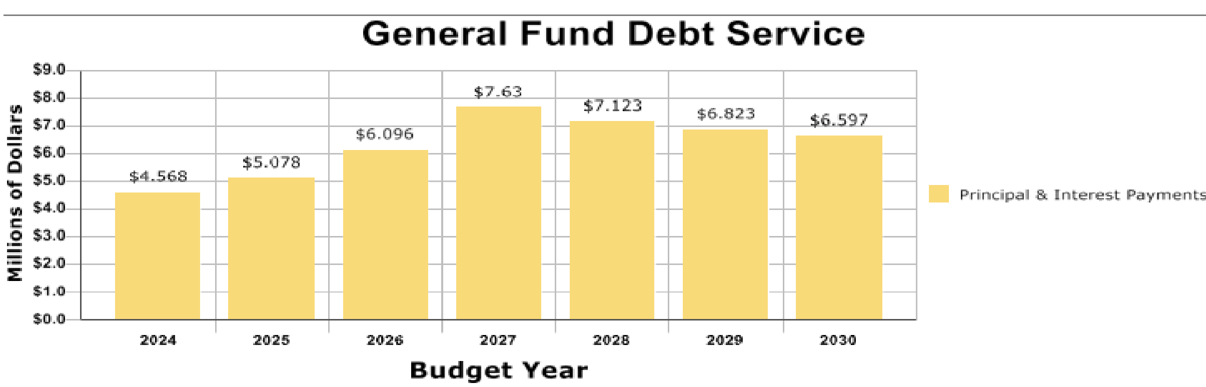
Utilize
Utilize the Unassigned Fund Balance to offset the cost of Capital Projects
- Pay as you go- using cash to pay for projects/equipment
- Capital Reserve Funds

Eliminate
Eliminate the use of the UFB to subsidize the cost of operating expenses



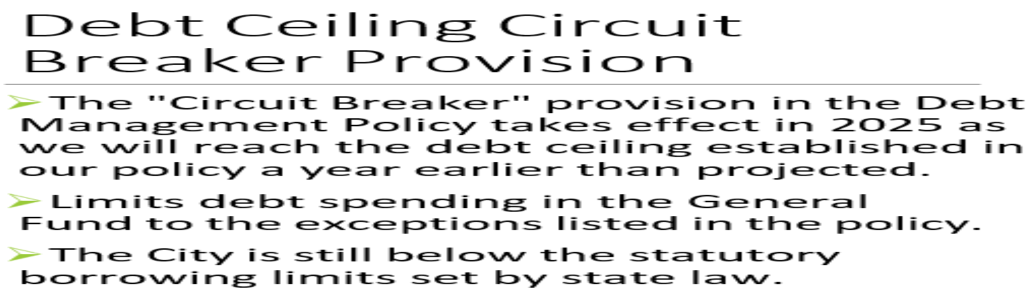
Total Amount of Property Tax Warrant (City, Local School, State School, County combined levy)

- As shown above, the City has very little uncollected property taxes.

