

**City of Keene
New Hampshire**

**CITY COUNCIL
2015 FISCAL POLICIES WORKSHOP
MEETING MINUTES**

Wednesday, February 4, 2015

6:30 pm

Heberton Hall

Members Present:

James P. Duffy
Janis O. Manwaring
Robert J. O'Connor
Philip M. Jones
Carl B. Jacobs
Emily P. Hague
Thomas F. Powers
Terry M. Clark
Randy L. Filiault
Bettina A. Chadbourne
Mitchell H. Greenwald

Staff Present:

City Manager John MacLean
Assistant City Manager Elizabeth Fox
Finance Director Steve Thornton
Purchasing Agent Jeff Titus
Public Works Director Kürt Blomquist

Others Present:

Mayor Lane

Members Absent:

Sheryl A. Redfern
David R. Meader
David C. Richards
Kris E. Roberts

Mayor Lane called the meeting to order at 6:37 PM and briefly introduced the meeting's process. He asked the City Manager to introduce the discussion.

1. Introduction – City Manager

The City Manager stated that he remembers that these policies were put into place just a few years prior to his arrival. He continued that it was forward-thinking on the part of the then-City Council to do so. The policies reflect what the City Council thought were best practices in an effort to provide the City with the best financial direction. It has served the City well over the years. Tonight they will go through the changes to the policies and give the City Council an opportunity to question those and talk about what they see. There will be no motions or decisions tonight. This will all move forward to the City Council through the Finance, Organization, and Personnel (FOP) Committee. This less formal workshop is a good place to weigh in and ask questions.

The City Manager continued that Steve Thornton has been the City's Finance Director for a few years but has been involved with the finances for a long time and he brings a lot of skill and effort to the job. Merri Howe has joined his team and they are glad to have her on board. The Finance Department has received some good questions already. Councilor Powers asked a question relative to the Consumer Price Index (CPI) and Mr. Thornton has provided an answer. They will also talk about the RFP process, with the expectation that this subject will be discussed as a separate matter before another one of the Standing Committees.

The City Manager continued that the CPI has become difficult in the past five years. There has been more deflation than inflation, so using the CPI index against the cost of living adjustments has become tricky. He continued that although this is not the exact wording, the City Manager is essentially charged with providing the best budget possible. When he cannot meet the guide for any good purpose it is incumbent on him to explain to the City Council why. Typically it is the CPI ceiling and the current era of deflation that gives the most trouble.

2. Fiscal Policy Update – Finance Director

Mr. Thornton began his slide show presentation and stated that the fiscal policies define how the City does accounting, the use of the CPI, their fund structure, and many other things. He continued that the fiscal policies desire to capture current practices and address questions raised by staff who are looking for guidance – for example, on when and how to set fees and charges. They last updated these fiscal policies in March 2014. They will discuss the current policies and review the City's compliance with them.

Staff has one recommended change to the fiscal policies that they will talk about tonight, as it relates to the City's annual appropriation to the Conservation Commission.

The City tries to provide a comprehensive policy and use nationally recognized best practices. Objectives of the fiscal policies are to have a broader focus, be ongoing rather than specific to one fiscal year, and be subject to periodic review. They want a comprehensive set of policies that are aligned with nationally recommended best practices.

Mr. Thornton moved on to fund structure, which he stated is how the City does its accounting, which can be confusing to those unfamiliar with government. Broad areas covered under the fiscal policies are budget, revenues, fees and charges, the Capital Improvement Program (CIP), debt, capital assets, stabilization funds, and deposit of excess funds. There are government funds and enterprise funds. The latter are the City's utilities, water and sewer, and fleet. These are funded by user charges.

Governmental funds are where the bulk of the business is. This includes the general fund, the major fund where they account for everything that is not accounted for somewhere else for a specific reason, including Facilities, Parks & Recreation, Police, Fire, IMS, etc. The general fund is where they generate tax revenue.

