

FINAL

**LEBANON CITY COUNCIL
SPECIAL MEETING AGENDA
Wednesday, May 13, 2020 - 5:30pm
REMOTE VIA MICROSOFT TEAMS
LebanonNH.gov/Live**

MEMBERS PRESENT: Mayor Tim McNamara, Assistant Mayor Clifton Below, Bruce Bronner, Erling Heistad, Karen Liot Hill, Suzanne Prentiss, George Sykes, Jim Winny, Karen Zook

MEMBERS ABSENT: None

STAFF PRESENT: City Manager Shaun Mulholland, Deputy City Manager Paula Maville, City Clerk Sandra Allard, Deputy City Clerk Kristin Kenniston, Finance Director Vicki Lee, Deputy Finance Director Tina Stearns, Library Director Sean Fleming, DPW Director Jim Donison, Airport Director Carl Gross, Police Chief Richard Mello, Deputy Chief of Police Phil Roberts, Fire Chief , Emergency Management Director Chris Christopoulos, Interim Parks & Recreation Director Rick Desharnais, Human Services Director Lynne Goodwin, Tom Taplin (IT)

Mayor McNamara called the meeting to order at 7:00 p.m.

1. PLEDGE OF ALLEGIANCE: Mayor McNamara led the Council in the Pledge.

City Manager Mulholland informed the public this meeting was taking place virtually due to the COVID-19 Pandemic and is thereby being conducted in accordance with the Emergency Orders issued by the New Hampshire Governor.

2. PUBLIC FORUM: Mayor McNamara made the Public Forum announcement. No one from the public came forth.

3. NEW BUSINESS

A. Amended Request from Salt Hill Pub for An Exemption of City Code Chapter 14, Alcoholic Beverages, To Permit the Serving of Alcoholic Beverages on City Property

Included in the agenda packet was a Map of Downtown Closures and a memo from Josh Tuohy, Salt Hill Pub.

Mr. Mulholland came before the Council representing the amended request from Salt Hill Pub.

Salt Hill Pub requested an amendment to their exemption to serve alcohol on City-owned property within the confines of their outdoor seating area per City Council approval granted on April 1, 2020. Due to NH Governor Sununu's Stay at Home 2.0 order effective May 18, 2020, pertaining to Restaurants, the City of Lebanon is closing the parking area in front of Salt Hill Pub and the 20 West Park Street building to allow for additional outdoor seating for Salt Hill Pub. The area on the Pedestrian Mall normally occupied by Salt Hill Pub has also been relocated and expanded to allow for additional seating. Sidewalks and the entrance to the Mall will remain open and accessible. The amended request for Salt Hill Pub will be effective from May 14, 2020 through September 15, 2020.

Assistant Mayor Below was recused from the Salt Hill Pub and the Three Tomatoes Trattoria votes.

ACTION:

Councilor Bronner MOVED that:

FOR THE PURPOSE of amending the April 1, 2020 exemption to serve alcoholic beverages on City-owned property;

BE IT MOVED, that the Lebanon City Council hereby grants an amended exemption to Salt Hill Pub to serve alcoholic beverages within the bounds of their designated outdoor seating area which has been expanded to include the parking area in front of Salt hill Pub and the 20 West Park Street building, and a larger portion of the Lebanon Pedestrian Mall, as shown on the map included in the May 13, 2020 City Council Agenda Packet.

BE IT FURTHER MOVED, that the exemption to serve alcohol within the expanded seating area shall only be valid through the duration of the closure of the parking area in front of Salt hill Pub and the 20 West Park Street building, currently planned for May 15, 2020 through September 15, 2020. Should outdoor seating and the service of alcoholic beverages be desired beyond September 15, 2020, it will be restricted to the area designated within the Pedestrian Mall.

Seconded by Councilor Liot Hill.

Roll Call Vote:

Mayor McNamara, Assistant Mayor Below, and Councilors Bronner, Heistad, Liot Hill, Prentiss, Sykes, Winny and Zook all voting Yea.