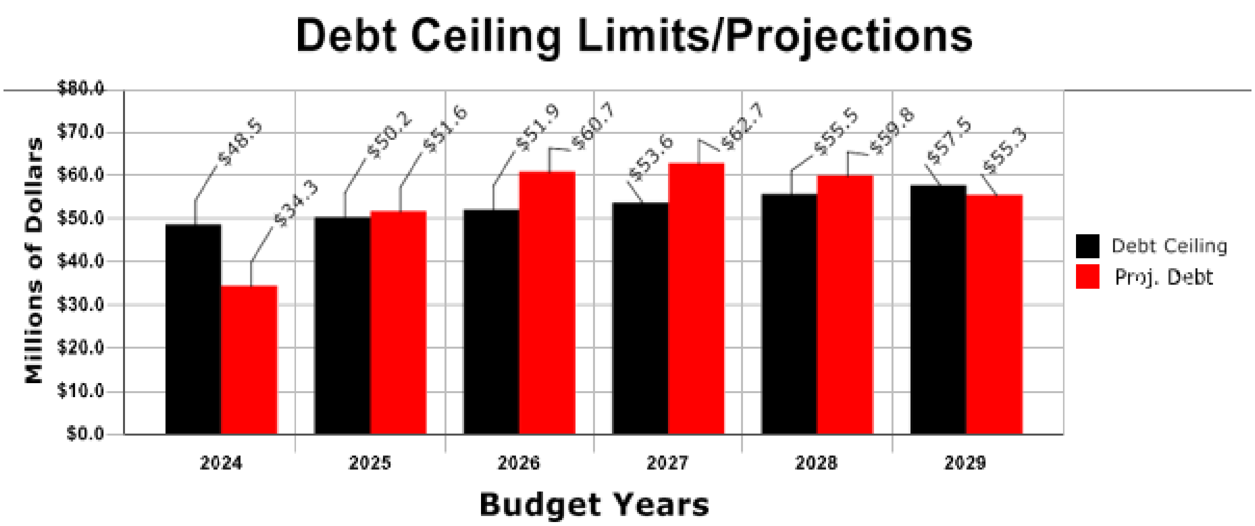


- The spikes in Debt Service have a direct impact on the budget. We will be going up $1.6M in

2027 (as compared to 2026). Most of these are 20/yr. bonds. If the interest rates go down, we can sell those bonds and receive the benefits of that.

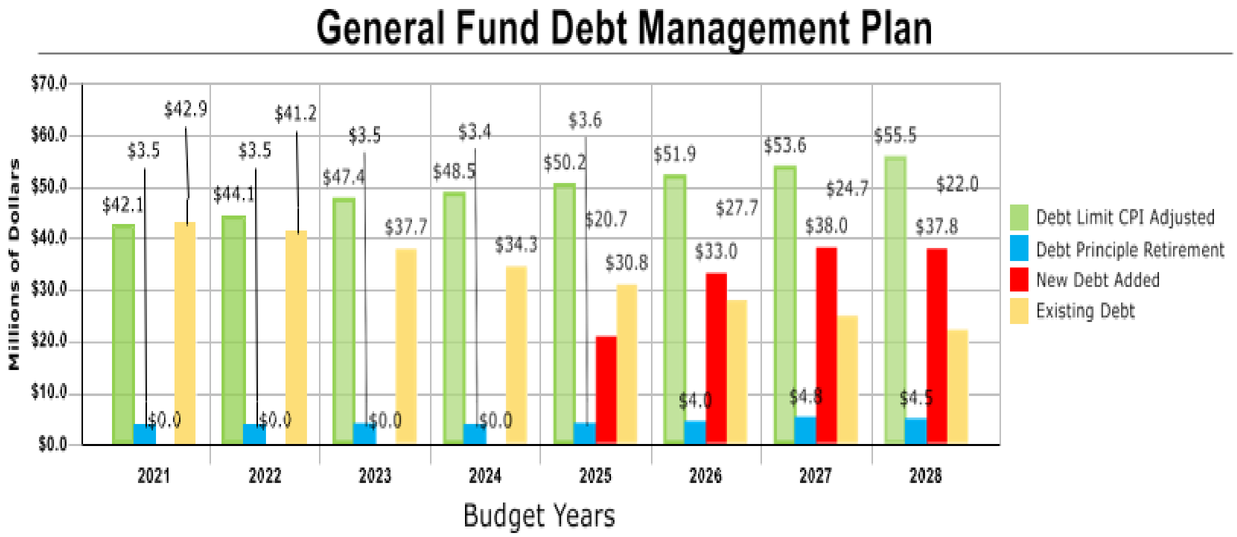


The Council discussed the increase in construction costs; job migrations to Lebanon (i.e., are they doctors or construction workers); should they be re-evaluating some of the CIP Projects that have been approved if costs are different than what they have been approved for; should the Council be looking at postponing the construction of the Fire Station for a year; the Safer Grant for firefighters; since the Fire Station sits in the TIF District, why not start spending all the funds (designated to the TIF District) to cover Fire Station Debt; if the TIF District funds are to be used for public infrastructure, it may be worth the money paid to lawyers to evaluate whether or not it would be applicable under the NH rules; being very careful on how TIF District funds are used and the unintended consequences from the State if they feel funds are potentially being used to abuse the tools that are given to us.