Mr. Thornton continued that there are special revenue funds for grants, parking, PC replacement, and solid waste, the latter of which is funded largely by TIF fees. PC replacement is funded

through internal charges. The parking fund pays for parking operations. The grant fund is where they account for grants and other miscellaneous, one-time, special revenues. The capital projects fund accounts for all CIP projects that are not part of the water, sewer, or fleet fund. Proprietary funds are enterprise funds (water, sewer) and internal service funds (fleet).

Mr. Thornton moved on to the budget. He stated that they appropriate budgets for the following funds: general, parking, PC replacement, solid waste, sewer, water, and equipment. They have already started this process and people are putting their budgets together. These budgets are detailed annually and sent to the City Council early in May. They are adopted annually. Appropriations (excluding capital) lapse at year's end. Also, each fund shall be balanced. In the operating budget they project revenues and expenditures for the current year and two years out. The CIP that the FOP Committee is looking at now covers the years 2016 to 2021.

Mr. Thornton stated that all the appropriations, except capital, end at the year's end unless authorized by the City Manager to carry over or encumbered by purchase order. Capital ones do not lapse automatically. They continue on until the project completion. The Finance Department reviews the outstanding capital projects monthly and in-depth twice a year. When they close those projects they close them back to the fund from where the money came, if there is any balance. A big exception is bond funded capital projects, unless the balance is minimal. If the balance is significant they will ask the City Council to re-appropriate that to a similar project.

Councilor Powers asked what triggers closure of a project. Mr. Thornton replied that they know when a final contractor invoice has been paid. He continued that with many projects they hold retainage for a period of up to a year. In those cases a project might sit on the books with no activity for a year until they pay any retained funds. If, during the review, they see that there has been no activity for two or three months, the Finance Department contacts the department the project is through and asks what the situation is, and that department might say, "No, someone's coming back in the spring to finish up." Deciding when to close a project is an interactive process.

Mr. Thornton continued that another appropriation is the Partner City Committee one. That has a cyclical nature, because people from Einbeck, Germany come here in different years than the years when people from Keene visit Einbeck. So this fund carries a balance.

Mr. Thornton continued that the City has Environmentally Preferable Purchasing (EPP). This means they purchase products that are more efficient and effective, considering their lifetime costs; try to minimize environmental impacts; and incorporate green building principles. For example, the Public Works Department looked at different technologies for equipment for the Wastewater Treatment Plant, considering the purchase cost, the lifetime cost, and other non-monetary considerations.

Councilor Duffy asked how long EPP has been part of the fiscal policies. Mr. Thornton replied several years, but he is not sure of the exact year. Councilor Duffy replied that in 2000 as part of the Climate Action Plan (CAP), the Cities for Climate Protection (CCP) Committee made a number of recommendations, including the EPP. He asked if there is a way to find out more details about what "to the greatest extent possible" is. Can they get an idea of how things have

been working over the years? Many departments have been doing more, independently, before EPP became policy. He was part of discussions about this in 2006 and 2007, along with Mr. Titus, Assistant City Manager Med Kopczynski, and staff from the Planning Department. He asked if there is now a committee that oversees this, such as the Green Team, and if they have input on monitoring the definition of “to the greatest extent possible.”

Mr. Titus stated that there is a currently a recently reformed committee working on this. He continued that the original group that did a lot of base work occurred when Councilor Duffy was involved in 2006 and 2007. They did research on what was currently happening and put together recommended policies and directives that were put into place at that time to guide the process. They also put into place recommendations that the City has done its best to incorporate into daily activities. Some key people left, and the committee fell by the wayside. Now, they are getting it going again. They will likely be in a position to report back soon on their recent activities and give the City Council more information about the plan.

Councilor Clark asked Mr. Thornton to speak about collaboration in purchasing. Mr. Thornton replied that City staff has been meeting with the Keene School District (KSD) and other players involved in collaboration. He continued that they also work with the state purchasing consortium, which involves municipalities throughout the state working with the state government and each other in various collaborations and contracting efforts.