None voted Nay.

Assistant Mayor Below was recused.

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

B. Amended Request from Three Tomatoes Trattoria for An Exemption of City Code Chapter 14, Alcoholic Beverages, To Permit the Serving of Alcoholic Beverages on City Property

Included in the agenda packet were the May 6, 2020 Letter from Robert Meyers, Three Tomatoes Trattoria and a Map of Downtown Closures.

Mr. Mulholland came before the Council representing the amended request from Three Tomatoes Trattoria.

Three Tomatoes Trattoria requested an amendment to their exemption to serve alcohol on City-owned property within the confines of their outdoor seating area per City Council approval granted on April 1, 2020. Due to NH Governor Sununu’s Stay at Home 2.0 order effective May 18, 2020, pertaining to Restaurants, the City of Lebanon is closing a portion of Court Street between Mascoma Savings Bank and the One Court Street building to allow for additional outdoor seating for Three Tomatoes Trattoria. The area on the Pedestrian Mall normally occupied by Three Tomatoes Trattoria has also been expanded to allow for additional seating. Sidewalks and the entrance to the Mall will remain open and accessible. The

amended request for Three Tomatoes Trattoria will be effective from May 14, 2020 through September 15, 2020.

ACTION:

Councilor Winny *MOVED* that:

***FOR THE PURPOSE* of amending the April 1, 2020 exemption to serve alcoholic beverages on City-owned property;**

***BE IT MOVED*, that the Lebanon City Council hereby grants an amended exemption to Three Tomatoes Trattoria to serve alcoholic beverages within the bounds of their designated outdoor seating area which has been expanded to include a portion of Court Street, and a larger portion of the Lebanon Pedestrian Mall, as shown on the map included in the May 13, 2020 City Council Agenda Packet.**

***BE IT FURTHER MOVED*, that the exemption to serve alcohol within the expanded seating area shall only be valid through the duration of the closure of Court Street, currently planned for May 15, 2020 through September 15, 2020. Should outdoor seating and the service of alcoholic beverages be desired beyond September 15, 2020, it will be restricted to the area designated within the Pedestrian Mall.**

Seconded by Councilor Prentiss.

Roll Call Vote:

Mayor McNamara, Assistant Mayor Below, and Councilors Bronner, Heistad, Liot Hill, Prentiss, Sykes, Winny and Zook all voting Yea.

None voted Nay.

Assistant Mayor Below was recused.

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

Assistant City Mayor Below returned as a regular member of the Council.

C. End of Year 2019 & 1st Quarter 2020 Budget Reports (Pages 9-33, in agenda packet).

Included in the agenda packet were the May 13, 2020 Memo and 2019 Year End Budget Report from Vicki Lee (Finance Director), Tina Stearns (Deputy Finance Director) and Doug Smith (Finance Consultant), as well as the May 13, 2020 Memo and first quarter 2020 Budget Report.

Ms. Vicki Lee, Ms. Tina Stearns and Mr. Doug Smith (Finance Department Consultant) came before the Council to review, discuss and answer questions regarding the end of year 2019 and the first quarter 2020 budget reports regarding the City of Lebanon's expenditures and revenues.

Ms. Lee presented the year end 2019 Budget Review, noting *the City is currently undergoing a financial audit so these financial reports are unaudited and subject to change*. Overall, the City ended the year on a positive note. Operating revenues were over the estimated amount by \$2,375,996 and expenditures came in under budget by \$1,217,078. This is for all funds combined.

- **General Fund Expenditures:** Preliminary results of operations for the City's General Fund indicate that approximately \$590,000, or 1.8% of the approved FY 2019 budget. The amount

returned to the fund balance was the net of both amounts expended and amounts encumbered as of 12/31/2019.

