

BUDGET REVIEW COMMITTEE

JUNE 20, 2022

7:00 PM

Aldermanic Chamber

To access Zoom: <https://us02web.zoom.us/j/88917498344?pwd=dmdOYmlyZWFnemZiTndkOHFiVXUyZz09>

Meeting ID: 889 1749 8344 Passcode: 116964

To join by phone: 1-929-205-6099 Meeting ID: 889 1749 8344 Passcode: 116964

If for some reason you cannot connect to Zoom, please contact us at (603) 821-2049 and they will help you with connectivity. The public may also view the meeting via Channel 16.

ROLL CALL

PUBLIC COMMENT

COMMUNICATIONS

From: David R. Heath, Treasurer, Nashua Airport
Re: Summary of Financial Position and Operating Results

UNFINISHED BUSINESS

NEW BUSINESS – RESOLUTIONS

NEW BUSINESS – ORDINANCES

TABLED IN COMMITTEE

R-22-035

Endorsers: Mayor Jim Donchess
Alderman-at-Large Michael B. O'Brien, Sr.
Alderman John Sullivan
Alderman Patricia Klee
Alderman Thomas Lopez
Alderman Alex Comeau
Alderman Richard A. Dowd
Alderman John Cathey
Alderman Derek Thibeault
Alderman-at-Large Lori Wilshire

**RELATIVE TO THE ADOPTION OF THE FISCAL YEAR 2023 PROPOSED BUDGET FOR THE CITY OF NASHUA
GENERAL, ENTERPRISE, SPECIAL REVENUE AND GRANT FUNDS**

DEPARTMENTAL REVIEWS OF THE PROPOSED FY23 BUDGET FOR THE CITY OF NASHUA

<u>Dept. #</u>		<u>Revenue</u>	<u>Appropriations</u>
	<u>Education</u>		
191	School Department	45, 259-275	206

PUBLIC COMMENT

GENERAL DISCUSSION

REMARKS BY THE ALDERMEN

ADJOURNMENT



93 Perimeter Road
Nashua, New Hampshire 03063
Tel (603) 882-0661 · Fax (603) 881-5415

May 27, 2022

City of Nashua
Board of Alderman
Honorable Lori Wilshire, Chair
229 Main Street
Nashua, New Hampshire. 03060

Thank you for this opportunity to present to the Board a summary of our operations and current projects. This letter is to summarize certain financial and operational activity during this fiscal year and the current financial position of the Nashua Airport Authority ("NAA").

Summary of Financial Position and Operating Results:

The NAA has reported an operating surplus essentially each year, requiring no borrowing or other outside Municipal funding. As summarized below in Exhibit A, the NAA has an operating Budget of about \$640,000 per year and employs a total of four full time employees, including Chris Lynch, the Airport Manager. Operating Revenue is primarily generated from long-term Land Leases plus annual Fuel Flowage fees, Aircraft tie-down rentals. Additionally, Aircraft Registration fees paid by aircraft owners to the State of New Hampshire, of which the NAA receives 25% of those fees from the State for aircraft based at Nashua.

There are 159 hangar units owned by various private owners. There are approximately 250 aircraft, including about 15 Corporate aircraft based at Nashua Municipal Airport ("KASH"). The Tenants / Lessees on Airport Property return approximately \$800,000 per year in the form of property taxes to the City.

The NAA Balance Sheet is very stable and presents significant liquidity. As of April 30, 2022, net unrestricted working capital is in excess of \$800,000. All Accounts Receivable and Accounts Payable are current. Fiscal 2022 is expected to result in another surplus in excess of \$75,000. NAA has also been awarded operating grants in excess of \$250,000 per year for four years.

Forward Looking Financial Items

The NAA is in the process of completing its Fiscal June 30, 2023 Budget. Payroll and other related costs account for about 75% of our Operating Budget with Repairs, Maintenance and other property improvements and expenses making up the majority of the rest. Revenue for Fiscal 2023 is expected to, once again, exceed its operating expenses.

Airport Construction Projects

The NAA has recently completed a \$3.6 million project for reconstruction and resurfacing of the taxiways located on the Northwestern part of the airport and is in the process of closing out those contracts associated with that project. Usually, all airport projects are 90% funded by the FAA with 5% coming from the State and 5% funded by the City of Nashua. However, this project ended up being fully funded by the FAA with no contribution required from the State or City. There are two more projects being planned and scoped at this time. One is design only for the rehabilitation of the primary Taxiway "Alpha" in the amount of \$285,000 and the other in the amount of \$2.4 million for the rehabilitation of "F" and "G" ramps. The City's share of those two projects is \$135,000 which is already included in the City's Capital Improvement Plan.

