

City of Keene
New Hampshire

FINANCE, ORGANIZATION AND PERSONNEL COMMITTEE
MEETING MINUTES

Thursday, March 28, 2019

6:30 PM

Council Chambers

Members Present:

Mitchell H. Greenwald, Chair Barrett
Carl B. Jacobs, Vice-Chair
Thomas F. Powers
Terry M. Clark
Bettina A. Chadbourne

Mayor Kendall Lane

Staff Present:

City Manager, Elizabeth Dragon
City Attorney, Thomas Mullins
City Engineer, Don Lussier
Parks Recreation and Facilities Director,
Asst. City Manager/IT Director, Rebecca
Landry
Utilities Manager, Aaron Costa
Finance Director, Merri Howe
Public Works Director, Kurt Blomquist
Asst. Manager/Community Development
Director, Rhett Lamb
Police LT. Steve Tenney

Chair Greenwald called the meeting to order at 6:30 PM.

1) Melanson & Heath - Audit for Fiscal Year Ended June 2018

Finance Director Merri Howe introduced Ed Boyd of Melanson and Heath who was the lead auditor this year.

Mr. Boyd began by thanking the Committee and stated this year's audit went very well. He stated the books and records were in good working order and they found no issues with the generally accepted accounting principles. There were no significant deficiencies or weaknesses reported. Mr. Boyd noted they issued an unmodified report and this is what any municipality would be looking for with an audit.

Mr. Boyd went on to say that the General Fund is looking stable, there have been some really good increases in the unassigned fund balance and the unassigned fund balance has a balance of 8.9 million dollars of the General Fund which is about \$270,000 over the prior year. He noted the city continues to invest in capital and felt the debt burden was very manageable. In 2018 about 3.7 million dollars was paid down in non TIF governmental

funds and another 1.6 million dollars in enterprise funds. Mr. Boyd stated the City of Keene is paying off about 93% of its general fund governmental debt over a period of ten years which he noted was very good – the expected number is close to 75%. Also 75% of water debt and 94% of sewer debt has also been paid off during a period of 10 years. The AA rating has also been maintained.

Mr. Boyd called the committee's attention to Page 29 of the financial statement – which has the long term perspective and noted two numbers that have received a lot of attention which is the pension number of OPEB (Other Post-Employment Benefits). He noted the 37 million dollars of net pension liability is the city's unfunded portion of the NH Retirement System. He noted the unfunded mandate of the retirement system is something all NH communities are dealing with. Mr. Boyd stated this is not something that is going to be managed and there is discussion about some proactive steps that need to be taken but there is limited ability for the city to do anything at this time.

He noted the OPEB number stands at 7.8 million dollars – for providing retirement employees with health benefits.

Chair Greenwald referenced the pension number and asked whether this is the downshifting from state to local communities we have been talking about. Mr. Boyd agreed and added this is the pressure many communities are dealing with as the numbers are difficult to estimate.

Page 31 – third number from the bottom is the unassigned fund balance. Mr. Boyd stated any informed user of the financial statement looks at this number first. This is the number available for appropriation (8.9 million dollars, up by about \$270,000). Mr. Boyd stated this number has been going up incrementally over the years and added the established policies and adhering to them is the reason for this positive number.

Page 35 – Budget vs. Actual – the numbers referred to here are driving the change to the fund balance and it is softened by the use of the fund balance. Councilor Powers clarified the \$505,258 is ultimately the number that goes back into the unassigned fund balance. Mr. Boyd agreed.

Mr. Boyd indicated the general fund has shown some positive aspects with positive operating results. In closing, he noted the audit went well and the city should be happy with the results.

Councilor Clark made the following motion which was seconded by Councilor Powers.

On 5-0 vote, the Finance, Organization and Personnel Committee accepted this item as informational.

2) Application and Acceptance of Grant - Taxiway A Reconstruction and Extension - Public Works Department

City Engineer Don Lussier stated about a month ago the former Airport Manager brought before the committee a proposal for the city to enter into a contract with Dubois King for Taxiway A Reconstruction and Extension. At that time, staff failed to request from the committee to provide the City Manager with authority to accept a grant for this work (FAA 90%, DOT 5% and the City pays 5%). He noted to be able to do this the city is required to file a grant application.