Councilor Clark stated that maybe this was left out of the slide show by error because it is a new policy from last year. He continued that earlier in the year they advertised for a janitorial contract for Heberton Hall and the new library complex. The policies say that the City may collaborate with others, and the operative word is “may.” Did they look into sharing janitors? Mr. Titus replied that they have had discussions about that. He continued that there is a meeting every other month between staff from the City and the KSD to discuss whatever means they can think of to collaborate across the board. That has been going on for a couple years now, per recommendation of the Keene Board of Education (KBE) and the City Council. There have been a number of joint bids that they have done over that time. A lot of their work has been to discuss how to move forward in a positive way. There are a lot of potential joint projects but to move forward you have to line up contract end dates. For example, if they have a joint bid for electricity or fuel, the difficulty is making sure both contracts will come together so you can create a new one with new end dates. They have discussed the janitorial contract. There have been retirements in the City. They are trying to get things lined up and decide how to handle that going forward. They recently pulled some contracts together into a master agreement with a single firm, and that will stay in place until further discussions occur to determine the direction for that.

Councilor Clark stated that he has read recent meeting minutes from the KBE and has not seen any discussion about these collaborations. He continued that it is probably in a meeting with minutes that have not yet been posted. He is interested in changing the “may” seek collaboration wording to “shall,” so it is stronger. The word “may” leaves it up to too much discretion. Mr. Titus replied that the City and the KSD have conversations all the time that are not necessarily part of the (KBE) meetings themselves. He continued that it is a matter of making contracts line up properly so they can move them forward.

The City Manager stated that he thinks that is what Mr. Kopczynski plans to do – collaborate with the KSD to see if (sharing janitors) is a possibility. He continued that what he was trying to do recently was a temporary contract to stabilize the City's current situation. His intent is to have the conversation with the appropriate school officials that may lead to a KBE conversation. The conversation will not take place at a KBE meeting initially. Mr. Thornton replied that that is his understanding, too. The City Manager added that the current contract is a stop gap measure while they work towards collaboration.

Moving on to the fiscal policies on revenue, Mr. Thornton stated that the policy on one-time revenues is that one-time revenues are limited to one-time expenditures, for obvious reasons. He continued that they would not want to make a decision because they received some money that will tie them to something that needs to be funded in future years. There is a policy for diversity in revenue – they try to diversify whenever and wherever possible, and use revenue other than taxes whenever possible. The part of the policy on non-property tax revenues is about the need to have a periodic review of revenues and charges to cover the City's costs, maintain stability, and diversify the revenue.

Mr. Thornton stated that the proposed change this year is in "Designation of Revenues – Conservation," and there is a copy of the proposed changes in the agenda packet. RSA 79-A:25 says "Place any combination of percentage and amount of the land use change tax (LUCT) in a conservation fund." The City does this now. They set aside 50% of LUCT each year, not to exceed \$100,000 annually, not to exceed a balance of \$500,000 in any given year. The proposed change is for the City to fund the conservation efforts with a minimum of \$25,000 annually, which would be 100% of LUCT up to \$25,000, and 50% of LUCT after that up to \$100,000. Should the LUCT be less than \$25,000, the difference would be provided by the general fund.

The City Manager stated that this proposal is a result of a conversation the Conservation Commission had with him, Mr. Thornton, and other City staff members. He continued that the Conservation Commission's concern is that at least \$25,000 per year needs to go into this fund, and sometimes that was not happening because the LUCT oftentimes is not that much money. Some years the LUCT exceeds \$25,000, and other years it is woefully short. This seemed like a very good recommendation to the City Council because it assures the Conservation Commission at least \$25,000 per year. When the LUCT is available it picks up the entire \$25,000, and when not, it picks up some fraction of it. This is money well spent.

The Mayor asked if the \$100,000 is annual or a total cap. Mr. Thornton replied it is \$100,000 in a single year with a maximum balance of \$500,000. The City Manager stated that he thinks the only windfall they have had recently is when Monadnock Marketplace came out of current use. That was a big year. Mr. Thornton stated that from 2010 to 2015 there was one year with a property that gave them about \$40,000, but for five of those six years, under this new policy it would have averaged \$17,900 per year (needed from the general fund) over that time.