Proposed property development

There is a large parcel of land within the current Airport property in which several aviation Developers have shown significant interest. NAA has been negotiating

with the FAA and New Hampshire DOT Bureau of Aeronautics Division (“BofA”) to upgrade the Design Only project to a full moving and reconstruction of Taxiway “Alpha”. That taxiway relocation project has been part of the approved Airport Improvement Plan (“AIP”) for many years and is critical to the future development of the airport property. By moving the taxiway, more land would be available which would allow more room for development and more efficient use of the airport property.

In addition to high paying jobs and other economic benefits, successful development of that parcel would add an additional tax base to the City of approximately \$25 million. This development would provide hangar facilities primarily for several large corporate aircraft facilities. These aircraft are quieter and would add only marginally to the number of aircraft movements at the airport. These proposed facilities would not be for any scheduled airlines aircraft and would not require any funding from the State or City.

Despite the importance of this project, the Project has been part of the approved AIP for many years, and the NAA demonstrating the need for the taxiway relocation, the NH DOT B of A has not yet recommended that this project go forward. If this project does not go forward soon, we will lose the ability to fully develop our airport. The NAA will continue to pursue this to its successful conclusion.

Potential Risk

Environmental: As part of a statewide initiative, the State of New Hampshire Department of Environmental Services (“NHDES”) have performed random sampling of the groundwater on the airport property. As a result, and at the request of the NHDES, NAA is conducting an Environmental Study in relation to amounts of PFAS found by the NHDES in its samples, all of which were well below or

unrelated to any EPA, DES, or other regulatory guidelines. Preliminary findings indicate that none of the amounts have originated on the Airport property. NAA has hired its own environmental engineers who, along with the NHDES, are currently assessing any potential risk or action that may be required of the NAA.

Key Leases: About two years ago, SNHU entered into multi-term land leases with the NAA for its educational facility in the former Daniel Webster College flight center. As you may know, SNHU discontinued its Flight Operation Program shortly after starting the program. Even though SNHU has continued to pay the amounts due under the leases, the first term expires August 2024 and there has been no indication that SNHU will renew the remaining terms. The revenue from those leases account for approximately 8% of our operating budget and the loss of revenue from those leases would have a negative impact on our operating budget. The NAA will continue to monitor this situation.

Please contact the Nashua Airport Authority or the Airport Manager for any questions or comments you may have.

Respectfully Submitted,

NASHUA AIRPORT AUTHORITY

A handwritten signature in black ink, appearing to read "David R. Heath", with a stylized flourish at the end.

David R. Heath, Treasurer

Exhibit A

Current Financial Position (unaudited)
As of April 30, 2022
(\$ in thousands)

	As of <u>April 30, 2022</u>
Cash and cash equivalents	\$ 863.9
Unbilled project costs	895.6
Project costs payable and retainage	<u>(883.8)</u>
<i>Total current assets - operations</i>	<u>\$ 875.7</u>
Equipment, Buildings, Land, and Land Improvements	42,121.4
Accumulated depreciation	<u>(17,047.4)</u>
<i>Fixed assets, net</i>	<u>\$ 25,074.0</u>
Other assets, non-current (GASB 68 and 75)	<u>133.0</u>
<i>Total Assets, net</i>	<u>\$ 26,082.7</u>
<i>Liabilities and Equity</i>	
Accounts payable - operations	11.9
Others payables and accruals	<u>46.6</u>
<i>Total current liabilities</i>	<u>\$ 58.5</u>
Pension, GASB 68, and GASB 75	<u>\$ 426.9</u>
<i>Total liabilities</i>	<u>\$ 485.4</u>
Net Investment in Capital Assets	\$ 25,885.5
Retained Earnings	<u>(288.2)</u>
<i>Equity</i>	<u>\$ 25,597.3</u>
<i>Total Liabilities and Equity</i>	<u>\$ 26,082.7</u>

Summary of Operating Results (unaudited)
For the Ten Months Ended April 30, 2022
(\$ in thousands)

