

Finance Committee

Meeting Minutes

Meeting Information

Date: April 9, 2024

Time: 6:00 P.M.

Location: 31 Wakefield Street

Committee members present: Mayor Callaghan, Councilor Fitzpatrick, Councilor Lawrence, Councilor Sullivan, Councilor Turner, Councilor Walker, and Deputy Mayor Hamann

City staff present: Finance Director Mark Sullivan. City Manager Katie Ambrose. Deputy City Clerk Cassie Givara.

Agenda & Minutes

1. Call to Order

Mayor Callaghan called the Finance Committee meeting to order at 6:00 PM.

Councilor Walker led the Committee and all those present in the Pledge of Allegiance.

Deputy City Clerk Cassie Givara took the roll call attendance. Councilors Fitzpatrick, Lawrence, Sullivan, Turner, Walker, Deputy Mayor Hamann, and Mayor Callaghan were all present.

2. Acceptance of Minutes: March 12 2024

Councilor Walker **MOVED** to approve the minutes of the March 12, 2024 Finance Committee meeting. Councilor Hamann seconded the motion. Councilor Lawrence moved to make an amendment to note her name under "Committee members present." Mayor Callaghan called for a vote on the motion as amended. The **MOTION CARRIED** by a unanimous voice vote.

3. Public Input

Tom Kaczynski, resident, questioned the idea of an Employer-Assisted childcare program, the use of ARPA money for such a program, and the reoccurring budgetary cost to the City if such a program were formed. Mr. Kaczynski also inquired about the use of ARPA money for non-profits.

4. Unfinished Business:

4.1.1 Residential Trash Bags-Retail Program

Finance Director Sullivan gave a brief overview of the proposal for a residential trash bag program and addressed several concerns which had arisen at the prior Finance meeting. Director Sullivan referenced a question posited at the prior meeting regarding whether the tax office verifies Rochester ID before selling trash stickers. He clarified that the tax office staff does not check ID when selling these stickers; the onus falls on Waste Management to verify that those utilizing residential drop-off are Rochester residents. The Committee had discussed the possibility of non-resident landlords utilizing the drop-off, or other potential ways in which the drop off could be abused by non-residents. Director Sullivan reiterated that these circumstances are the responsibility of Waste Management to enforce and prevent.

Director Sullivan supplied samples of store brought name-brand trash bags and a neighboring municipalities trash bags to address the matter of thickness. Ge gave details on the varying thicknesses of different waste bags and gave options on what quality Rochester could choose. Director Sullivan explained that these proposed trash bags will only be used for residential overflow. Regular household trash that is disposed of in toters is handled at no charge to residents, due to the host agreement between the City of Rochester and Waste Management. He spoke about other municipalities where residents not only pay for trash bags, but also pay for the collection and disposal of their trash.

Director Sullivan stated that there is a clause in the host agreement which stipulates that the City of Rochester trash bags cannot be less than the average combination of costs for Somersworth, Farmington, and Dover bags. This clause seems to have originated from the 2007 agreement. The City of Rochester's current cost of stickers is \$1.75, which is less than the aforementioned average of these other municipalities; however, he reiterated that these stickers are just for use with overflow waste.

Director Sullivan briefly spoke of the potential ease of fraudulently recreating trash stickers using inexpensive supplies, which would be far less likely if the City transitioned to trash bags. He reiterated that with the increase demand for trash stickers due to more strict enforcement at Waste Management, it has been a burden on the tax office with staff selling as many stickers per month as they previously sold in a year. If adopted, the City trash bags will be sold in retail locations and would relieve the tax office of the responsibility.

Director Sullivan announced that there had been a public input submission from Steve Beaudoin titled "Bulk Waste" which had been distributed to all committee members.

Director Sullivan explained that the manufacturer (Boxes and Bags) would handle the retail aspect and having the Rochester bags available for sale in Market Basket and Hannaford in the City of Rochester. However, there would be a transition period where the public is educated on the new program and the stickers are still available in the tax office.