Asst. City Manager/IT Rebecca Landry noted this is a time sensitive item.

Councilor Powers made the following motion which was seconded by Councilor Clark.

On 5-0 vote, the Finance, Organization and Personnel Committee recommends that the City Manager be authorized to do all things necessary to apply for, accept and execute a grant offering from the New Hampshire Department of Transportation, Bureau of Aeronautics and/or the Federal Aviation Administration for the design and construction phases of the Taxiway A Reconstruction/Extension Project at the Dillant-Hopkins Airport.

3) Homeland Security Grant Program - Police Department

Police Lt. Steve Tenney stated he was before the committee regarding acceptance of a grant in the amount of \$851.99 to send one member of the department to the 2019 New York Tactical Officers Association conference in April, 2019.

He indicated every year homeland security provides the NH Tactical Association with a sum of money to send officers for training outside of the state to keep up with the trend. Officers have been sent in prior years using this funding source. Lt. Tenney noted these are FY 2016 monies which are set to expire in August.

Councilor Jacobs made the following motion which was seconded by Councilor Powers.

On 5-0 vote, the Finance, Organization and Personnel Committee recommends that the City Manager be authorized to do all things necessary to accept a grant of up to \$851.99 from the FY 2016 Homeland and Security Law Enforcement Terrorism Prevention Program (LETTP) to send one member of the police department to the 2019 New York Tactical Officers Association conference in April, 2019.

4) Acceptance of Drug Forfeiture Distribution - Police Department

Lt. Tenney stated this is forfeiture money which was the result of a case which culminated in February 2018. It was because of a drug investigation the department handled which resulted in the arrest of a subject who was found with various types of drugs and money. The \$604.25 is the city's portion for the forfeiture funds.

Councilor Chadbourne made the following motion which was seconded by Councilor Jacobs.

On 5-0 vote, the Finance, Organization and Personnel Committee recommends that the City Manager be authorized to do all things necessary to accept a monetary State drug forfeiture in the amount of \$604.25.

5) Request to Accept a Monetary Donation - Police Department

Lt. Tenney stated this item is a \$50 donation from Ed and Krishni Pahl made to the K-9 Program in memory and honor of Chief Brian Costa for his service and dedication to the community.

The Chairman extended his appreciation to the Pahls.

Councilor Clark made the following motion which was seconded by Councilor Powers.

On 5-0 vote, the Finance, Organization and Personnel Committee recommends that the City Manager be authorized to do all things necessary to accept a \$50 donation to be used for the Keene Police Department K-9 program.

6. Attorney Gary Kinyon/372 Marlboro Street, LLC - Purchase Proposal for City Property - Adjacent to 372 Marlboro Street

Attorney Gary Kinyon representing 372 Marlboro Street LLC and Robert Pratt the Facilities Agent for the LLC addressed the Committee. Attorney Kinyon stated as indicated in his letter he requests the City entertain negotiation with 372 Marlboro Street LLC regarding the sale of a small parcel of land. Attorney Kinyon stated his client is the owner of the former Knights of Columbus building it purchased last year. During the title search for this sale, even though this parcel looks like a rectangle there is a 3,700 square foot cut out on the westerly side of the parcel, because of a subdivision done in 1983 when Knights of Columbus owned the property. The subdivision plan done in 1983 shows a house on that land, which small parcel was conveyed in 1983 to Wetterau who owned all of the property surrounding this area at this time.

When the city acquired the Wetterau property in 2002, this parcel went with it. Attorney Kinyon noted this parcel remains as the only lawn area. After discussion with this City it was decided this request for transfer should be made as this parcel is not needed for any underground utility work or for any other use of this parcel by the City.

Attorney Kinyon went on to say his letter also refers to a larger parcel of land east of the Knights of Columbus property but indicated they do not want to go further with this request as they have no specific plans for this parcel and the city has no plans for the disposition of this property at this time.

In conclusion, Attorney Kinyon stated his client would like to negotiate with the city for the sale of this 3,700 square foot property and their intention is any negotiation with the city would be determined by an appraisal or otherwise a fair market price to pay for the land and 372 Marlboro Street LLC will pay for any costs related to this sale.

Chair Greenwald asked if this transaction goes through whether this property would become a tax paying property. Attorney Kinyon stated it would.