	Ten months ended	
	30-Apr-22	
	Actual	Budget
Operating Revenue		
Land leases, Fuel flowage, and ramp tie-downs	\$ 496.5	\$ 477.9
Aircraft Registration Fees (NI)	36.4	30.0
Other operating revenue	27.6	42.1
Total Operating Revenue	\$ 560.5	\$ 550.0
Operating Expenses		
Payroll and related costs	\$ 368.1	\$ 346.8
Maintenance, Electricity, and other operating costs	117.2	189.9
Total Operating Costs	\$ 485.3	\$ 536.7
Year to date Operating Surplus	\$ 75.2	\$ 13.3



RESOLUTION

RELATIVE TO THE ADOPTION OF THE FISCAL YEAR 2023 PROPOSED BUDGET FOR THE CITY OF NASHUA GENERAL, ENTERPRISE, SPECIAL REVENUE AND GRANT FUNDS

CITY OF NASHUA

In the Year Two Thousand and Twenty-Two

RESOLVED by the Board of Aldermen of the City of Nashua that the Fiscal Year 2022 Proposed Budget for the General Fund of the City of Nashua be and is hereby adopted, and that the following amounts are hereby appropriated for the several accounts and for other needs of the City of Nashua General Fund for the fiscal year beginning July 1, 2022, and ending June 30, 2023, and for the purpose of Section 50-a et seq. of the Nashua Revised City Charter, as amended, each item of this budget shall be considered as a separate appropriation. The proposed General Fund appropriation amount is \$302,998,903 with estimated General Fund Revenues of \$72,322,078 including estimated state funding for education in the amount of \$41,110,000.

That the Fiscal Year 2023 Proposed Budget for the Enterprise Funds of the City of Nashua be and is hereby adopted, and that the following amounts are hereby appropriated for the several accounts and for other needs of the City of Nashua Enterprise Funds for the fiscal year beginning July 1, 2022 and ending June 30, 2023, and the purpose of Section 50-a et seq. of the Nashua Revised City Charter, as amended, each item of this budget shall be considered as separate appropriation. The proposed Enterprise Funds appropriation amount is \$44,082,794 (inclusive of anticipated Capital Appropriations), with estimated Enterprise Funds Revenues of \$38,222,735 and any additional funding for capital and CSO-related expenditures from retained earnings, bonding and/or State Revolving Fund Loans.

That the Fiscal Year 2023 Proposed Budget for the Special Revenue Funds of the City of Nashua be and is hereby adopted, and that the following amounts are hereby appropriated for the several accounts and for other needs of the City of Nashua Special Revenue Funds for the fiscal year beginning July 1, 2022 and ending June 30, 2023. The proposed Special Revenue Funds appropriation amount is \$36,607,613 with estimated Special Revenue Funds Revenues of \$36,607,613 for the City of Nashua. The proposed Special Revenue Funds appropriation amount is \$22,974,364 with estimated Special Revenue Funds Revenues of \$22,974,364 for the Nashua School District.

RESOLUTION**R-22-035**

Neither the approval and adoption of this budget, or any appropriation contained herein, or to any City department or agency, including the Nashua School District, whether as proposed or amended, shall be deemed to mean that the City has approved any program or responsibility for funding in accordance with Part 1, Article 28-a of the Constitution of the State of New Hampshire. Notwithstanding any appropriation herein, the city hereby expressly declines to approve funding for any program or responsibility for which it is entitled by law to payment from the State of New Hampshire pursuant to Part 1, Article 28-a of the State Constitution, whether it has previously been determined that the City is entitled to said funding or not.

Pursuant to NRO § 5-145, E, the accumulated sum of all appropriations of the FY2023 combined annual municipal budget pursuant to Nashua City Charter §56-c is \$406,663,584. The FY2023 dollar amount under the limit established by City Charter Section 56-c is \$113,341,062. Please find attached the Combined Annual Municipal Budget Calculation for the FY2023 Proposed Budget and the City of Nashua Charter and Related Laws pertaining to §56-c and §56-d.

City of Nashua

Charter and Related Laws

§ 56-c. Limitation on budget increases ³²

Recognizing that final tax rates for the City of Nashua are set by the New Hampshire Department of Revenue Administration pursuant to RSA 21-J:35(1), the mayor, the board of aldermen, and all departments in the City of Nashua including the mayor's office, aldermanic office, legal department, administrative services division, community services division, community development division, school department, public works division, fire department, police department, public libraries, parking garages and cemeteries shall prepare their annual budget proposals and the Board of Aldermen shall act upon such proposals in accordance with the mandates in this paragraph.