Councilor Powers asked, if this change is adopted, in the general fund budget do they need to appropriate some annual amount to make up the difference? Mr. Thornton replied yes.

Councilor Jacobs asked whether a gift would be considered one-time revenue? Mr. Thornton replied yes, or another example is sale of City property. Councilor Jacobs asked if he means those one-time revenues are tracked and only used once. Mr. Thornton replied that an example is: if the City sold property for \$50,000, the City would not put that into the general fund and hire a new employee for \$45,000 per year, because that would require having the \$45,000 year after year. When the City sold some Wheelock Park property to the Public Service of New Hampshire (PSNH), they earmarked the revenue from that sale to be used directly at Wheelock Park, instead of putting it into the general fund for operating expenses.

Councilor Hague stated that in section 4 of the draft policy, there is a change from last year that is missing – the section on collaboration, which Councilor Clark brought up earlier. She asked if its omission from this draft policy was intentional. Mr. Thornton replied no, and he will fix it.

Mr. Thornton continued with the slide show and stated that policy on property taxes is: the City shall limit its property tax revenue increases to the Boston CPI, net of expenditures required by law and debt service payments. Councilor Chadbourne asked why they always use the Boston index, when there are several available. Mr. Thornton replied that he tried to address that in the “CPI Definition” handout. He continued that they look at two indexes. “The Boston CPI” is the short name for the Boston-Brockton-Nashua, Massachusetts-New Hampshire-Maine-Connecticut Index, which is prepared for the New England region. The other one is the Northeast Urban – Size Class B/C, which looks at communities of certain population sizes. They feel that those two are directly applicable to the City of Keene’s region. They use the Boston CPI as the main guideline and the other as just another choice of information.

Mr. Thornton continued with a chart showing the changes in the CPI from 2009 to 2014. He continued that this year they are looking at 1.37% for the CPI – Boston and .83% for the CPI – Northeast Urban.

Councilor Powers stated that so many times they hear tax payers say “You shouldn’t increase the budget by any more than the index.” He continued that sometimes folks who really understand financial issues reply, “Yeah, but the index doesn’t include food, fuel, and certain other things.” He asked if, by Mr. Thornton’s definition given tonight, the index does include those things. Mr. Thornton replied that he is not an expert on indexes. He continued that CPIs are weighted averages. The one they use is called “all consumers” and covers most individuals. It is weighted by changes in prices to eight commodity groups and types of goods and services. It does not necessarily apply to any one individual; it is a composite index of many people. It is based on things that people buy on a daily basis to live their lives. That probably does not reflect the same goods reflected by a municipal government.

Councilor Powers replied that maybe they should look at a different index. He continued that they could not run the City on a 1.37% because they are buying the same thing as government as they are as individuals. He asks people, “Have you gone to the grocery store this week? It will cost you more this week than last week.” It is the same for the City. It is the same marketplace. Prices continue to go up. This index does not seem to take care of growth in costs. Mr. Thornton replied that there are other indexes they could look at, such as the price deflator for

state and local governments, which they are exploring a little. In their use of the CPI for putting the budget together, it is a guideline and a target to shoot for.

The City Manager stated that Councilor Powers knows, as well as anyone, how difficult it is for the City. He continued that not only do they have contract relationships with employees to honor, they also have costs outside of their control – health costs, retirement costs, fuel costs that go up and down, energy costs, and so on and so forth. They may see all kinds of inflation in certain sectors that the average consumer will not see. The City's ability to do business is not governed by a CPI. It is more difficult. Councilor Powers' point is well taken. Staff tries to uncover this for the City Council so they can see the differences and hopefully that helps them explain it to the public - if the CPI is weighted at 1.37% it has nothing to do with the cost of doing business with the City of Keene. It is just a guide.

The Manager continued that the City continues to lose value on properties and homes, across the community. That hits them when they try to establish a tax rate. The City Council has been so generous for a long time, always adding in extra positions, etc., and that increases the City's costs, because the City Council recognizes that they need to take care of the City's buildings, have more coverage in Police and Fire, and so on and so forth. It is very difficult for the City to match a CPI, especially in a deflationary period of time.