Councilor Sullivan referenced the aforementioned clause in the host agreement dictating that the fee charged for bags be the average of the bag fees three neighboring cities. He inquired if this clause would necessitate Rochester increasing their cost per bag. Director Sullivan stated that he had conferred with the City Attorney and they do not believe Rochester would need to increase costs. Dover and Somersworth have waste programs structured as “pay as you throw,” requiring residents to not only purchase the bags, but to also pay for disposal, which necessitates the higher cost per bag. He spoke about potential drawbacks of pricing the Rochester bags lower than this average but recommended keeping the cost at \$1.75, the cost residents are accustomed to paying for the stickers.

Councilor Walker questioned this clause in the host agreement, citing the fact that Rochester has never sold residential trash bags in the past. Director Sullivan confirmed that although the host agreement specifies bags, the City had opted to go with stickers. Councilor Walker speculated that if the average price cited in the agreement was an issue, Waste Management would have already approached the City regarding the lower cost of the stickers.

City Manager Ambrose emphasized the convenience for residents which would be experienced with the bag program. Residents will be able to purchase bags after hours and during weekends without having to depend on City office hours. Councilor Sullivan agreed that the bag system was more efficient and convenient for residents; although he requested a conversation on price if it was determined that an increased cost would be necessary above the \$1.75 sticker fee.

Councilor Hamann inquired if there had been any negotiation with Hannaford and Market Basket to have these bags carried in the stores. Director Sullivan stated that he had initially misconstrued the process and had begun to work directly with these stores; however, it was discovered that the vendor, Bags and Boxes, handles this aspect through agreements already in place with retail locations for the distribution, inventory, and financial exchanges and reconciliation trash bags sales.

Councilor Fitzpatrick asked if there were any ideas or insights on the public input sent by Steve Beaudoin. Director Sullivan explained that the crux of the concern is that an elderly resident is unable to maneuver her toter, and as a workaround she is disposing of multiple small grocery bags of trash per week at the drop off, each of them using a sticker. He stated that more information on the location and situation would be beneficial, but asserted that it is difficult to arrive at a solution for every possible scenario. He briefly spoke about the potential for additional programs to help residents in need. The Committee continued to discuss the resident in question and potential solutions for the problem being encountered.

Councilor Hamann **MOVED** to recommend to the full City Council the establishment of a residential trash bag retail program. Councilor Walker seconded the motion. The **MOTION CARRIED** by a unanimous voice vote.

4.1.2 79E Summary Review

Director Sullivan explained that there were several questions which had arisen following the prior Finance Committee meeting. One of these questions was regarding the Howard property not being on

the “active” covenant table displayed in the packet, but rather listed as “pending.” Director Sullivan stated that the Howard project was a replacement of a qualifying structure, and thus the tax relief will not begin until the completion of the replacement structure; since the Howard has not received certificates of occupancy, the Chief Assessor did not consider it a completed project. He stated that the 5-year 79-E covenant period would not begin until the following tax year. Additionally, Director Sullivan pointed out a correction which had been made to the chart regarding the number of dwelling units included in the 28 North Main Street property.

5. New Business

5.1.1. Employer Assisted Child Care Cooperative-ARPA Funded

City Manager Ambrose gave an overview of the history of the Employer Assisted Childcare program. The City received just over \$6 million in ARPA (American Rescue Plan Act) funds; \$1.4 million of which was allocated to the establishment of an employer assisted childcare initiative. The concept had originally been that such a childcare cooperative could be offered to City staff to not only attract new employees, but as a benefit to retain employees, with additional slots available to Rochester residents to help address the shortage in childcare in the community. In theory, this childcare program would be self-sustaining, with the \$1.4 million used as capital startup costs.

The City Manager’s self-directed work team had been formed to help determine the feasibility of such a childcare program and to provide recommendations to the City Manager moving forward. City Manager Ambrose explained that there were multiple City staff members serving on this work team who had prior history in the childcare field, including serving as directors of childcare programs.

The work team’s primary focus was to examine the feasibility of a City-run childcare program, reviewing potential sustainable business models, and sourcing locations/facilities for such a program. City Manager Ambrose detailed what the work team had accomplished over the prior year and a half. However, after carefully reviewing the data gathered over their tenure, it was determined that an employer-assisted childcare program would not be self-sustainable, and thus not feasible given the goals set for this project. The work team did offer several recommendations on how this funding could be allocated towards other initiatives to help support staff with younger children.