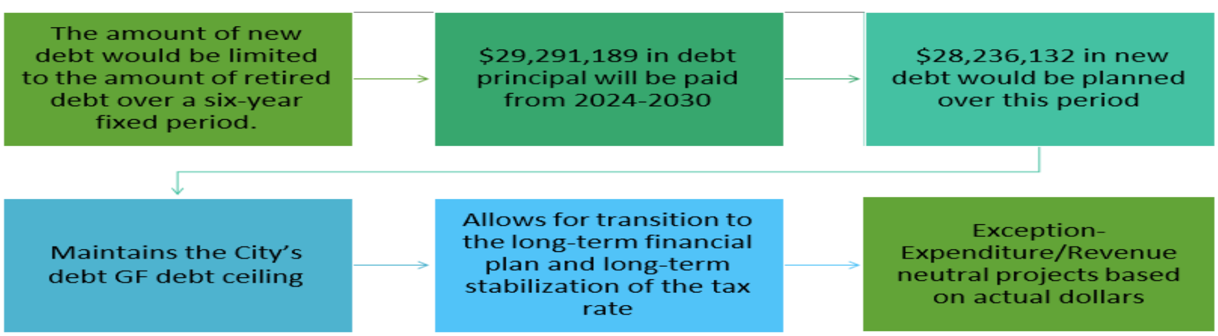
NOTE: Present projections show that the debt ceiling will be exceeded from 2025-2028. This will limit debt financing during this period to those exceptions in the debt management policy. The debt ceiling is calculated based upon an assumption of CPI growth of 3.4% year over year. The projected debt is calculations are based upon existing approved but not completed projects and projected new projects in the 2024-2029 CIP for the General Fund.

- Limits are in black column



*NOTE: The Debt Limit CPI Adjusted will be adjusted by the actual average CPI ending on June 30th of each year with a 12 month look back. This chart uses a CPI of 3.4% for 2025 and an average CPI of 3.4% for the subsequent years. The debt ceiling will exceed the limits starting in 2025 (add existing debt with new debt).

