



City of Keene  
*New Hampshire*

**FINANCE, ORGANIZATION  
AND PERSONNEL COMMITTEE  
AGENDA  
Council Chambers B  
June 8, 2017  
6:30 PM**

Mitchell H. Greenwald  
Carl B. Jacobs  
Terry M. Clark  
Thomas F. Powers  
Bettina A. Chadbourne

- 
1. Alps Building Christian Fellowship Lease - Airport Department
  2. Departmental Presentation - Administrative Support for Boards and Commissions - City Clerk's Office
  3. Relating to Purchasing  
Ordinance O-2017-11

Non Public Session  
Adjournment



City of Keene, N.H.  
*Transmittal Form*

June 8, 2017

**TO:** Finance, Organization and Personnel Committee

**FROM:** Jack Wozmak, Airport Manager

**THROUGH:** Medard Kopczynski, City Manager

**ITEM:** 1.

**SUBJECT:** Alps Building Christian Fellowship Lease - Airport Department

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**RECOMMENDATION:**

Move that the Finance, Organizational and Personnel Committee recommend that the City Manager be authorized to do all things necessary to enter into a lease of the former Alps/Hillside Pizza building with the Christian Life Fellowship Church.

**ATTACHMENTS:**

Description

Christian Life Fellowship memo

**BACKGROUND:**

Rev. David Berman operates a youth program in the Town of Swanzey and they are seeking a larger space for this program. He would like to rent this building for \$250 per month and the tenant will pay all occupancy expenses such as heat and utilities (the use proposed has been approved as a tax-exempt function by the Swanzey Board of Selectmen as of May 19, 2017).

CITY OF KEENE  
NEW HAMPSHIRE

DATE: May 31, 2017

TO: Finance, Organization and Personnel Committee

THROUGH: City Manager

FROM: Jack Wozmak, Airport Manager

SUBJECT: Christian Life Fellowship Tenant Proposal for former Alps  
Restaurant/Hillside Pizza

Recommendation:

Move that the Finance, Organizational and Personnel Committee recommend that the City Manager be authorized to do all things necessary to enter into a lease of the former Alps/Hillside Pizza building with the Christian Life Fellowship Church.

Background:

Rev. David Berman operates a youth program in the Town of Swanzey and they are seeking a larger space for this program. He would like to rent this building for \$250 per month and the tenant will pay all occupancy expenses such as heat and utilities (the use proposed has been approved as a tax-exempt function by the Swanzey Board of Selectmen as of May19, 2017).

For the brief period of the past under City ownership, rental rates have been \$600 per month, plus property taxes at approximately an additional \$450 per month. While this appears to be a fair market rate, neither of the two tenants has been able to survive financially. I have shown the property to more than 8 potential tenants and each has been dissuaded because of the high rental rate combined with the real estate tax burden. It is my opinion that the rate of \$600/month, plus taxes, was achieved for a brief period of time until the businesses failed and it is not a rate that is likely to attract a successful tenant in the future. I feel the fair market rental rate is \$250 per month.

A fair market fee for use of airport property is a requirement of the FAA. While the general rule requires market rates for non-aeronautical uses of the airport, an exception has been defined when airport property is used for community purposes provided it is approved by the FAA and NHDOT. We have met all elements of FAA Airport Compliance Manual Order 5190.6B and I have received permission from Carol at

NHDOT and the FAA that would allow us to rent to the Christian Life Fellowship for the rental rate of \$250 per month.

The lease would need to be drafted to provide for termination by the Lessor in the event that the airport has an aeronautical use for this property and the lease would need to prohibit any activity that would create smoke, fumes, lights, fireworks, access to the runway areas and/or any construction that penetrates the protected airspace. In addition, the rental rate should be re-evaluated annually to determine if increases may be warranted.

The lease would specify that no airport revenues would be used to support capital or operating costs associated with the use of this parcel/space.