Councilor Clark stated he would like to make sure Public Works has no plans for this property. The City Manager stated Public Works was involved in the meeting with the applicant and the city is comfortable they do not have any plans for this property and the city will maintain the driveway and this portion is not something the city feels it would need.

Councilor Powers clarified the other parcel referred to is 382 Marlboro Street. Attorney Kinyon agreed and added this is the parcel they are not expressing any interest in at this time.

Councilor Powers made the following motion which was seconded by Councilor Jacobs.

On 5-0 vote, the Finance, Organization and Personnel Committee recommends that the City Manager be authorized to do all things necessary to negotiate and execute the sale of the 3,700 square foot parcel. Staff does not recommend the sale of the other parcel referenced on east side of 372 Marlboro Street at this time.

7. Zach Luse/Paragon Digital Marketing - Application for Community Revitalization Tax Relief Incentive (79-E) - Former Grace Methodist Church at 34 Court Street

Chair Greenwald began by congratulating Mr. Luse for being the pioneer of the 79-E process in the city. He explained as part of this process an application had to be completed, a public hearing was held and this matter is back before the Finance Committee.

Mr. Kopczynski stated Mr. Luse has worked very closely with staff and now that the public hearing is complete the Committee has to go through the findings motion to move this matter to the Full Council.

The Chairman went on to explain that 79-E is a program where for period of time there would be no increase to assessed value based on work done on the property.

The Chairman then went over the Findings:

- 1. It enhances the economic vitality of downtown areas;*

2. *It enhances and improves a structure that is culturally or historically important on a local, regional, state, or national level, either independently or within the context*

of an historic district, town center, or village center in which the building is located;
The Chairman felt this property complies with this item.

3. *It promotes the preservation and reuse of existing building stock throughout a municipality by the rehabilitation of historic structures, thereby conserving the embodied energy in accordance with energy efficiency guidelines established by the U.S. Secretary of the Interior's Standards for Rehabilitation;*

The Chairman stated he learned from the application this was an energy efficient project.

4. *It promotes efficient design, safety, and a greater sense of community in a manner consistent with the Keene Comprehensive Master Plan;*

5. *It will add to the City's employment base by creating at least one new, full-time job in Keene's downtown area.*

The Chairman asked how many jobs Mr. Luse was planning on creating. Mr. Luse stated his goal within the next five to ten years to grow from 13 employees to about 50 employees.

The Chairman stated the next discussion is the time period related to this item. Attorney Mullins stated it was appropriate for the committee to have a discussion as to what the tax relief period should be before they get into the motion. He noted the time period could be between two to five years.

Councilor Jacobs asked whether there was a discussion between staff and the applicant as to an agreed upon time period. Attorney Mullins answered in the affirmative and it is staff's position, five years would be an appropriate time period but staff did not want to take the liberty of inserting the time period into the motion.

Councilor Powers asked how the determination was made as to one full-time job. Mr. Kopczynski stated this is outlined in the Resolution.

Councilor Clark asked whether there was a matrix which could be used to determine the number of years. Mr. Kopczynski stated there isn't but the committee could run an association with the number of public benefits and if there are less public benefits then the Committee could go with the lower end of the number of years. He noted in this case, there are a large number of public benefits that have been put on the table. Attorney Mullins explained the Resolution which was adopted initially (sub paragraph E) which explains the criteria used to determine the time period.

Councilor Powers stated this is a win-win for everyone; this building has sat vacant for many years, it is now back on the tax rolls, what the applicant is proposing is going to increase the tax value. He stated he would recommend going with five years. Councilor

Clark agreed. Councilor Jacobs stated it is not like the applicant is not going to be paying taxes on this property – the increased value is the question and stated he does not have a problem with granting five years. The Chairman and Councilor Chadbourne felt it was a substantial project and agreed to the five-year time period.

Councilor Jacobs made the following motion which was seconded by Councilor Chadbourne.