Limitation of Future Capital Projects
General Fund



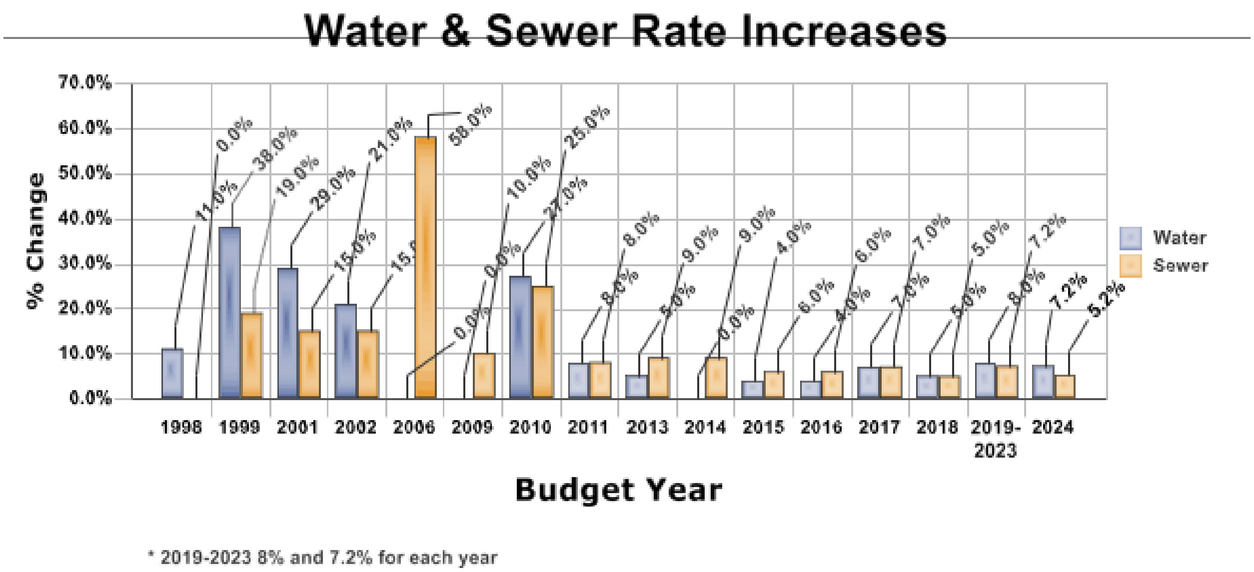
Impacts on CIP

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

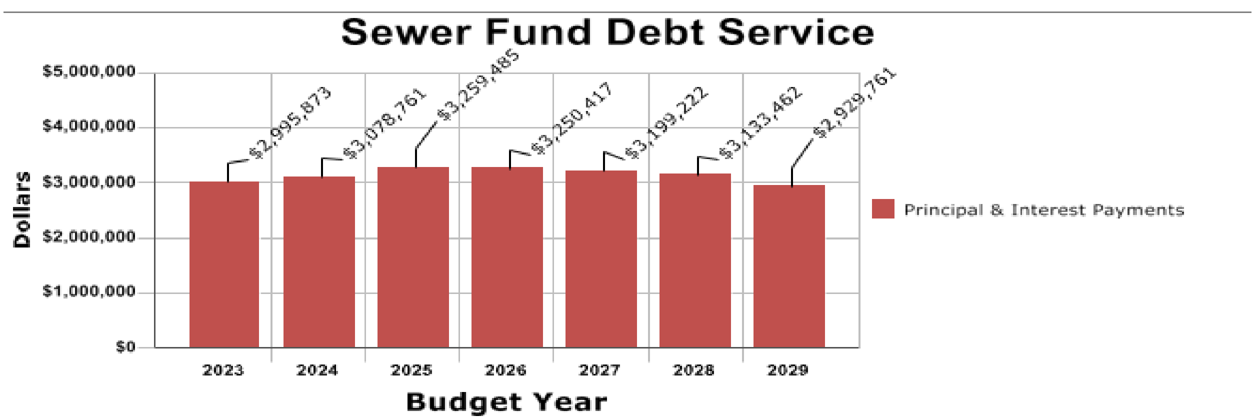
Could result in higher long-term costs and negative service delivery impacts

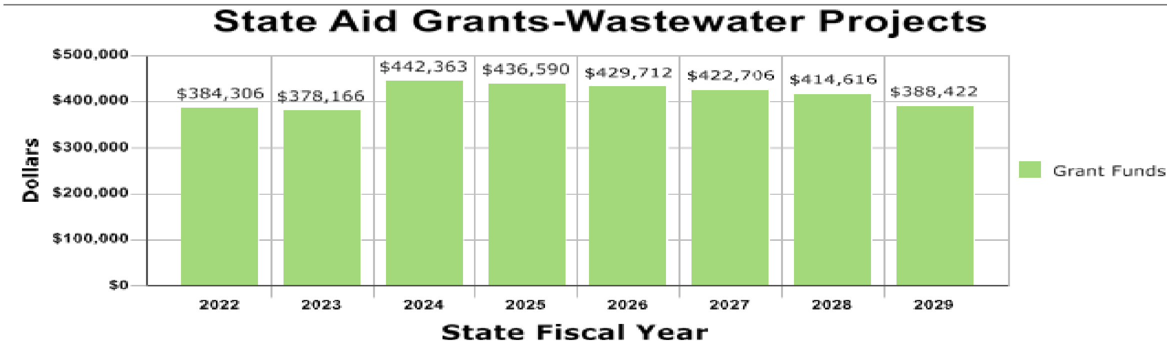


Sewer Fund-Future

Replacement/Repairing of the sewer collection system that was not replaced in the areas of the CSO projects.

PFAS mitigation and treatment requirements. Presently US EPA and NH DES have not set regulations for the release of PFAS in treated wastewater or for PFAS in sludge. We are presently releasing PFAS at small levels into the Connecticut River with much larger levels remaining in the sludge.