Allowing this tenant use of our building would also create opportunities to introduce the youth participating in the church outreach activities to become exposed to aviation, aviation activities, the Civil Air Patrol, careers in aviation and as potential volunteers at airport events. These opportunities will further enhance the community's acceptance of the airport.

With a 30-day notice provision, this also keeps this property in the running for development for a higher and better use.

The benefit to the City is a modest amount of rent plus the continued avoidance of real estate taxes and maintenance expenses on the building.



City of Keene, N.H.  
*Transmittal Form*

June 6, 2017

**TO:** Finance, Organization and Personnel Committee

**FROM:**

**THROUGH:** Patricia A. Little, City Clerk

**ITEM:** 2.

**SUBJECT:** Departmental Presentation - Administrative Support for Boards and Commissions - City Clerk's Office

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**RECOMMENDATION:**

Move that the Finance, Organization and Personnel Committee recommend the acceptance of the presentation on administrative support for boards and commissions as informational.

**BACKGROUND:**

The City Clerk's Office will provide an overview of the City's Minute Taking Program, the purpose and value of minutes and the staff support requirements for public bodies. The City Clerk will also discuss the periodic review of staff resources provided to our public bodies to determine where efficiencies can be obtained.



City of Keene, N.H.  
*Transmittal Form*

May 30, 2017

**TO:** Mayor and Keene City Council

**FROM:** Jeffrey Titus, Purchasing & Contract Services Manager

**THROUGH:** Medard Kopczynski, City Manager, Steve Thornton, Finance Director/Treasurer

**ITEM:** 3.

**SUBJECT:** Relating to Purchasing

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**COUNCIL ACTION:**

In City Council June 1, 2017.

Referred to the Finance, Organization and Personnel Committee.

**RECOMMENDATION:**

That Ordinance O-2017-11 relating to purchasing be referred to the Finance, Organization and Personnel Committee for consideration and a recommendation back to City Council.

**ATTACHMENTS:**

Description

2016 Audit Management Letter

Ordinance O-2017-11

**BACKGROUND:**

It is recommended that changes to the Purchasing Ordinance be made to recognize the new requirements of the Federal Single Audit Act. This change was also recommended in the Management Letter by the City's audit firm, Melanson, Heath & Company, PC. The new requirements cover purchases made with Federal grant funds, which differ from the City's current requirements.

In addition, the Ordinance would amend the section dealing with the sale of surplus materials and equipment to increase the amount "where a single item or lot does not exceed \$5,000 in book value" to the amount of \$10,000 in book value to adjust for and more accurately reflect average current values found for surplus vehicles.

**City of Keene, New Hampshire**  
**Management Letter**  
**For the Year Ended June 30, 2016**

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Additional Offices:

Andover, MA  
Greenfield, MA  
Manchester, NH  
Ellsworth, ME

To the Mayor and City Council  
City of Keene, New Hampshire

In planning and performing our audit of the basic financial statements of the City of Keene, New Hampshire as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

The City's written responses to our comments and suggestions have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance, including those overseeing the financial reporting process, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

*Melanson Heath*

February 2, 2017

## **STATUS OF PRIOR YEAR RECOMMENDATION:**

### **1. Prepare for New Single Audit Requirements**

#### Prior Year issue:

In the prior year, we recommended that the City prepare for the Single Audit changes by training staff and establishing the documented policies and procedures over the following:

- Financial and program management –
  - Establish written policies and procedures for the following:
    - Cash management
    - Determination of allowable costs
    - Employee travel
  - Implement internal controls that comply with COSO’s “Internal Control Integrated Framework”
- Property standards – equipment –
  - Maintain property records that include description, serial/identification number, source of funding, acquisition date, cost, location, and ultimate disposition data
  - Conduct a physical inventory every 2 years and reconcile to property/fixed asset records
  - Implement a control system to safeguard property from loss, damage, theft
- Subrecipient monitoring and management –
  - Establish written policies and procedures for the following:
    - Communication of award requirements
    - Responsibilities for monitoring subrecipients
    - Process for monitoring
    - Methodology for resolving findings
    - Requirements for audits

#### Current Year Status:

With the transition in the Fund Manager/Senior Staff Accountant position, a review of the current policies and procedures was started in fiscal year 2016.