City Manager Ambrose reported that following the findings of the work team, she had been approached by the school superintendent regarding a potential partnership with Great Bay Community College, the high school, and the Tech Center in which the funding could be used for a childcare program to be utilized as a workforce development pipeline. However, under the assumption that this proposed program would be City-operated, it was not found to be self-sustaining either. She explained that one of the limiting factors is the City’s wage scale and classification system, which would put even the lowest grade and step employee above those of employees in the local private market, causing competition.

Carole Glenn, Economic Development, addressed the Committee regarding the work that the team had accomplished and its subsequent findings, with the committee’s formation in January of 2023. Ms. Glenn explained that the primary goals were to determine if such a program could be self-sustaining

and to ensure that the program would not compete with existing private childcare in the Community. Based on results of the staff survey, it was found that there did not appear to be a great enough demand amongst employees for childcare to make the program necessary. Additionally, it was found that simply providing market-rate childcare to employees would not be viewed as a benefit if there was no discounted tuition rate offered for employees.

Ms. Glenn spoke about the other alternatives explored by the committee for use of the funding, which have been distributed to the Committee, including family-friendly workplace policies and reallocation of funds towards other city programs. She referenced the sample operating budget which had been included with the packet materials. This budget had been developed in regards to the potential partnership with Great Bay and the Tech Center and based on data from the City on wage scales as well as publicly available data on tuition rates. The budget indicated that in FY25, the proposed program would experience a deficit of over \$200,000. It was anticipated that this deficit would continue to increase as with each subsequent year due to personnel costs rising at a faster rate than the market will allow for tuition rate increases. It was emphasized that these same staffing and budgetary issues are being encountered throughout the childcare industry and it is very difficult for any childcare business to be self-sustaining. If the City were to establish a program with employees' starting salaries greater than those of local providers, it would create competition for already limited childcare staff and adversely affect local providers, which the City is not willing to do. She spoke about the referenced partnership with Great Bay and the Tech Center, and the potential benefits to the community which this partnership could create but reiterated that this model would not be self-sustaining. She presented the Committee with the following considerations:

1. Should the City pursue building an addition adjacent to the tech center for the purpose of opening a childcare center and potential workforce development program that would serve City/School employees and community families despite recognizing that it is unsustainable and would require an annual investment from the City?
2. If the City chose to develop a new childcare program, should the City operate/manage the program itself, or issue an RFP soliciting bids for management of a newly developed childcare program?
3. Are there alternative uses for the ARPA funding that would support child/youth programming?

Mayor Callaghan praised the work team for their hard work and thorough report. He acknowledged that although the work team had completed the job with which they were tasked, with the realization that a city-run childcare could not be self-sustaining nor could it exist without competing with local providers, he felt that he could not support moving forward with the recommendations.

Councilor Sullivan stated that he agreed that the City should not support option one or two; however, he felt the third option would be viable for reallocation of the funding towards youth programming elsewhere in the City. He asked if there were any restrictions on the ARPA funding which would prevent it from being used in this manner. City Manager Ambrose stated that supporting childcare

is a permissible use for ARPA funds, although there would need to be more details presented on specific programs to thoroughly assess whether it is a qualifying use.

City Manager Ambrose presented a caveat to the data collected via the survey referenced in the report. Although there was not a need expressed by City staff, the results only capture current staff who likely already have childcare established, not future or potential employees which may generate different results. Additionally, the survey was distributed during the summer months when there were fewer respondents from the school department, but there has since been indication that a childcare program would have greater demand on the school side. City Manager Ambrose clarified that if the City did decide to move forward with a City-run program or partnership, it would not only entail the initial ARPA contribution but an annual budgetary contribution for operations. She stated that there would not be an accurate representation of the costs for such a partnership until/unless an RFP was issued if the Finance Committee determines it would be beneficial.

Councilor Hamann stated he would not support a program that would result in an ongoing budgetary item for the City; however, he was not opposed to exploring the possibility of issuing an RFP to determine if there were other programs to which the ARPA funding could be allocated. He cautioned that there was a tight timeline given the requirements for ARPA funding to be allocated by years' end. City Manager Ambrose speculated that there was adequate time to issue an RFP, receive responses, and potentially reallocate the money if the RFP process is not successful.