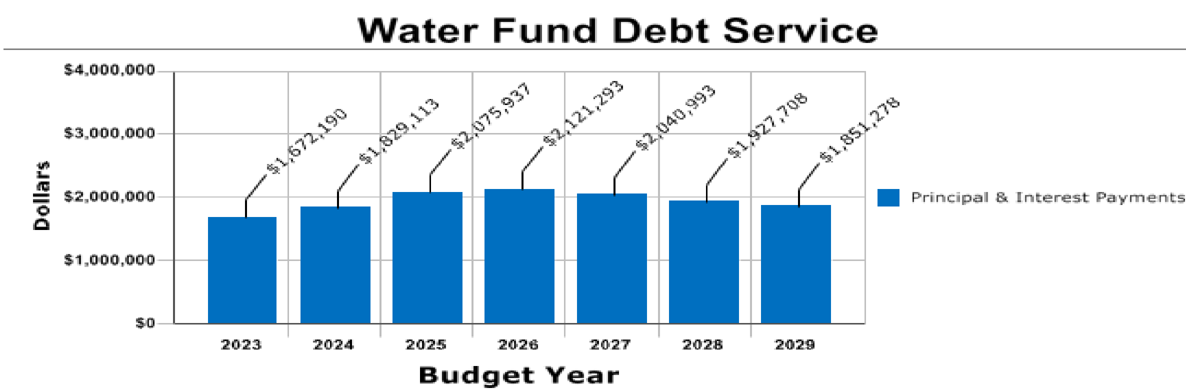
- We cannot expect more grant funds from the State.

Water Fund-Future

New water source well and distribution system will add significant costs to the Water Fund debt levels and annual debt service expenditures.

US EPA and NH DES are requiring a robust lead detection and removal program that will have unknown costs. We believe our system has very limited amounts of lead mostly in service connections.

Ongoing need to replace and repair the aged water distribution system not replaced during the CSO project areas.



NOTE: Projections do not include the new water source and distribution system needed for that project. Costs of new lead regulations and required detection/removal of lead in the existing system is also not included.

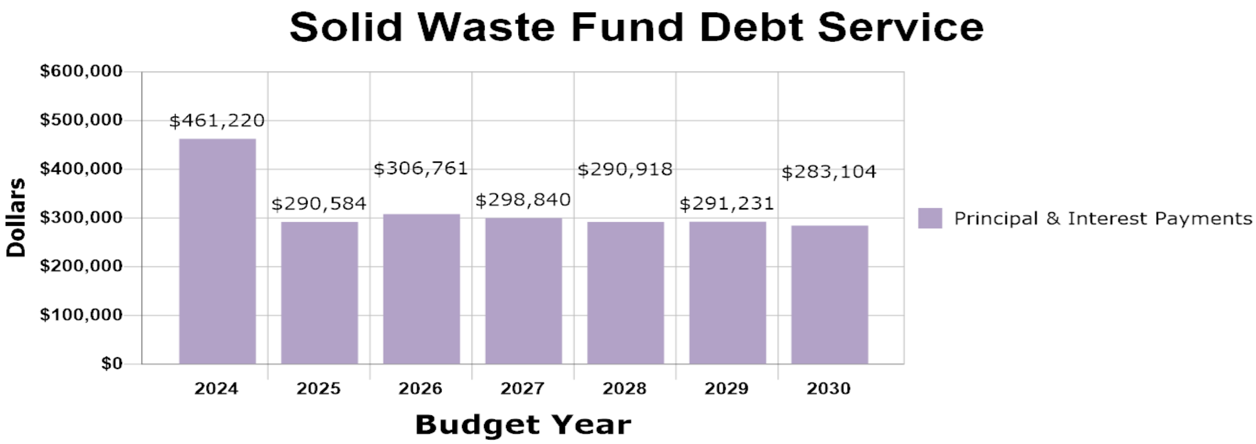
Solid Waste Fund-Future

EXPANSION OF LANDFILL TO INCLUDE PHASE 3&4 WILL ADD TO CAPITAL COSTS

PFAS MITIGATION COSTS ARE STILL LARGELY UNKNOWN. FURTHER STUDY AND PILOT TREATMENT PROJECT TO BE INITIATED IN 2024. US EPA AND NH DES HAVE NOT SET STANDARDS FOR PFAS LEVELS IN LEACHATE, SOIL OR AIR.

