

**BUDGET COMMITTEE MEETING
APRIL 8, 2019**

Mayor Casavant called the meeting to order at 5:30 p.m.

Roll Call: John McCurry, Jr., Stephen St. Cyr, Amy Clearwater, Norman Belanger, and Marc Lessard

Michael Swanton, Robert Quattrone, Jr., Michael Ready and Laura Seaver were excused

The Committee, and all who were present, recited the Pledge of Allegiance.

Discussion: Wastewater Treatment Plant/Sewer Use Fees:

City Manager, James Bennett gave a recap of what has been proposed in the FY20 Wastewater Budget. Over the past decade or so, the City has been under-collecting sewer fees by between \$300,000 to \$400,000 because of how the sewer use rates had been calculated. A couple of years ago it was realized that the Wastewater budget had been calculated incorrectly for quite a few years and the end result was the Wastewater Fund owed the General Fund about \$4.7 million. Over the past couple of years, that amount has been brought down to \$3.2 million.

Jim noted that there are challenges associated with adopting the Wastewater budget this year. Those challenges are:

- 1) The City needs to figure out how to adopt a budget that doesn't have a \$300,000 to \$400,000 hole in it.
- 2) The City needs to figure out how it's going to go about repaying the \$3.2 million from the Wastewater Fund back to the General Fund.
- 3) Over the past few years, the WWTP has been taking \$770,000 a year in capital money and setting it aside for projects necessary to stay in compliancy with DEP and EPA. This has led to about \$3.2 million put aside for WWTP capital items.

Jim's suggestions for dealing with these budgetary issues are:

- A) To completely make up for lost revenues, it would take about a 12.5% increase in the sewer rates. He is recommending a 7.5% increase in the FY20 budget. This would equate to about \$12.00-\$13.00 for a Senior Citizen; and about \$70.00-\$80.00 for a family of four. In a year from now, Staff will re-evaluate and figure out if it's necessary to increase the sewer rates another 5% in the next budget cycle.
- B) He is also recommending doing a \$5 million bond to make up for the capital expense. In order to pay that bond, the \$770,000 that is currently put aside for capital items would be reduced to \$570,000, with that remaining \$200,000 equally about what the bond payment would be for the next couple of years. Then, in a couple of years, when the City has other debt that will come off the books, those funds will then be used to accelerate the repayment of the \$5 million bond.

By handling the Wastewater budget in this way, the City would have about a half a million dollars for capital projects and still have the funds for repayment of the \$5 million

bond, without having to further increase sewer rates beyond what is being proposed in order to make up for the revenue shortfall.

Jim pointed out that the issue with the Wastewater budget shortfall has not been based on expenditures – the expense side of the budget has actually been relatively flat. The issue really has been driven by the revenue side of the equation.

Councilor Clearwater offered clarification in that sewer rates have not been going up over time, so what the sewer users are going to see is a jump in rates because those rates have not been progressively increasing throughout the years.

Jim explained that last year, the sewer rates were adjusted slightly, but there really has not been a substantial increase in about 11 years.

Councilor McCurry does not support an increase in sewer rates, and part of his issue has to do with the fact that the WWTP also treats stormwater/rain, and he does not feel that the cost of this should be solely on the sewer users. He requested to see numbers of the amount of flow on a rainy day as compared to on a dry day.

Councilor St. Cyr sees the issue as the sewer users have essentially not been paying enough into the Wastewater Fund for many years, and the shortfall in revenue has been covered by the General Fund over the years. Overall, he is supportive of the proposed increase in sewer rates. What he does struggle with is the idea that when a bond comes off the books, the City will use those funds that were going towards paying that bond to accelerate the repayment of the \$5 million Wastewater bond. He feels that when loans come off the books, it should result as a benefit of the taxpayers rather than shifted to pay other City expenses.

Councilor Belanger agrees with what Councilor McCurry said, to the extent that the City should be paying its fair share to treat stormwater/rain at the WWTP. However, he feels that the City's \$600,000 contribution to the Wastewater Fund is arbitrary and he would like to see how this amount is determined.