Councilor Lawrence inquired if the work team had included data on the economic impacts of the childcare shortage and lost labor due to lack of childcare. Ms. Glenn stated that this was information that had been examined, and she recalled that the impact was in the billions for the state of NH. She stated she would be able to supply this information.

Ms. Glenn clarified that if there were an RFP issued for a partnership to operate a privately-run childcare center, the way this typically works is that a for-profit childcare corporation would operate the center, any staff would be employees of said corporation, and families would pay tuition to the corporation. The City of Rochester would be paying the company to operate this potential center through an annual budget item. Councilor Lawrence inquired if there would be a way to quantify the economic impact to the community of not offering this childcare initiative; she suggested that if the budgetary cost of a childcare center was offset by this economic impact, it may still be worth considering. Mayor Callaghan stated that this is a very hard number to quantify for a single community with the bulk of the data being statewide or nationwide.

Councilor Sullivan inquired if the ARPA funding needs to be used specifically for childcare, or if it can be used for child and youth programs, as laid out in the alternate recommendations from the work team. City Manager Ambrose confirmed that this funding could be reallocated for other uses; but the City would need to review the Treasury Department's ARPA guidelines to determine whether youth programming was a permissible use.

The Committee discussed the process of issuing an RFP, for which either a vote or sense of committee is needed for the City Manager to move forward. City Manager Ambrose explained the ways

the RFP could be structured and what the City could ask; such as request for information or request for quote to determine if there is any interest or if there are any ideas for potential programs. Director Sullivan confirmed that the RFP process could be completed fairly quickly without any commitment on the part of the City, and may potentially generate ideas from those in the childcare industry.

City Manager Ambrose suggested that, because the Committee was not in favor of a non-sustainable model for a City-run childcare, the City could look in more detail at some of the other recommendations resulting from the work team and come back to the Finance Committee if any funding or further action is needed on any of these items.

5.1.2. ARPA Funding Recommendations – Lead Paint Program and Rochester Child Care

Director Sullivan explained that there is a remaining balance of unallocated ARPA funds equaling \$664,000 not assigned to specific projects. He stated that there is a recommendation to assign \$250,000 to a lead hazard mitigation program, which would dovetail with the ordinance the City Council recently adopted regarding lead paint poisoning prevention and control. He explained that this funding had come forward the year prior, but there was question regarding overlap of the Board of Health and the State and redundancy between programs. Following this recent vote for Council however, there may be additional ideas coming forward to help create a program in the City.

Director Sullivan explained that there had been a funding request from Rochester Childcare which came before the Community Development Committee. The Committee had recommended funding of \$130,000 from the General Fund through the FY25 budget. This funding had not been included in the City Manager's proposed budget, and is not being presented as a use of ARPA fund to help stabilize Rochester Childcare's position and prevent loss of child care being offered.

Cora Hoppe, Director of Rochester Child Care Center, presented nationwide statistics on child care and detailed the financial trouble being experienced throughout the industry. She reported that the State had updated the method through which care is subsidizes; formerly it had been per hour of care and has now been updated to payment per enrollment. Although the system should have been implemented in July 2023, there were 6 months to update and establish the new system. She explained that this delay, along with restructuring and reorganizing of the business, and other factors, resulted in a deficit of over \$200,000 over a few months. Although tuition has been increased, staff has been reduced, there are additional costs associated with energy upgrades and other necessary improvements, and this additional financial support is needed until there is stabilization experienced from the change in the State reimbursement. She summarized other efforts which would be taken to raise money and generate income for the center.

Ms. Hoppe detailed the amount paid in payroll bi-weekly and speculated that if something catastrophic or unforeseen were to occur, the center would potentially need to shut down, which would affect over 400 families in the Rochester area, 240 school age children, multiple DCYF supported placements, and low income placements . Without assistance, there is still a possibility that the center will close in 6-7months.