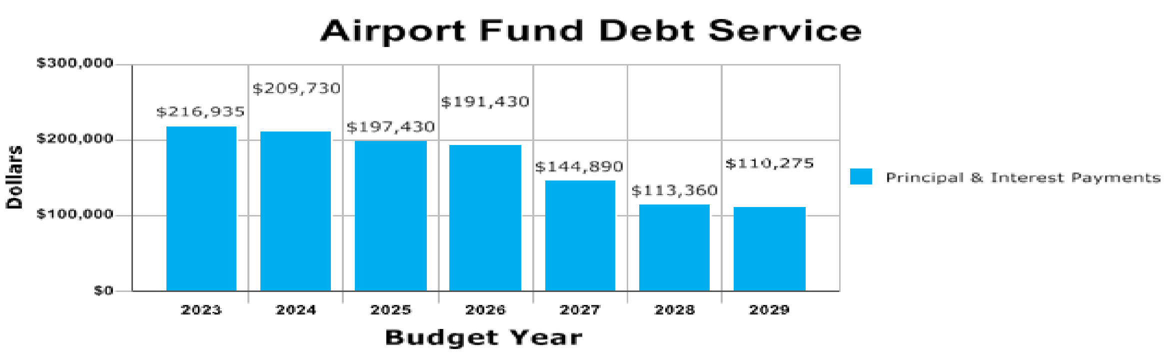
INCREASED RECYCLING LEVELS CAN EXTEND THE LIFESPAN OF THE LANDFILL IF NEW REQUIREMENTS ARE IMPLEMENTED.

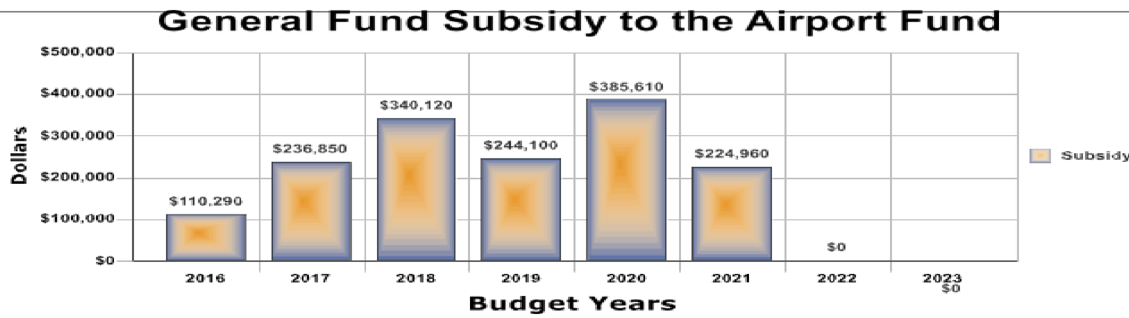
- Due to the seepage we had from this spring's rainstorms at the landfill, capping parts of the landfill to correct this issue will be an unanticipated expense. It is unlikely there will be grant funds to offset this.



General Fund Subsidy to Airport Fund

- General Fund Subsidy of the Airport Fund ended in 2021. COVID Relief Funds helped to offset airport operating and capital expenses.
- The Lebanon Airport-Tech Park TIF District debt which is charged to the Airport Fund has new development which will be added to the 2024 tax assessment offsetting some of the cost.
- Increases in airport revenue have further offset the need to provide subsidy from the General Fund.
- At present projections we do not anticipate General Fund subsidy.





C. Input from City Council for the 2025 Budget Process

Mayor McNamara thought it would be a good idea to have several scenarios that would help the Council to intelligently decide where we can and should be cutting. Until we know how much we need to cut to get to certain levels it is hard to have that discussion. He proposed having City Manager Mulholland and his staff look at three (3) other scenarios (i.e., 7% and 10% increase tax rate for CPI (Capital Project Improvements and a couple of others).

Mayor McNamara agreed with Councilor Heistad's request to have the budget proposal information made available to Council before October, noting the sooner we can have these discussions, the better off we will be because the 2025 budget process will be unprecedented. What really struck him during one of the Council's work sessions is not being able to touch a road for 200 years (at the City's current DPW funding rate for roads). We are going to have to find a place where we can spend $1.5M/yr. instead of half a million dollars to even begin to get caught up on this.

