

BUDGET REVIEW COMMITTEE

SEPTEMBER 8, 2005

ACTION REPORT

A meeting of the Budget Review Committee was held Thursday, September 8, 2005, at 7:00 p. m. in the Aldermanic Chamber.

Alderman-at-Large Steven A. Bolton, Chair, presided.

Members of Committee present: Alderman-at-Large David W. Deane, Vice-Chair
Alderman David D. Lozeau
Alderman-at-Large Paula I. Johnson
Alderman Rob Shaw
Alderman Lori Cardin

Members not in Attendance: Alderman David MacLaughlin

Also in attendance: Alderman Robert A. Dion
Carol Anderson, Chief Financial Officer/Comptroller

NEW BUSINESS – RESOLUTIONS

R-05-277

Endorser: Alderman-at-Large David W. Deane

AUTHORIZING THE MAYOR AND CITY TREASURER TO ISSUE ADDITIONAL BONDS NOT TO EXCEED THE AMOUNT OF FIVE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS (\$575,000) FOR REPLACEMENT OF THE HVAC SYSTEM AT THE NASHUA POLICE DEPARTMENT

MOTION BY ALDERMAN DEANE TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Alderman Deane

First of all I would like to answer some of the remarks that were made during the public hearing. There was discussion during the August 16th Budget meeting pertaining to the Police HVAC system along with different funds that we had for a number of projects that had been approved and left in that account for periods of time where the tax rate was

reduced, and we were going to go into these areas through the form of legislation, which I said I was going to do, and this is what we are looking at, and take these funds and consolidate them and redirect them into areas that had reductions made out of the cash end of it. As far as I understand it when I read the minutes to that meeting that was pretty clearly stated in those minutes.

Chairman Bolton

I think that is true Alderman Deane and we probably need not to labor your explanation since the individuals who asked those questions did not wait around to hear the answers.

Alderman Deane

The original plan was to take the money from the Southwest Park project, and there was \$742,753 in that account, and redirect it towards the Police HVAC because we took the \$660,000 and the \$200,000 I believe it was for \$880,000 and then there was another \$350,000 also that had been approved for bonding on this project. When we looked at the language in the legislation it was the lifespan of the projects was a 10 year difference. At that point, Mrs. Anderson had talked to bond council on getting some recommendations on what we should be doing. At that point, bond council and Mrs. Anderson I would appreciate if you would explain exactly what they said to you over the phone, but they didn't want us to take that route.

In turn, I had talked to Cindy Bielawski as the plot thickens and she found some other monies in there; the \$200,982, which was part of the North High School land, and we decided at that point that the legislation that had been filed further into the agenda you will see there will be some significant changes, but that is where the change came. Bonding this project does not change anything. It all still adds up to the same – the monies that were available and the monies that were deducted. Carol if you could highlight some of that I would appreciate it.

Carol Anderson

The key point what the person had said during public comment, and I wasn't here for the night that was passed, but the intent was to take that money that was remaining in Southwest and put it towards that. When you re-allocate bond funds whatever project you reallocate it to it has to have a lifespan of at least equal to that project. The HVAC has a lifespan of 20 years. The land purchase was a 30 year. The HVAC you couldn't use the funds for that project. What has happened through the whole process in a nutshell is that bonding actually is being reduced because as you go along you are rescinding some of the bonding for the fire station because you can use that money from Southwest to put it towards the fire station. You will be reducing that amount. The \$200,000 that was on the North School that was when we sold the house and we had excess monies coming back. That is in a nutshell what has happened is that you proceeded to re-allocate and with even

authorizing the \$575,000 for the HVAC you are actually reducing the total bonding by \$368,000. That is the net effect of everything that is happening here with all of the reallocations.

Chairman Bolton

Is there any further discussion relative to the motion to recommend final passage of R-05-277?

Alderman Johnson

To Mrs. Anderson – about 2 years ago wasn't another bond approved for the HVAC?

Carol Anderson

Yes.

Alderman Johnson

How much was that for?

Carol Anderson

It was \$325,000. I believe that Mr. Fredette handed out a sheet (copy attached hereto and made a part hereof) that had it on there.

Alderman Johnson

It is great, but you know unfortunately people who are watching this don't remember – it has been 2 years already when we started this. It was in the last election and now we are two years later in the next election, and the HVAC system is still two years sitting there. I want to talk about the bonding right now. So we moved money around and we are going to float a new bond for \$575,000 but we are actually \$368,000 ahead of the game because of the reallocation in bonds that are repaying off more of that basically...

Carol Anderson

What is happening is you are using some of the funds that have not been expended and the projects are completed – you are taking those bond funds and you will reallocate it to another project that you would go out and bond.

Alderman Johnson

We're taking a 20-year note on this?

Carol Anderson

Yes 20 years.

Alderman Johnson

What is the rate right now?

Carol Anderson

I would say about a little over 4%.

Alderman Johnson

What would the payments be on this?

Carol Anderson

I don't have that with me.

Alderman Johnson

Thank you.

Carol Anderson

Generally you take the say \$900,000 is like the total on the HVAC – I will give you an estimate – generally it is the rule of thumb that we do is like 10% of that cost is like principal and interest in the first 5 years and then after that it declines, and that is at a 5% rate. If we were selling a bond for 5% we would be looking at about \$90,000 with principal and interest in the first few years and then that rate declines because your interest significantly drops.

Chairman Bolton

When you say the first 5 years; the first year is not necessarily the next year because of the date of issuance and so forth.

Carol Anderson

That is true. In fact what our plan is is to sell our bonds because we do have the Senior Center, we have the River Walk, the Fire Station, and the land on the Fire Station. Our intent is to sell at the end of this calendar year so we will only have one half of an interest

payment in the '06 budget.