Continuing his slide show presentation, Mr. Thornton stated that some external challenges for the past six years have been the elimination of revenue sharing, reduction in Highway Block Grant revenue, bi-annual New Hampshire Retirement System (NHRS) rate adjustments, and the transfer of responsibility from the County to the City for funding of Southwestern New Hampshire Fire Mutual Aid (SWNHFA).

Councilor Hague asked if the revenue sharing decreased again in fiscal year 2015, and if so, by how much. Mr. Thornton replied no, the revenue sharing is completely gone. The City Manager replied that the City lost \$1 million annually and made it up by reducing the workforce. Councilor Hague asked, so there is nothing new this year? Mr. Thornton replied no. The Mayor replied that there are additional costs being imposed on the City by the State, like the retirement system, which most consumers do not have to deal with, but the State sends the City a bill and they have no option other than paying it.

Mr. Thornton showed a chart of the percentage change of city property taxes from 2009 to 2014, which has been lean for a while. This is just the City's portion. The City Manager added that they did a comparison of the City, the KSD, and the County, and found that the City took the smallest increase. But the KSD's increase was not very high. They have done some good work in recent years. The County had a significant jump for a variety of reasons.

Mr. Thornton explained the policy on fees and charges. He stated that if a service or product benefits the whole community (for example, paving or bike/pedestrian paths), they do not establish a fee or charge. If the service or product benefits a segment of the community or an individual (for example, a summer program or a building permit), they do. Regarding what level of cost recovery the City expects, they should recognize all costs when looking at it, and sometimes they expect something less than full recovery, or zero; while other times, they expect

full recovery or more. A less than full cost recovery might be considered when it might impact delivery of service to a low-income group and collecting a fee or charge is not cost effective. Basic principles are: keep the fees simple and understandable, be sensitive to the market, involve the City Council, and review the fees and charges periodically.

Moving on to the topic of the CIP, Mr. Thornton stated that the CIP is prepared annually and covers a period of six years. He continued that it is subject to review by the Finance Committee, Planning Board, City Council, and a public hearing. The criteria for projects are: \$20,000 and a five-year life.

Mr. Thornton continued that debt is subject to RSA 34 and 162-K, and there is a financial advisor and bond counsel. Types of debt the City may have are general obligation bonds, Tax Increment Financing bonds, refunding bonds, and competitive or negotiated sales. They try to match the life of the bond to the life of the improvement it is funding, such as for infrastructure work. They try to hold the payback to a period of ten years. It helps the City when they go to market. It also helps them with staggering their debt payback.

Mr. Thornton continued that the policy is to limit general fund debt service and capital outlay appropriations, on a five year average, to 10% of the general fund budget. This is to achieve a balance between operational costs and capital costs. The fund balance policies and procedures have the following fund balance classifications: non-spendable (such as inventory or pre-paid expenses), restricted (must be used for a specific purpose, including grants), committed (by action of the City Council), assigned (such as carry-forwards or encumbrances), and unassigned (amounts not obligated or specifically designated, available at future periods).

Mr. Thornton listed the order of spending priorities: restricted, committed, assigned, and unassigned. He then moved on to the topic of stabilization funds and stated that they try to keep the general fund between 7 to 10% of the budget plus the tax commitment for the School and County. Other budgeted funds they try to hold at 5 to 10% of the operating budgets.

Councilor Duffy asked where they are right now with that 7 to 10%. Mr. Thornton replied that they project about 9.26% for the end of the 2015. Councilor Duffy replied that that is pretty good, considering they have had a million dollars less for a few years now. The City Manager stated that Mr. Thornton put out a table of the fund balance. He continued that it goes up and down. In one year they could expend quite a bit, and in other years, they put some in. Last year they put .5 million dollars back into the fund balance. That is where they would like to be. They would like to be above 9% but sometimes they do spend it out.