The Council continued to have lengthy discussions and debates regarding the 2025 budget as follows:

- Reasons why a 12.6% in property taxes is intolerable and unrealistic;
- How different scenarios would be a good way for the Council to understand the projections and impacts it would have on the City;
- The tolerance of the public if the tax rate remains at 12.6% (2025);
- The impact of the residential tax rate increase after revaluation of property is done;
- Concerns about a potential negative demographic shift in Lebanon;
- How do we maintain the diversity we have traditionally had in our community while having a functional City Government;
- The advantages of using City funds to build residential housing (Pilot), which would put new housing on the City's tax roll and accelerate middle market housing for people who would otherwise be forced out by current resale market and help stimulate some interest among small, local, private developers;
- The need to be cognizant and take a methodical approach in what we do because it will have an impact on the City 5-15 years in the future;
- Being able to listen to one another and have a constructive conversation with the understanding that some of what the Council will be making decisions on will be immediate and some will be long-range;
- Amortizing some of the City's equipment over a longer period of time but limiting cash purchases to a specific dollar amount;
- Using TIF funds ($700K+/-) plus adding another $500K funds for road improvements (i.e., paving);
- How, when looking at any increase in tax rates, the messaging is almost as important as the budgeting so the public understands the Council is doing the best it can possibly do to deliver them the best product;
- Budget impacts due to City employees' retirement and healthcare costs;
- The Council's need to see a rough outline of the breakdown of the budget for 2025 before October 31st and suggestions on how this could be done so they have a better understanding of what the impacts would be;
- Looking at FTE cost increases and if there are specific areas the Council could use to see what the impacts would be if some areas were reduced/cut;
- Whether or not it might not be useful/valuable to have the City Manager create a "Speculative Budget" for the Council's review;
- Whether or not it might be useful for the Council to provide some preliminary guidance to department heads (i.e., a Strategic Plan for budget cuts) in the City's Charter before they give their budget requests/proposals in July;

- How do potential budget cuts impact the Strategic Plan for next year (i.e., what are we not going to do on the Strategic Plan that was just approved and what does that mean); and,
- How a Sensitivity Analysis could be used as a tool to put into prospective the limitations of an increase in tax rate (i.e., a 3.4%/7%/10%) growth and would help the Council, with some confidence, know what the FTE costs would be next year (2025).

At Councilor Liot Hill and the Council's request, Councilor Whittlesey agreed to put together a draft Sensitivity Analysis for the Council's review.

3. Non-public session:

A. RSA 91-A:3, II(a) - "The dismissal, promotion, or compensation of any public employee or the disciplining of such employee, or the investigation of any charges against him or her…"

ACTION:
***Councilor Wilkie MOVED* that the City Council enter into Non-Public Sessions for the purpose of discussing RSA 91-A:3.II(a) "The dismissal, promotion, or compensation of any public employee…"**
Seconded by Councilor Whittlesey.

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

Staff Present: City Manager Mulholland and Assistant City Manager Brooks

****The Vote on the Motion was approved (8-0)***

The Council went into Non-Public Session at 7:34 PM

The Council Review and discuss internal procedures regarding building inspections and how they are handled by staff.

Councilor Whittlesey MOVED *that the City Council go out of Non-Public Session.*
Seconded by Councilor Wilkie.

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

******The Vote on the MOTION was approved (8-0).***

The Council came out of Non-Public Session at 8:38 PM

THE COUNCIL WAS NOW BACK IN PUBLIC SESSION

SEALING THE MINUTES OF THE NON-PUBLIC SESSION

Motion by Councilor Whittlesey for the City Council to Seal the Non-Public Session minutes of the May 8, 2024 Non-Public Session because it is determined that divulgence of this information likely would affect adversely the reputation of any person other than a member of this board.
Seconded by Councilor Wilkie.

Roll Call Vote:
Voting Yea: Councilors Heistad, Liot Hill, Simon, Whittlesey, Wilkie, Zook and Mayor McNamara
Voting Nay: Assistant Mayor Below
Absent from vote: Councilor Sykes

****The Vote on the MOTION was approved (7-1-0).***

4. ADJOURNMENT:

Councilor Wilkie MOVED for adjournment.
Seconded by Councilor Whittlesey.

****The Vote on the MOTION was unanimously approved (8-0)***

The Council's Special Meeting was adjourned at 8:39 PM.

Respectfully submitted,
Dona E. Gibson
Recording Secretary