On 5-0 vote, the Finance, Organization and Personnel Committee recommends that the City Council finds as follows:

That the structure proposed for redevelopment located at 34 Court Street is a qualifying and historic structure as defined by RSA 79-E; that the structure is located within a City designated RSA 79-E district, but is not within a currently defined Tax Increment Financing District; that the structure is not a residential property subject to an election for tax assessment relief under the low income housing tax credit program of RSA 75:1-a; that the proposed rehabilitation cost estimates exceed the threshold amount of \$75,000.00 and constitutes substantial rehabilitation; that at least \$5,000.00 of the total rehabilitation cost is devoted to energy efficiency in accordance with the U.S. Secretary of the Interior's Standards for Rehabilitation; that the proposed rehabilitation is consistent with the City's Master Plan; and that the proposed rehabilitation provides the following public benefits as required by Resolution R-2018-33:

1. It enhances the economic vitality of downtown areas;
2. It enhances and improves a structure that is culturally or historically important on a local, regional, state, or national level, either independently or within the context of an historic district, town center, or village center in which the building is located;
3. It promotes the preservation and reuse of existing building stock throughout a municipality by the rehabilitation of historic structures, thereby conserving the embodied energy in accordance with energy efficiency guidelines established by the U.S. Secretary of the Interior's Standards for Rehabilitation;
4. It promotes efficient design, safety, and a greater sense of community in a manner consistent with the Keene Comprehensive Master Plan;
5. It will add to the City's employment base by creating at least one new, full-time job in Keene's downtown area.

Therefore, the Committee recommends that the Application for real property tax relief on any assessed tax increment resulting from the substantial rehabilitation of the qualifying structure be granted for a period of five years beginning with the completion of the substantial rehabilitation as determined by the City's Community Development Department, and conditioned upon the property owner granting to the City at the time of substantial completion a covenant ensuring that the structure shall be maintained and

used in a manner that furthers the public benefits for the period of the tax relief, to be recorded at the Cheshire County Registry of Deeds at the cost and expense of the property owner.

8) Acquisition of the Rail Spur that Bisects Two Parcels of Property – Corner of Ralston and Emerald Streets - Planning Department

Asst. City Manager/Community Development Director Rhett Lamb reminded the Committee of Nancy Sheldon's presentation to the Committee in February – Ms. Sheldon is the owner of Shalldu Limited of 1 Ralston Street who had contacted the city with reference to a purchase of a spur owned by the City. This spur is located on the former Railroad right of way – this property was also originally requested to be purchased in 2011 at that time it was determined this piece was owned by the State of NH. It has now been determined this property is owned by the City and staff had requested in February to place this item on more time while staff had the opportunity to do additional review of this property's ownership.

Staff has now completed this review and has determined the City's ownership of this spur and hence have the ability to sell this free and have ownership of the fee underneath this spur free and clear of any other interest of adjoining property ownership. In February there was concern because this spur bisected two properties whether any other property owners have a unique ownership. One of the property owners who is Shalldu wants to acquire the property, the property to the south, 9 Ralston Street is owned by Alan and Betsy Braden. In February the question was raised to Ms. Sheldon as to whether she had contacted the Bradens and her recent letter to the City indicates she has and that the Braden family had no immediate interest in the property and if Shalldu Limited purchased the property the two parties would work together.

Mr. Lamb went on to say this property is approximately 230 feet long and 20 feet wide (4,600 square feet) starting from the northern corner of Davis Street and running to the right of way on Ralston Street. Mr. Lamb noted this is also considered to be surplus land and could not be reasonably expected to be used in the future and is already being used by the adjoining properties for parking, location of a shed etc. He noted even though the City has interest in the main line of this right of way which is the location of a bike path, it is clear the city does not have any use for this spur.

Councilor Clark asked whether the City was going to put the property up for bid or whether the City was going to deal directly with the Sheldons. Mr. Lamb stated the Sheldons are the only party who has expressed interest in the property and added there is a more time item regarding property located on the west side of the right of way adjacent to Emerald Street. Councilor Clark recalled another party expressing interest. Mr. Lamb stated Mr. Tousley is present today who had addressed the Committee regarding the spur adjacent to Ralston Street and he is welcome to address the Committee today.

Attorney Mullins stated at the last meeting there was issue raised as to whether the Bradens might have some interest in this property because the City was unsure exactly where the spur was located. It has however, been determined the spur is located only on the property owned by Shalldu.

Chair Greenwald clarified on the map provided to the Committee the solid outline is a building, the shading behind it is parking. Mr. Lamb agreed and added the crossed hatched outline is the spur and property outlines are shown in black and the grey shade is pavement.