Mr. Thornton replied that he does not have copies of that chart for this meeting, but they are in City Councilors' mailboxes. He continued that the net income (revenues less expenditures in the general fund) over the last four years has been as follows: \$610,000 to the good in fiscal year 2011 (1.88% of the operating budget), \$201,000 in fiscal year 2012 (.6% of the operating budget), and a loss of \$888,052 in fiscal year 2013 (-2.53% of the operating budget), due to large amount of money appropriated in to deal with the flooding that year. In 2014 the general fund had at a net margin of \$512,235, a little less than 1.5% of the operating budget. They are

operating on a thin margin. Typically the City operates in the black, but not by very much. The City Manager replied that it is capped at 10% and it is almost there now.

Councilor Powers asked, you're applying the 5 to 15% target for the school appropriation? Does the City reserve the same percentage of the school appropriation in case they do not collect it? Mr. Thornton replied yes. He continued that if you just looked at the City budget it would be about 19%. They try to do a little better than that. Councilor Clark asked if there has ever been a time when the City did not get to the school amount. Mr. Thornton replied no, people pay their taxes. Councilor Clark asked why the City continues this practice then. The City Manager replied that collections are about 99% now, but there have been times when it was several percentage points below that, which could be significant. Mr. Thornton stated that a 10% fund balance would be about \$7.4 million. But that one year they lost \$888,000. If that happened this year it is over a ten percent decrease in the fund balance. It may seem like a big number, but the City is a big operation and has a lot of commitments.

Mr. Thornton continued with the slide show, stating that for other budgeted funds in the unassigned fund balance, they try to maintain at 5 to 10% of the operating budget. Stabilization funds also include self-funded health insurance. The City used to be completely self-insured, then moved away from that when the cost curve changed. Now they are partially self-insured and also insured through a regular company. That keeps costs down, both to the City and employees. The City Manager stated that they have saved hundreds of thousands of dollars over the past 15 years or so. He continued that every year they seek and receive proposals from companies. They are always very competitive and are always looking for ways to keep costs down. The City of Keene has done better than average in this regard.

Mr. Thornton continued that the City puts money aside as possible in capital reserves. They are trying to smooth out the cost curve; putting a little money away each year helps. There is a handout that shows the capital reserve balances, as reported to the City Council each month.

Mr. Thornton continued that for deposits of excess funds, the objectives are safety, liquidity, and yield. The City Manager replied that there is not much in yield anymore. He continued that six years ago, they had half a million in interest per year. He asked what it is now. Mr. Thornton replied that in 2008 they had about \$840,000 per year, and last year they had about \$140,000.

Councilor Duffy stated that there is a one-million-dollars-per-year shortfall they have had to make up. He asked if they make up the shortfall completely through staff reductions. He wonders if there are other areas they can apply the policies to, other ways to reduce that shortfall and create a cushion financially. There may be another need the City has that stretches them beyond the million dollar shortfall.

The City Manager replied that they look at that every year and talk with the City Council and try to show the thinking behind each line item. He continued that they have learned over the past six years that there is a certain critical mass for any service the City provides, and they can only drop staffing down to a certain level. They have been able to get by with fewer full time employees in some departments, and they have more outsourced services. As is true for any business today, there is a significant cost for every full time position. The City provides an incredible benefits

package on top of the pay rates. If you are hiring someone to do very specific work like janitorial services and it costs you a significant amount of money in benefits, you have to look at that – which is not to say you stop doing it. When the City reduced its workforce, they were down 35 full time employees at one point. Now they have made a few back up.

Mr. Thornton stated that one policy is to diversify revenue. He continued that they are asking all departments to find a way to enhance or add a revenue source. For example, tomorrow night they have a public hearing on a \$5 vehicle surcharge proposal. Another thing they are working with to try to work with that balance is having a good allocation between the operating budget and capital.

Councilor Duffy asked if there are other ways to create efficiencies. He continued that they do have the ESCO contract, but they could also review and create a plan with building maintenance to create more efficiency there to reduce the cost of oil and electricity. He is just wondering, where else? Councilor Jones stated that the City Manager did a great report two years ago, regarding cost avoidances for a four year program. He continued that it came out to \$7 million. Now it is probably closer to \$10 million. The City Manager replied yes, they compiled all of their savings and cost avoidances by not having the numbers of personnel they once had, and all these ways of finding savings. They offset it against the lost revenues as well. They can do that again. Councilor Jones replied that it shows that the City Manager is already doing what people are asking him to do. The City Manager replied that it is amazing what they are getting done on the budget that they have. He continued that one example is the City's ability to respond to the City Council when they asked for the Police Department to have more staff. It is amazing what the City staff and City Council have been able to do together.