Further Action Needed:

While the City currently has policies in place for cash management, employee travel, equipment records and inventory, we continue to recommend that the City prepare for the Single Audit changes by reviewing current policies and procedures to ensure compliance with the new single audit guidelines. This will help the City to minimize the risk of new single audit compliance findings in fiscal year 2017.

City's Response:

With the transition in the Fund Manager/Senior Staff Accountant position, it was necessary for the new employee to educate and familiarize herself with the current requirements and procedures in order to be in compliance with the single audit requirements. The review on current policies and procedures is on-going and staff will continued to educate themselves on a regular basis.

**CURRENT YEAR RECOMMENDATIONS:**

**2. Prepare for New Single Audit Guidelines Over Procurement**

In fiscal year 2016, there were new requirements related to the Single Audit Act as a result of OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (UG). Included in these new requirements were new procurement rules over purchases made with federal grant funds, which could differ in certain respects from City established procurement policies. The OMB provided a grace period of two full fiscal years after the effective date of the Uniform Guidance to allow entities to comply with the new procurement standards. Consequently, the new procurement standards will be effective as of July 1, 2017.

Under the new requirements, Federal award recipients must:

- Establish written policies and procedures for the following:
  - Procurement in compliance with new procurement standards
  - Standards of conduct covering conflicts of interest
  - Process for conducting proposal evaluations
- Maintain certain records to detail the history of procurement
- Implement oversight procedures to ensure contractors perform in accordance with terms.

Under the new requirements, Federal procurement rules are as follows:

- Purchases under \$3,000 are considered "micro purchases" and require no quotes, but should be based on an equitable distribution among vendors.

- Purchases of \$3,000 - \$150,000 are considered small purchases and require price or rate quotes that are written, verbal, from public price lists or online searches and must be from more than one qualified source.
- Purchases over \$150,000 are required to be procured using one of two methods:
  - Sealed bids (generally used for construction projects) with a firm fixed-price contract awarded to the lowest bidder and bids need to be publically solicited; OR
  - Competitive proposals based on fixed-price or cost reimbursement with qualitative evaluation methods applied to bids received from more than one qualified source.
- There are no exemptions allowed under the new procurement standards.
- Sole source/no competition/emergency purchases are only allowed in certain situations.

We recommend the City review the new requirements and modify their own procurement policy to ensure compliance with Uniform Guidance.

City's Response:

Purchasing is reviewing the City's procurement policy and will make any necessary changes.

**3. Prepare to Implement GASB 75 for OPEB**

Beginning in fiscal year 2018, the City will be required to implement the Governmental Accounting Standards Board (GASB) Statement 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB has taken the position that OPEB is a form of compensation and the liability/expense should be recognized while the employee provides service to the government. GASB Statements 75 replaces Statements 45, and requires the full net OPEB liability and related expenses to be presented on the government's accrual basis financial statements. Previously, the liability was recorded incrementally, generally increasing based on the degree to which a government funded the annual required contribution. It is expected that the implementation of these accounting standards will have a material impact on the City's financial statements, including the recording of a larger net OPEB liability and substantial new disclosures.

We recommend the City begin planning for the implementation of GASB 75, which includes gaining an understanding of the new requirements, educating applicable financial statement users, and ensuring that actuarial valuations are performed in a timely manner and in compliance with the new requirements. The actuarial valuation should reflect a measurement date earlier than the City's year-end to help ensure a timely closing process. It will be also

important for the City to maintain an adequate system of documentation to support the employee census data information provided to the actuary, since this information will now be subject to annual audit testing.

City's Response:

Finance staff will educate themselves and become familiar with the new requirements of GASB 75 and obtain an understanding of the impact this will have on the financial statements and plan accordingly.



# CITY OF KEENE

Ordinance O-2017-11

## Seventeen

In the Year of Our Lord Two Thousand and .....