Mr. Chuck Redfern of 9 Colby Street stated he had received by email notification regarding this item and indicated he had called the Petitioner who had stated she was not aware of the trail system and the impact of this transfer on the trail system. Mr. Redfern stated he followed up with Mr. Lamb about this conversation who had indicated this transfer would not have any impact on the bike path which runs between Ralston Street to Winchester Street and connects to the trail system on the other side of Winchester Street all the way to Swanzey. Mr. Redfern stated the only remaining question is what type of investment the petitioner would put into this property (buildings) and whether there would be some landscaping replacement at the rear and wanted to make sure the landscaping was going to be preserved.

Councilor Jacobs clarified the Shalldu property was 19 Ralston Street – the Chairman indicated Shalldu property was 1 Ralston Street. The Councilor felt the spur looks like it is located on 1 Ralston Street. Mr. Lamb stated the spur is separate from the properties located at 1 and 19 Ralston Street; the City owns the fee under the property. The Councilor asked about a portion that is sticking into the right of way. Mr. Lamb explained with aerial photography at times roof lines will intersect with the property line but added there could be some encroachment which will be revealed during a survey. Staff has advised the Sheldons the first thing that would need to happen with this transfer is a survey and the identification of any encroachment. The Chairman noted there is some development opportunities which he noted was good. Mr. Lamb stated the Sheldons have indicated they would be acquiring small pieces to correct encroachment issues.

Councilor Chadbourne made the following motion which was seconded by Councilor Powers.

On 5-0 vote, the Finance, Organization and Personnel Committee recommends that the City Manager be authorized to negotiate with Nancy Sheldon, on behalf of Shalldu, Ltd., regarding her request to acquire the rail spur that bisects two parcels on the corner of Ralston and Emerald Streets.

9) Relating to an Appropriation for the Main Street Crosswalk Improvements Project Resolution R-2019-13

City Engineer Don Lussier stated with the FY19 CIP the Council approved in FY23 the improvement to the crosswalks on Main Street near Keene State College near Elliot

Street and the Westwood Center. In Spring 2018, staff from Keene State College approached the City with a desire to accelerate this project and were willing to contribute towards this project. The Council approved moving this project out, a design was completed and the project was put out to bid last summer.

In July 2018, the city received one bid; the budget for the project was \$240,000 but the bid came in at \$398,000. He stated when the budget was designed the unit prices staff used was what is typically used on all projects. What was not taken into account was this project did not have items like pipe utilities, water and sewer infrastructure which general contractors make their money on. Instead there was a lot of small sub-contractor work, such as concrete work, conduit and electrical work but not enough for a general contractor to justify his foremen to be on site; this resulted in very high unit prices.

Mr. Lussier stated at that point the City determined those bid prices did not make such sense and recommended the Manager not award the contract. During the spring staff made some changes to simplify the design (eliminated things that were not needed but nice to have). The project was put out to bid again on February 19, 2019 and one bid came back for \$343,000. The price this time was reduced but the reduction is not enough. Mr. Lussier stated he cannot see any redesign work or alternative method to do this work to get a better result. The Manager has had a conversation with Keene State College who has agreed to contribute another \$55,000 to cover their half of the cost overrun.

Mr. Lussier stated the motion before the Committee tonight is to appropriate an additional \$55,000 out of the Downtown Infrastructure and Capital Reserve.

The Chairman stated he would like to see the design which has increased this project to \$343,000. Public Works Director Kurt Blomquist stated some of the things they are seeing these days is high rate because of labor shortages; New Hampshire has one of the lowest unemployment rate and local contractors are competing with each other for labor. For instance, contractors are having a hard time employing flaggers and have suggested using law enforcement which could be at a price of \$75 per hour. He noted the scope of the work has been reduced, granite curbing, loam and seed, putting in lighting system similar to what exists on Roxbury Street.

Mr. Blomquist went on to say he doesn't expect the price to come down; there has been discussion of putting this project on hold until the downtown work is done in about three to four years, but this would mean three to four years of increased cost. He noted to Keene State's desire to contribute 50% towards this work and wasn't sure if this funding will be available in the future. He stated staff doesn't like to do this but felt there is good reason to move forward.