Councilor Hague asked if the City takes interest income annually. Mr. Thornton replied that they post it monthly. Councilor Hague replied that the NH Charitable Foundation has averaged their interest dispersal over approximately 10 years so it is less of a blow when there is a bad performance year. She asked if this is something the City could consider, or has. The City Manager replied that they could look, but it depends on what the interest is being used for.

Councilor Duffy stated that years ago, the policy of having the unassigned fund balance of 7 to 10% was the result of a City Council initiative. The City Manager replied yes, around 1997 or 1999, members of the City Council decided there was too much money in the unallocated fund balance and asked the City to draw it back. Councilors Thompson and Farrar felt that was not a good policy and would have a negative impact on the City. He (the City Manager) and Martha Landry said, "Well, we can exist on this," but they should have said, "Yes, absolutely, reverse that policy." The City Council said they would reverse it, and it has made a big difference.

Councilor Jones stated that in the same period of time, those Councilors wanted to eliminate capital reserves. He continued that the thought behind it was that you teach your children, "Save for something, don't use a credit card to buy it." The City Manager replied that he does not recall that.

Councilor Powers stated that the City has lost at least \$1.1 million dollars because the State took it away. He continued that the City staff builds a budget based on the fiscal policies that the City

Council gives staff. He asked how they can give the City more money to do the job. He does not think there is enough money for infrastructure or fire apparatus. He asked where the City Council can amend this policy, or what they can do to give staff the ability to come to the budget preparation table with projects that will go a little further. The roads are “just existing” and will be worse after this winter. Staff is carrying out City Council policy, and doing a good job keeping taxes down, but they are suffering as a community. Partially it is because they have not been able to generate more revenue. They need to keep the infrastructure going. They are playing from a disadvantage, doing the best job they can, but it is not enough.

The City Manager stated that he appreciates what Councilor Powers is saying. He continued that the City is trying to be very creative and leverage every dollar. The Spirit of Place program brings in money. The sale of some land to PSNH brought in almost \$700,000 for improvements to Wheelock Park. They changed the street program – the City is now not only doing reconstructions and overlays, but also spending about \$150,000 per year to and repair more sections of road surface where there has been deterioration, trying to get by for as long as possible. In approximately two meetings from now he will be talking with the City Council about the municipal services agreement they are in negotiations for. They are always looking for new revenue sources. He continued that this \$5 surcharge would be helpful especially for the trail system. There will be a natural increase anyway, a 3 to 4% adjustment on the tax rate in the next year or two. As they do that they will also look at what debt is coming off the books. They will talk with the Mayor and the City Council, making a concerted effort with the NH Department of Transportation (NHDOT) to take back some of the highway system. Everything they can possibly do to get more money and leverage, they will be doing. Hopefully they will be successful in marketing the former Public Works site on Main Street and get revenue out of that. The business they will start at the transfer station will provide 16 well-paying jobs, which will be helpful to the local economy. He is hearing Markem and C&S ads on the radio and thinking that it is time to revive the Presidents Court and talk about stimulating business. Getting the real estate market/property value back would make a huge difference. They could ask the public for a 10 to 15% adjustment but the public would probably fire them all.

Councilor Greenwald asked if they are collecting their water and sewer bills. Mr. Thornton replied yes. Councilor Greenwald asked, so they are not sliding backwards? Mr. Thornton replied no. Councilor Greenwald replied that something to consider is a late charge on water and sewer bills. He asked if property tax late charges are a variable number. Mr. Thornton replied that it is set by State statute. The City Manager asked if they are below the State statute maximum. Assistant City Manager/Human Resources Director Elizabeth Fox replied that the State statute is fixed at 12% then 18%.