- **General Fund Revenues:** City revenues continue to outpace budgetary estimates. For 2019, the General Fund operating revenues were over the estimated amount by \$1,676,507. Highlights of over budget estimates are:
 - Interest on investments, \$126,000
 - Motor Vehicles, \$277,000
 - Building Permits, \$111,000
 - Ambulance Service, \$216,000
 - Received Municipal Aid, \$163,993
 - Received premium from Primex, \$153,650
- **Other Funds included:** Solid Waste Disposal Fund, at year end were \$398,343 (higher than budgeted) and expenditures were \$186,052; Water Treatment and Distribution Fund, at year end was \$114,377 (higher than budgeted) and expenditures at year end were \$104,579 (less than budgeted); Sewage Collection and Disposal Fund, at year end was \$12,825 (higher than budgeted) and expenditures at year end were \$227,919 (less than budgeted); Municipal Airport Fund, at year end revenues were \$173,943 (higher than budgeted) and expenditures at year end were \$108,374 (less than budgeted); and, the Emergency Management Fund.
- **Unassigned Fund Balance:** The residual classification for the City’s General Fund includes all amounts not contained in other fund balance component classifications and therefore not subject to any constraints. Appropriation from the Unassigned Fund Balance requires approval of the City Council. The unaudited Unassigned General Fund Balance as of December 31, 2019 was \$12,177,260. *This amount could change if the auditors make adjustments or change the reserve for contingencies.*

In response to Mayor McNamara’s question, Ms. Lee said these audited reports should be completed within 5-6 weeks.

Ms. Lee reviewed:

- Budget vs. Actual Expenditure Report – General Fund: First quarter detailed in Exhibit A, page 27, in the May 13, 2020 agenda packet.
- Budget vs. Actual Revenue Report – General Fund: Detailed in Exhibit B, pages 29-31, in the May 13, 2020 agenda packet. Tax bills will go out on May 29 - July 1, 2020. For now, we are pretty much on target, however, in April we could see a large drop. Ambulance services is down approximately 5% from March 2019; EMS calls are down about 30%; Recreations programs will see less revenue on the next quarter report due to the COVID-19 constraints; Interest rates for both short-term/long-term rates are low, due to the impact of this economic environment.
- Budget vs. Actual Other Funds Report: Shows the revenues and expenditures of other funds and is detailed in Exhibit C, page 33, in the May 13, 2020 in agenda packet.

Ms. Lee expects to see a huge difference in all these funds for the second quarter.

ACTION: None required. Item was for informational purposes only.

D. Financial Outlook with Vicki Lee, Finance Director

Included in the agenda packet were the May 13, 2020 Memo and Financial Outlook from Vicki Lee (Finance Director) Tina Stearns (Deputy Finance Director) and Doug Smith (Finance Consultant) and a PowerPoint presentation for the City’s Financial Outlook.

Mr. Mulholland and Ms. Vicki Lee came before the Council and reviewed an in-depth Power Point presentation on the Financial Outlook for the City. The presentation included the potential financial and economic impacts of COVID-19 and a COVID-19 looming recession due to the US economy being shut down causing an unprecedented spike in unemployment; revenue impacts on the City (e.g., Property Taxes, Registrations Fees, Rooms & Meals Taxes); Utility Users Taxes; Franchise Payments; and the Recreation and Fee programs. Local Governments have been hit hard. Nearly 9 in 10 city leaders say they expect major budget shortfalls, according to a survey of 2,400 local leaders by the National League of Cities and the U.S. Conference of Mayors. While the CARES Act is putting \$2 trillion into the economy, direct aid to cities/towns under a populace of 500,000 is still unclear.

The objective for the City is to develop, refine, and closely monitor projections regarding the financial impacts to the City's expenditures and revenues in the City's 2020 Budget; reviewing and implementing rescissions in the City's 2020 Operating Budget Expenditures (given on 4/26); exploring possible taxpayer and ratepayer relief options; and, developing plans to address the long term impacts on the local economy.

Mr. Mulholland spoke about the potential impacts on property tax revenues, noting the City takes in approximately \$58M in total property tax levies for City/School/County. If there is a 10% reduction in property tax revenues this would equate to a loss of \$5.8M that would have to be absorbed solely by the City in the absence of any action taken by the School District or the County. His projected rescissions are estimated to be \$801,000. The Unassigned Fund Balance is approximately \$12 million.