Ms. Hoppe spoke about potential federal grant funding, of which \$19,000 will be coming within the near future, but much of which is still unknown. She stated that the amount may not be enough to even cover payroll.

Councilor Walker asked for clarification on why Rochester Childcare was not approved for CDBG funding. Director Sullivan clarified that the request for funding had come before the Community Development Committee and was not specifically for CDBG funding; it was \$135,000 from the General Fund which the City Manager had not included in her FY25 budget. It was explained that as an alternative to the General Fund expenditure, the Community Development Committee had recommended the use of ARPA funds.

Councilor Fitzpatrick **MOVED** to recommend to the full City Council the use of \$135,000 in ARPA funds for Rochester Childcare Center. Councilor Hamann seconded the motion. Councilor Lawrence explained that the original request had been for \$200,000, but the Community Development Committee had reduced the recommended allocation to \$135,000 due to the source being the General Fund. However, if the allocation will be made through federal grant funding, there is no reason to adhere to the \$135,000. Mayor Callaghan inquired if this allocation would simply delay the inevitable closure by a couple months, or if this money would stabilize the situation and allow for ongoing operations. Ms. Hoppe stated that the allocation, along with the changes happening through the State, will stabilize operations for years.

The Committee discussed the use of ARPA funds for 501-(c)(3) organizations, the process behind the request, and whether this money was available to other organizations.

Councilor Hamann **MOVED** to **AMEND** the ARPA allocation for Rochester Childcare Center from \$135,000 to \$200,000. Councilor Turner seconded the amendment. The **MOTION CARRIED** by a majority voice vote. Mayor Callaghan called for a vote on the main motion as amended (to recommend to the full City Council the allocation of \$200,000 in ARPA funds to Rochester Childcare Center). The **MOTION CARRIED** by a majority voice vote.

Director Sullivan reiterated the request for \$250,000 following the adoptions of an ordinance regarding the enforcement of the lead paint poisoning prevention and control act (RSA 130-a). The funding would be used to establish a program, perform assessments and feasibility studies, purchase necessary equipment, outreach and educational materials, and related items. Councilor Walker inquired if there would be duplication between this proposed City program and existing State programs. Director Sullivan stated that the adopted ordinance empowers the City's Codes office to enforce this State law, and the funding would enable a program to be established to do so. Councilor Walker asked for clarification on what he understood to be the recently adopted ordinance, which he stated would simply be a checkbox on building permits for lead paint certification, but not the physical testing being done by City employees. Director Sullivan stated he was not certain of the details of a program; the action proposed would simply set aside the money to establish a program with the details to be developed. He further clarified that this proposal had originally come forward over a year ago, prior to the referenced presentation at the Codes and Ordinances meeting. It had not moved forward due to questions regarding duplication of efforts and redundancy with State programs but is now coming back to allow for the

development of a City program if Council votes in favor of such. The Mayor stated that, if necessary, Codes staff could attend a future meeting and detail how this program would be structured.

Councilor Lawrence inquired if there was a possibility that any of the unallocated ARPA funds could be used to assist the unhoused community in some manner. Director Sullivan confirmed that there had originally been an ARPA proposal for a sheltering initiative; however, it did not move forward. He clarified that this would most likely be an eligible use for ARPA funding.

City Manager Ambrose suggested that if there were further questions regarding any potential program and how it would be structured with the funding, the Board of Health should be consulted for this information. Councilor Sullivan reiterated that this funding was being allocated for a potential program to be developed, of which specifics have not yet been determined. It is not worthwhile to delay a vote.

Councilor Sullivan **MOVED** to recommend to the full City Council the allocation of \$250,000 in ARPA funds for a lead paint program. Councilor Fitzpatrick seconded the motion. The **MOTION CARRIED** by a majority voice vote.

Reports from Finance & Administration

5.2.1 Monthly Financial Report Summary-March 31, 2024

Director Sullivan stated that non-property tax revenues remain strong. There remains an ongoing overage of both police and fire overtime in the general fund expenses, but this will continue to be monitored.

6 Other

No discussion.

7 Adjournment

Mayor Callaghan **ADJOURNED** the Finance Committee meeting at 7:34 PM.

Respectfully Submitted,

Cassie Givara
Deputy City Clerk