Alderman Johnson

That is going to be at what cost the bond that you are going to sell – what is the total?

Carol Anderson

It will be – if this is amended we will be down to about \$3.8 million for the fire station, I think it is \$450,000 for the land so at \$4.25 million, \$2.4 million I believe it is on the Senior Center and then about \$1.1 million on the River Walk, the TIF District. It will be a little over \$7.5 million.

Alderman Johnson

The River Walk is going to be in there so we don't get anything back on that River Walk until the apartments start getting built am I correct on that one – so we will be paying the bond on that before we get any increment money on it so the taxpayers are going to be paying for that right up front – am I correct?

Carol Anderson

You would be able to be reimbursed at some point because the intent of the TIF District is that it would cover that cost so I am not sure exactly when those condos will be built. Any increase in that area – it is not just the condos – any increase in that area goes towards the TIF District.

Chairman Bolton

There is probably some increase realized already particularly with the renovations to the one building there and there may be an increase in value of the property almost certainly as a result of the approvals, but the substantial increase will be with the additional construction.

Carol Anderson

Yes.

Alderman Shaw

I think just because it is perhaps an unusual situation – basically assuming that we take the action that intended with R-05-278, which I am assuming we will be doing next, and looking at the spreadsheet, which I think nicely summarizes it, or you can go through the other – the key thing is it looks like roughly \$950,000 is reduced in one bond that we had

already had and we take out a new bond for \$575,000 and that is the \$368,735 net reduction in bonding. While yes it does seem like we are adding to our bonded debt we're actually by all of the arrangements and reallocations we will have less bonded debt. This is a very favorable move I think on our part.

Carol Anderson

That is correct.

Alderman Deane

Through you Mr. Chairman, Mrs. Anderson because of some of these funds sitting in these areas we have paid some significant penalties in interest on them right?

Carol Anderson

We have paid rebate on either of them yes.

Alderman Deane

It just makes sense to go in and redirect these and clean this area up and put it into more current use with projects that still have to go out and the bonds still have to be sold.

Carol Anderson

Yes because you are redirecting those funds to projects that have already been approved. I would agree with you 100%.

Alderman Johnson

I know this is a little bit off the beaten path but we are talking about all of this bonding – why hasn't this money ever been re-directed before this point that we have been paying on this? I guess financially the taxpayers are paying on this – why didn't we redirect this before?

Carol Anderson

Actually if you recall with the Southwest Park this goes back for quite a few years now – there have been several plans that have been discussed over time with the prior DPW Director. I know they discussed several plans, and so there was a plan to use that money. Even most recently there was another plan to use I believe about \$370,000 of that money for other work that was planned in that area. It wasn't like it wasn't planned it just somehow or other there was a delay, there was a change in the scope of the project I

guess and that is all I can add to that scenario.

Chairman Bolton

The motion is to recommend passage of R-05-277.

MOTION CARRIED

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R-05-278

Endorser: Alderman-at-Large David W. Deane

AMENDING RESOLUTION 05-166, AUTHORIZING BONDS TO CONSTRUCT A FIRE STATION NEAR THE INTERSECTION OF HUDSON AND COMMERCIAL STREETS, BY REDUCING THE MAXIMUM PRINCIPAL AMOUNT FROM \$4,700,000 TO \$3,957,247

MOTION BY ALDERMAN SHAW TO AMEND R-05-278 IN ITS ENTIRETY BY REPLACING IT WITH THE VERSION ATTACHED TO ALDERMAN DEANE'S MEMORANDUM ACCEPTED EARLIER THIS EVENING
MOTION CARRIED

MOTION BY ALDERMAN DEANE TO RECOMMEND FINAL PASSAGE AS AMENDED

ON THE QUESTION

Alderman Johnson

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My question is to Alderman Deane through the Chair – at the Infrastructure meeting we were told that they were like 5 weeks behind schedule because of the fact of problems related to PSNH and they were not able to get the work done. By reducing this are we allowing for any overruns that might happen at this point in time?

Alderman Deane

No. What this piece of legislation is doing is it is taking, when you turn the back side over, it is taking monies that were – if you look at the spreadsheet that Mrs. Anderson gave us...

Chairman Bolton

Let's try and make a long story short – the aggregate total for the budget, which included an allowance for contingencies, the budget for the fire station construction, is not changing. The source of the funds to provide the funding for that construction budget is changing. That is the only thing that is affected by this. We are not allocating any more or any less to deal with the exigencies and contingencies that may be the result of construction.

Alderman Lozeau

I would like to add that the net results of all of this reissuing and reshuffling of the money is the bonded debt service is being reduced by around \$300,000 someodd dollars.

Chairman Bolton

Is there any further discussion on the motion? The motion is to recommend final passage as amended of R-05-278.

MOTION CARRIED

R-05-281

Endorser: Alderman-at-Large David W. Deane

TERMINATING THE SOUTHWEST PARK ATHLETIC FIELDS PROJECT FUNDED BY BONDS UNDER RESOLUTION 99-207 AND TRANSFERRING \$742,753 IN UNEXPENDED BOND PROCEEDS FROM ACCOUNT #771-3708 "SOUTHWEST RECREATION AREA" TO ACCOUNT #732-3703" EAST HOLLIS STREET FIRE STATION"

MOTION BY ALDERMAN DEANE TO RECOMMEND INDEFINITE POSTPONEMENT OF R-05-281

MOTION CARRIED

ADJOURNMENT

MOTION BY ALDERMAN DEANE TO ADJOURN
MOTION CARRIED

The meeting was declared closed at 7:57 p.m.

Alderman Robert Shaw
Committee Clerk Pro Tem