Ms. Dragon added it was during the capital planning discussion it was the Mayor who suggested the City reach out to the college to move this project up; it was the City's request. She stated she was surprised at the college's willingness as this is a City project, a crosswalk project in the City of right of way and the college is not obligated to pay anything towards it – she felt \$120,000 was a lot of money. When the bid came back

higher, staff suggested using the Keene State system to bid this project and used their purchasing system. That did not result in a better result and when the City went back to the President of the college the city was impressed with their willingness to split the difference. This offer to increase the cost sharing is because they would like to move this project up.

Councilor Powers stated he was one of those who suggested moving this project up because of safety concerns and even though he is not happy with the increase in cost, unfortunately high cost of construction is the fact of life. He stated he is concerned about cutting this project back and felt keeping things looking good on Main Street is very important; it is the entrance into the city, something the City wants to promote. He felt the contractor should be locked in for this work.

Councilor Clark asked why this project could not be sub contracted out by city staff and cut out the middle man. Mr. Blomquist stated a general contractor would provide the appropriate sub-contractors otherwise the city would be required to bid out each individual piece. PW staff currently is doing close to six million dollars' worth of work and city staff does not have that time. If he was aware this is the path the City wanted to pursue he would have hired consultants to take on other tasks.

Councilor Clark stated beyond that, this is an important project for the college and the city and traffic calming measures are important here.

Mr. Lussier in response to Councilor Powers stated he wanted to assure the Committee they were not getting an inadequate project; the project will still have decorative lighting, landscaping, grass islands, granite curbing, textured crosswalks, rapidly flashing beacons. Items removed included: replacing the full width of the roadway, and reducing the width of the islands to save on granite curbing. The Chairman expressed appreciation to the college for contributing towards this project but added having a plan before them would help him understand the project better. Chair Greenwald asked how the plowing will be addressed. Mr. Blomquist stated he does not see a significant issue, it would be the same as the roundabout going north and same with sidewalk plowing as is done on Main Street.

Councilor Jacobs made the following motion which was seconded by Councilor Chadbourne.

On 5-0 vote, the Finance, Organization and Personnel Committee recommends the adoption of Resolution R-2019-13.

**10) Appropriation of Funds - Water/Sewer Rate Study & Acceptance of Grant
Public Works Department Resolution R-2019-14**

Operations Utilities Manager Aaron Costa addressed the Committee and stated this item is in reference to the water/sewer rate study. Mr. Costa stated the last time the city performed a rate study was in 2004 and the reason for the study is to make sure utility rates cover the cost of providing water/sewer services. It is a comprehensive study and

includes all aspects of the program; debt services, capital improvements, cash balance, operational expenses.

Mr. Costa stated the city applied and received an asset management grant through DES in the amount of \$20,000. As always there were conditions attached to the grant; the City has to match 100% of the funds, submit final rate analysis to DES, submit informational packet to be sent out to users, and invite users to participate in meetings and workshops.

The total cost for this project is \$110,000 and will take close to a year to complete. A consultant will be selected using the City's RFP process. For funding, staff is recommending reallocating funds from the existing Water Supply Protection, \$37,000 and Water Treatment Facility Design capital project, \$13,792 as well as accepting the grant of \$20,000 and finally the adoption of Resolution R- 2019-14, which would also reallocate funds from the Sewer Infrastructure Capital Reserve Fund - \$40,000.

Councilor Powers stated there is bound to be concern from the public about hiring a consultant to do this work but felt the public would want especially this type of study done correctly and felt this is a worthwhile project. Mr. Costa stated with the departure of the Finance Director, Steve Thornton it was difficult to figure out his method for this study and try to reverse engineer it.

Councilor Powers made the following motion which was seconded by Councilor Clark.

On 5-0 vote, the Finance, Organization and Personnel Committee recommends the City Council approve the reallocation of funds from the existing Water Supply Protection, \$37,000 and Water Treatment Facility Design capital project, \$13,792, and accept and execute a grant in the amount of \$20,000 from the New Hampshire Department of Environmental Services for the water/sewer rate study. Further that the Committee move for the adoption of Resolution R- 2019-14, which would also reallocate funds from the Sewer Infrastructure Capital Reserve for the water/sewer rate study.

The meeting adjourned at 8:00 PM.

Respectfully submitted by,
Krishni Pahl, Minute Taker

Additional Edits by,
Terri M. Hood
Assistant City Clerk