In establishing a combined annual municipal budget for the next fiscal year, the mayor and the board of aldermen shall consider total expenditures not to exceed an amount equal to the combined annual budget of the current fiscal year, increased by a factor equal to the average of the changes in the Gross Domestic Product Implicit Price Deflator (IPD) for State and Local Government Consumption Expenditures and Gross Investment of the three (3) calendar years immediately preceding budget adoption as published by the Bureau of Economic Analysis ³³

This provision shall not prevent the mayor and the board of aldermen from establishing a combined annual municipal budget below this limit.

This provision shall not prevent the mayor and the board of aldermen from appropriately funding any programs or accounts mandated to be paid from municipal funds by state and federal law.

§ 56-d. Exception to budget limitation³⁴

The total or any part of principal and interest payments of any municipal bond, whether established for school or municipal purposes, may be exempted from the limitation defined in paragraph 56-c upon an affirmative vote of at least ten (10) aldermen. This decision shall be made annually.

In addition, capital expenditures deemed necessary by the mayor and the board of aldermen, subject to recommendation by the capital improvements committee (ref. Paragraph 77- a of the City Charter) may similarly be exempted from this limitation upon an affirmative vote of at least ten (10) aldermen.

**City of Nashua Combined Budget Analysis to the
FY23 Proposed Budget**

Combined Annual Municipal Budget Calculation (per Nashua City Charter § 56-c)

<u>Line</u>	<u>Description</u>	<u>FY2022</u>	<u>FY2023</u>
1	<u>Appropriations</u>		
2	General Fund	\$ 291,026,961	\$ 302,998,903
3	Enterprise Funds	38,344,285	44,082,704
4	Special Revenue Funds (includes Grants)	95,981,790	59,581,977
5	Total Appropriations	<u>\$ 425,353,036</u>	<u>\$ 406,663,584</u>
6			
7			
8	<u>Supplemental Appropriations</u>		
9	General Fund	\$ 2,338,394	\$ -
10	Enterprise Funds	1,859,440	-
11	Capital Project Funds	76,290,225	-
12	Total Supplemental Appropriations	<u>\$ 80,488,059</u>	<u>\$ -</u>
13			
14	Total Appropriations	<u>\$ 505,841,095</u>	<u>\$ 406,663,584</u>
15			
16	<u>Spending Cap Calculation</u>		
17	FY2022 Total Appropriations		\$ 425,353,036
18	Add: FY2022 Supplemental Appropriations		80,488,059
19	FY2022 Total Appropriations		<u>\$ 505,841,095</u>
20			
21	Last 3-Years Annual Average S&L IPD		<u>2.8%</u>
22	Allowable Spending Over Prior Year Total Appropriations		<u>\$ 14,163,551</u>
23			
24	Maximum Appropriations Allowed (Line 20 plus Line 23)		\$ 520,004,646
25	Total Proposed Appropriations - FY2023		<u>406,663,584</u>
26	Total Appropriations Under the Spending Cap		<u>\$ (113,341,062)</u>

LEGISLATIVE YEAR 2022

RESOLUTION: R-22-035

PURPOSE: Relative to the adoption of the Fiscal Year 2023 proposed budget for the City of Nashua general, enterprise, special revenue, and grant funds

SPONSOR(S): Mayor Jim Donchess

COMMITTEE ASSIGNMENT: Budget Review Committee

FISCAL NOTE: The tax rate cannot be determined at this time. The entire budget is a comprehensive package and each component impacts the tax rate.

ANALYSIS

This resolution adopts the Fiscal Year 2023 Budget for the City's general, enterprise, special revenue, and grant funds. For the purpose of Section 50-a et seq. of the Nashua Revised City Charter, as amended, each item of this budget shall be considered as a separate appropriation.

A public hearing on the budget shall be held before its adoption by the Board of Aldermen with at least seven days' notice. Nashua City Charter § 56-a; NRO § 5-8.

Nashua City Charter § 56-b provides that the Board of Aldermen may reduce any item in the mayor's budget by a majority vote, but an increase or addition requires a vote of two-thirds of the members of the board. Court decisions concerning Nashua's Charter suggest that a court may find that this provision, when applied to the budget resolution itself, is inconsistent with state statutes and therefore unenforceable. See memorandum of Corporation Counsel dated March 8, 2018.

The budget shall be finally adopted not later than August 1, 2022. Nashua City Charter § 56-b.

**Approved as to content,
account structure, numbers,
and amount:**

Financial Services Division

By: /s/ John Griffin

Approved as to form:

Office of Corporation Counsel

By: 

Date: May 10, 2022