Jim explained that the \$600,000 is not as arbitrary as it sounds, and that there is some rationale on how this number was determined. He asked Finance Director, Cheryl Fournier to look for the spreadsheet that the former Finance Director had put together that will help to make sense of all this.

Discussion: Capital Improvement Projects:

Jim reminded the Committee that the Council will vote to appropriate a certain amount of funds to the CIP Budget. Then the Capital Projects Committee reviews the proposed CIP items as requested by the City Departments, and makes a recommended allocation of funds. The final list of CIP items and amounts then goes back to the Council for final approval.

Jim believes that there should be at least \$2.5 million a year allocated to CIP; and he noted that the Council has done a tremendous job over the past few years to build up that account by budgeting more CIP funds. He'd like to see the City get to a \$2.5 million CIP budget over the next 5 years by budgeting an additional \$200,000 a year. In that vein, this year's proposed CIP Budget has \$1.7 million in it, which includes that additional \$200,000. The Committee has been

provided with a list of CIP items that have been requested by the City Departments, as well as the City Manager's list of where he thinks funds should be allocated. He has also provided an almost additional \$1 million in recommended CIP items. He is suggesting that the additional almost \$1 million be used as follows:

- Use \$500,000 to pay off all vehicles purchased this year, and not lease-purchase any.
- Use the rest of the funds for paving projects.

Councilor McCurry expressed concern with including a \$200,000 increase in the FY20 CIP Budget. He'd like to wait and see what building projects actually occur over the next year and then possibly increase the CIP in the FY21 budget.

Also, he does not agree with including the McArthur Library CIP items in the City's CIP Budget; especially since the Library already has funds allocated to them in the City's Municipal Service Budget.

Councilor Lessard would like to see funding for the repair of the City Hall Clock Tower included in the CIP Budget. He also feels strongly about including funds for bleachers for Field #1 at St. Louis Field, which is the most used field in the City, even if it means setting aside a certain amount of money each year to complete the project.

Mayor Casavant reminded the Committee that the City is currently involved in a Capital Campaign with the City Theater to raise funds for the repair of the City Hall Clock Tower.

Councilor St. Cyr stated that he'd like to see some of the additional funds expected from building permit revenues this coming year to go to benefit the taxpayers and necessarily all to CIP items.

To Councilor Lessard's comments about bleachers for St. Louis Field, Councilor McCurry would like to see information on the numbers of people who actually go to each City field to determine what the actual need is for seating. He's not opposed to budgeting for bleachers for St. Louis Field; however, he would like to know how many folks realistically need to be accommodated at all the City fields.

There was a general consensus that all the City fields need some attention in one way or another, and it comes down to needs assessment; as well as relying on recommendations from the Recreation Commission and Recreation Department.

At this point, Jim suggested that the Committee consider increasing the building permit revenue line from \$400,000 to \$450,000 to help offset budget expenditures, and therefore, lower the tax rate by about 2.25%. Both Councilors Lessard and McCurry suggested that the additional \$50,000 be put into the Contingency Account.

Jim cautioned that there is no need to discuss where the additional \$50,000 will actually go since this is just a discussion of projected revenue.

Motion by Councilor Belanger, seconded by Councilor Clearwater to increase the building permit revenue line from \$400,000 to \$450,000.

Councilor Lessard expressed concern that the City possibly operates financially too tight; which has led to not enough funding in the CIP Budget and other areas. He feels that with the City running too tight (financially), it has been at the detriment of the City as a whole.

Vote on motion to increase building permit revenue line: Unanimous.

On a final note, Jim said that given all the development currently happening and expected in the next year, he would not be overly concerned if the Council chooses not to bump up the CIP Budget by the additional \$200,000 (from \$1.5 million to \$1.7 million).

Motion by Councilor McCurry, seconded by Councilor Clearwater to adjourn.

Vote: Unanimous.

Time: 6:44 p.m.