Ms. Lee reminded the Council that the City is still liable to pay the School District and County taxes from property tax revenues even if people are unable to pay their property taxes.

Ms. Lee reviewed the data for uncollected property taxes during the 2008 Recession, noting that in 2010 there was \$7.5M (17.6%) in uncollected property taxes. In 2012, there was \$6.4M (14.5%) in uncollected property taxes. (The City's average is normally around 2%). However, most people paid their taxes before their properties went to lien in April/May the following year.

Mr. Mulholland added there was almost no impact on property taxes or in uncollected MV registrations during the 2008 recession. In 2008 the uncollected Water/Sewer bills were about \$62K. He explained how the previous recessions were unlike the one the City is entering into now, noting a lot is still unknown, and it is difficult to project what might occur until there is better data.

Mr. Mulholland reviewed the impacts on State revenue sharing that included the Rooms & Meals tax distribution; the Highway Block Grant; \$20M in municipal revenue sharing, and the State's Capital Projects that have been put on hold (Westboro Yard's demolition, the Mechanic St./High St./Mascoma St. Roundabout, the Rt. 12A downtown W. Lebanon Bridge Project).

Mr. Mulholland also reviewed the Federal Governments assistance: The Airport received just over \$1M in funds, which will offset the General Fund subsidy for 2020, and they will be receiving funds to offset the City's 5% cost for Capital Projects (Parking Lot Paving Project- \$13,915 and a Snow Removal Building- \$39,888); the Fire Dept. will be receiving \$32,566 for ambulance service from the Medicare CARES Act; Various Depts. will be reimbursement for emergency protective measures from the Stafford Act at 75% (estimated to be \$188,800) and the CARES Act Phase I Stipend to First Responders (\$160,000). He noted the \$1.25M from the Federal Cares Act for the State of NH cannot be used to offset losses in State or Municipal revenues and a Federal stimulus and/or additional funding to State and Municipal governments is uncertain.

Ms. Lee reviewed the City's Debt Service Projections 2021-2025 as follows:

- CSO Debt Service.
- Planned Tax Rate Increases: Tax rate increases were planned in conjunction with the use of the Fund Balance to reduce tax rate spikes. Planned tax rate increases were 3% for 2020-, 3% for 2021, and projected to be less than 2.5 for 2022-2025.
- Municipal Tax Rates will be changing due to the City undergoing property re-evaluations. Mr. Mulholland explained that while the tax-rate may be going down, people will still be paying the same amount, if not more, because property evaluations will be going up.
- General Fund Debt Service.
- How the Fund Balance will be used to offset Debt Service. The plan is to offset the increase in Debt Service for 2021 by using an approximated additional \$1.3M from the Fund Balance. This is in addition to the anticipated use of approximately \$2.1M from the Fund Balance already planned to offset the tax rate.
- Long Term Financial Plan.
- Unassigned Fund Balance Ratios (approximately \$12M). Mr. Mulholland would like to stop using the Unassigned Fund Balance because he felt the City was artificially subsidizing the tax rate. We should be using the Capital Reserve funds to avoid having to borrow money.

Councilor Liot Hill said the City has been purposely building up the Fund Balance over and above our policy target (19-24%) in order to smoothing the tax rate for the duration of the CSO and agreed with the City Managers regarding the use of the Unassigned Fund Balance.

The Council further discussed the reasons for/against the use of the Unassigned Fund Balance to reduce tax rates.

- Limiting future Capital Projects General Fund (post CSO): The amount of new debt would be limited to the amount of retired debt over a six year period with the exception of a few projects. The Council discussed the pros/cons of limiting future Capital Projects.
- Impacts on CIPs and infrastructure work: Failure to address known issues may result in cascading impacts on facilities, the transportation infrastructure, and on Equipment and Vehicles that could result in higher long term costs and negative service impacts.