### Relating to Purchasing

AN ORDINANCE .....

*Be it ordained by the City Council of the City of Keene, as follows:*

That the Ordinances of the City of Keene, as amended, are hereby further amended by adding the bolded text and removing the stricken text to the following sections of Article IX "Purchasing" of Chapter 2 entitled " " as follows:

**Sec. 2-1332. - Rules for city purchases.**

Central purchasing shall have the authority to prescribe the purchasing procedure for all city departments and may from time to time add to the following rules and regulations for city purchases:

- (1) Except as provided in this article, every city purchase or contract greater than \$20,000.00 in amount shall be made only after the receipt by central purchasing of publicly invited sealed competitive bids on uniform specifications. After recommendation from the department making the purchase and central purchasing, the city manager shall award the contract to the lowest responsible bidder—quality, delivery, financial responsibility and guarantees of the bidders being equal. The city manager may, in his discretion, reject any bid deemed insufficient or inadequate, or may reject all bids.
- (2) Except as provided in this article, every city purchase or contract of greater than \$5,000.00 but no more than \$20,000.00 shall be made only after receipt by central purchasing of three or more, if reasonably obtainable, competitive informal written quotations, received by fax, electronic mail, regular mail or phone quotations which are adequately documented.
- (3) Except as provided in this article, contractors of record shall be established for the renovation, maintenance and repair of city facilities and equipment. Contractors of record shall be selected through a competitive process based on qualifications developed by the finance department, and shall remain contractors of record for two years. Eligibility to remain a contractor of record shall be based on continued performance acceptable to the city. Where previously competitively bid renovation, maintenance and repair contracts are in place with a contractor of record, the requirement to obtain three or more quotations (see subsection (2) above) is hereby waived. For purchases exceeding \$20,000.00, existing bid provisions (see subsection (1) above) remain in effect.
- (4) Every purchase of \$5,000.00 or less shall be handled by central purchasing on as competitive a basis as it deems reasonable and prudent.
- (5) Purchases made through existing federal, state of New Hampshire or other state and municipal contracts or Keene Union School District contracts shall be deemed to meet the requirements of the subsections (1) through (4) of this section.

- (6) Nothing in this section shall be construed to prevent joint bidding and contracting by the city and other public jurisdictions, and, in fact, such is encouraged.
- (7) For grants funded with federal funds, to include contracting with small and minority businesses, women's business enterprises, and labor surplus area firms (per section 200.321), procurement requirements shall be in accordance with established purchasing thresholds as follows:

*Purchases up to \$3,000 (Micro-Purchases)*

Micro-purchase means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed \$3,000 (2 C.F.R. §200.320 (a)). In order to expedite the completion of its lowest-dollar small purchase transactions and to minimize the associated administrative burden and cost, the City does not require the use of purchase orders for micro/small purchases that fall below the thresholds established for competitive quotations, bids or requests for proposals.

*Purchases between \$3,000 and \$150,000 (Small Purchase Procedures)*

Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than \$150,000 (2 C.F.R. §200.320 (b)). If small purchase procedures are used, price or rate quotations are obtained from an adequate number of qualified sources.

*Purchases over \$150,000*

Procurement by sealed bids/formal advertising (2 C.F.R. §200.320 (c)) or by competitive proposals (2 C.F.R. §200.320 (d)) are required for all purchases over \$150,000.

**Sec. 2-1340. - Sale of surplus materials and equipment.**

The city manager may authorize the sale of materials and equipment which he determines to be surplus to the needs of the city where a single item or lot does not exceed ~~\$5,000.00~~ **\$10,000.00** in book value. When such item or lot exceeds ~~\$5,000.00~~ **\$10,000.00** in book value, the city council shall approve the sale of such materials. All such surplus materials shall be disposed of by public auction or competitive quotations.

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Kendall W. Lane, Mayor

In City Council June 1, 2017.

Referred to the Finance, Organization and Personnel Committee.

*William S. Dow*

Deputy City Clerk