3. Request for Proposal Update - City Manager

The City Manager stated that there is a proposal in the agenda packet, regarding RFPs. He continued that he is recommending that the City adopt an appropriate policy for the preparation, issuance, review, and approval of City issued RFPs and RFQs similar to the City ordinance establishing purchasing guidelines. They have had hundreds of RFPs and RFQs over the past 10

years, and this is the first time they have had a problem with it [regarding the recent RFP for the airport]. There were comments made about that at the City Council meeting. Everyone was surprised by the fact that it had not gone well and they need to fix this.

He continued that what they are looking at is: “In general, an RFP solicits proposals from potential providers for goods and services, where price may be a factor, but is not usually the determining factor, for review and acceptance.” It is not like a standard, low bid process that you might have for a commodity or some type of goods. It is usually for a service. An RFQ solicits statements of qualifications necessary to accomplish defined objectives. Usually when you need a consulting service you would use an RFQ. Generally price is not the defining factor in the RFQ. You are looking for someone qualified for the job.

The City Manager continued that a proposed policy must recognize and incorporate the distinctions between RFQs and RFPs. The policy will include an introductory statement using the purpose of the policy, and a list of definitions, including RFP, RFQ, project contact person, process contact person - typically in the Purchasing Department, and the City’s registration requirements. He continued that the latter is where they had a breakdown. One proposer for the airport did not follow the directions and register properly. He did not receive information because he was not registered electronically. The City needs to make sure those requirements are clearly laid out. The policy needs to also be clear about the time periods. For this airport RFP, they sent the RFP to over 250 potential respondents and gave them only two weeks to respond. That needs to be fixed. Maybe they will have a 30 day minimum, and allow for review by the City Manager’s Office to see if more or less time would be appropriate.

The City Manager continued that the policy will also include examples of when to have an RFP versus an RFQ, and information about what the City’s standardized process is for reviewing, recommending, and accepting an RFP or RFQ and what the standard criteria are that they will use. They would have an appeal process, with review by City staff, then the City Manager, then the City Council. He has had three or four appeals and has always been able to resolve them without going to the City Council. In these situations he saw something unfair or uncharacteristic and told them to start over. The policy will also include required coordination with other departments and best practices for the issuance of addendums and requests for timeline extensions. He concluded that this is an attempt to fix what went wrong. Staff will bring this to the FOP Committee and hopefully they will recommend it to the full City Council.

Councilor Manwaring asked if the policy could include information about who looks over the proposals. She continued that that was another problem with the airport RFP process. The proposals came to the MSFI Committee, but they did not know what to do. The City Manager replied that he will make note of that. He continued that he will give several options and then the City Council can select an option, such as a review committee of staff and City Councilors, or the AAC members, or something else.

Councilor Powers asked if the City Manager is saying that every time there is an RFQ there will be City Council action. The City Manager replied that he was mostly honing in on RFPs. He continued that there will be some things exempted, such as emergency situations. And RFQs

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might not require action from the City Council. Whatever is exempted will be at the City Council's agreement.

Councilor Powers asked if bids are now just handled according to the city code, and if this would be in addition. He asked if it is true that the code does not currently have anything in it regarding RFQs and RFPs. Mr. Titus replied that the code addresses RFPs but not RFQs. It says if RFPs are put on the street and proposals are received, if they exceed \$25,000 they come to the City Council for a decision. If they fall below \$25,000 the City Council gives the City Manager the authority to act on them. The City Manager replied yes, and he continues to request that latitude. But these other processes, such as use of a hangar and property, needs direct involvement by the City Council.

Councilor Jacobs asked if this proposal the City Manager has outlined will be in the code or the fiscal policies. The City Manager replied that he thinks the code – they will work with the City Attorney in that regard.

Councilor Manwaring asked if the policy will make it clear that no proposals will be accepted after the time and date of the deadline that is set. The City Manager replied that that is correct. He continued that however, someone could appeal, if there is a proven unfair advantage of confusion.

4. Adjournment

The meeting adjourned at 8:05 PM.

Respectfully submitted by
Britta Reida, Minute Taker