Mayor McNamara noted that it is important to look at the data (i.e., the road conditions and sewer conditions) and the ramifications of failure.

- Water Fund: Financial forecast and Debt Service (2020-2025).
- Water & Sewer Fund Revenue Deficit/Surplus and rate increases (2019-2023).
- Sewer: Financial Forecast and debt service (2018 – 2023).
- Solid Waste Debt Service (2020-2025).

The Council discussed the Solid Waste Revenue Funds as compared to the Water/Sewer Funds; paying cash for the Gas-to-Energy project; changing the tax rate target from 3-3.5% (pre-COVID-19) to 2.5%; and, how a tax rate increase (3%) would not be prudent for Lebanon residents at this time. Most Councilors agreed that due to COVID-19 a tax rate increase should be revisited to see what a 0% (flat) budget would look like and more work still needs to be done on the City Manager's rescissions.

Mayor McNamara felt the discussions regarding the City's tax rates (for 2021) should wait until July when more data will be available regarding property tax revenues.

Councilor Liot Hill could not, in good faith, support a 3% budget increase this year (for 2021) given the economic forecast. She felt the City will not be collecting all the taxes and was in support of the City

Manager making rescissions, but his rescissions will not affect the 2021 budget. She would like to see the City Manager and the City's Department Heads given a directive now on their budgets.

Mayor McNamara suggested that what happens in July could be indicative of what happens for the next two years and waiting until July might give the Council a couple more data points in looking forward. It all comes down to whether people can or cannot pay their taxes at the current rate. He was personally concerned about seeing the 2.5% target go to the 0%-1.5% range.

Councilor Prentiss suggested directives be given to Department Heads for their July 1 budget deadline. We are in a tough position, from a City perspective if we ask people for an increase in taxes given that things will probably get a lot tougher before they get a lot better, but at the same time, we just do not have the data yet to know what the full picture looks like for the next tax bill. She was uncertain what the answer is, but felt it was worthwhile to resume this discussion.

Mayor McNamara felt there would not be a valid data point until July 1, 2020, but at the same time, Department Heads need guidance before July so they can prepare their budgets. He felt the Council needed more time to dwell on this discussion in order to come to some agreement.

Assistant Mayor Below suggested the Council think about some austerity alternatives: 1) What the Council would really like to see. 2) What the realistic parameters might be. 3) What extreme austerity measures can be taken because people just cannot afford their property taxes due to economic difficulties.

Councilor Prentiss was not prepared to make any decisions and would like this discussion to be revisited at a future meeting.

Mr. Mulholland reviewed a few more particulars in the 2020 budget (for 2021) and noted that an additional \$675K would be needed to level fund taxes if nothing else comes up that the City cannot control. He explained a couple of ways this could be done (e.g., postponing road paving or laying people off).

Councilor Prentiss signed off at around 7:00 PM

Mayor McNamara noted he did want to alarm anyone about laying off employees, but thought the Council needs to have the data to make an educated decision on the general tax rates.

After the Council and Mr. Mulholland discussed the budget and tax rates further, a decision was made to bring this discussion before the Council at their first meeting in June (June 3, 2020) to try to come to some conclusion on the recommendations made at this meeting.

Mr. Mulholland will put together a packet of information and the compounding effects over time in terms of cuts in services. His packet will also include tax rates at 0% (flat rate), 1%, 1.5%, 2%, 2.5% and 3% that will be distributed to the Council prior to the June 3, 2020 meeting.

ACTION: No action is required. Item is for informational purposes only.

13. ADJOURNMENT:

Councilor Bronner MOVED for adjournment.

Seconded by Councilor Heistad.

Roll Call Vote:

Mayor McNamara, Assistant Mayor Below, and Councilors Bronner, Heistad, Liot Hill, Sykes, Winny and Zook all voting Yea.

None voted Nay.

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

The meeting was adjourned at 7:11 PM.

Respectfully submitted,

Dona E. Gibson

Recording Secretary