

# REPORT OF THE FINANCE COMMITTEE

APRIL 17, 2019

A meeting of the Finance Committee was held on Wednesday, April 17, 2019, at 7:01 p.m. in the Aldermanic Chamber.

Mayor Jim Donchess, Chairman, presided.

Members of the Committee present: Alderman Michael B. O'Brien, Vice Chair  
Alderwoman-at-Large Shoshanna Kelly  
Alderman-at-Large Brandon Michael Laws  
Alderman Patricia Klee  
Alderman June M. Caron  
Alderman Linda Harriott-Gathright

Also in Attendance: Dan Kooken, Purchasing Manager  
John Griffin, CFO/Comptroller  
Tim Cummings, Director of Economic Development

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PUBLIC COMMENT - None

## PRESENTATION

Melanson Heath & Company - 2018 Annual Audit and Comprehensive Annual Finance Report (CAFR)

### Mayor Donchess

This is Scott McIntire of Melanson Heath and as he usually does, he will brief us on the annual audit.

Scott Melanson Good evening Mr. Mayor and members of the Committee. Thank you very much for the invitation to come in tonight. As the Mayor said, my name is Scott McIntire, I'm one of the partners at Melanson Heath & Company and I am here to give you a quick walk-through of our audit process and tell you a little bit about the process and the results of our work; as well as walk you through some of the highlights in your comprehensive annual financial report. It is our understanding that at least in your packages you were provided the Comprehensive Annual Financial Report in excess of 200 pages. I am only going to hit on some high points in there; accompanied with that was what we in the audit world call a Governance Letter. I am going to talk about that probably as much as I am about the numbers and that is what I am going to start with.

In essence, what that Governance Letter tells you is it tells you about the results of our audit of your financial statements. The language in that letter is fairly standard, I like to speak about it a little more basically. The results of our audit, you know, for your year ended June 30, 2018; were that we found your books and records to be in good working order. What that means even more specifically is when we came in to do our test work we found key accounts such as your cash accounts, receivable accounts, long-term debt accounts; all key accounts were reconciled on a regular and timely basis as a result of the test work that we performed last fall.

As a result of that when it came to assisting and compiling your Comprehensive Annual Financial Report, our firm did not need to propose any significant audit entries. Basically what that means is your books and records were in good working order and they are prepared in accordance with Generally Accepted Accounting Principles. What that means is it takes you to our opinion, which is in your Comprehensive Annual Financial Report and it goes on for nearly three pages. But to really summarize it very succinctly it means that in our opinion your financial statements are totally in accordance with Generally Accepted Accounting Principles for Local Governments here in the United States.

That's a real quick summary of the Governance Letter. It is a little bit more in detail; it tells you about some key estimates that are incorporated into your financial statements. But in essence, auditing standards require us to tell you if we found any significant audit entries that needed to be posted; if there were any disagreements in how to apply accounting principles into your financial statements; and if there were any key estimates in there. And the first two, again, just to summarize, we did not need to propose any significant audit entries; there were no disagreements in how to apply Generally Accepted Accounting Principles. There are a few estimates in there; most of your estimates though are actuarially determined so there is a standards and science behind the consultants that you employed to help you estimate two account balances. It will talk very briefly about, in your CAFR, which is your net pension liability and your net OPEB liability.

With that said, if I could turn your attention into the Comprehensive Annual Financial Report, when I mentioned it just a moment ago, our auditors' opinion, if you have the document, is starts on Page 15 and it goes 15 through 17. Everything else in this document belongs to the City of Nashua and again just to summarize our opinion, your financial statements are totally in accordance with Generally Accepted Accounting Principles. Following that is your management's discussion and analysis. It is a great resource to go back to at a later point in time to understand why key account balances may have changed. If you have the document or if you choose to at least make a note, the one thing in MBNA that I would want to point out is on Page 26 in the middle part of Page 26, it is headed up as the General Fund. I'm not going to read about, you might want to reference that, because when we get to your General Fund Balance Sheet, many of the things that I'll talk about on that General Fund Balance Sheet are summarized very nicely here on Page 26, that middle paragraph on Page 26.

With that being said, if I could turn your attention over to Page 31, just a couple minutes of discussion on Page 31. This is what we would refer to as your Long-Term Perspective Balance Sheet. In just a moment we will turn a few pages and look at your General Fund Balance Sheet which is really where most readers will turn to look at fund balance on the different components of fund balance. But many years ago, the Accounting Standards put into play a dual perspective financial model here and so you have both your General Fund Basis and you have Page 31 which is a more of a long-term basis balance sheet. Very quickly, the key numbers on this page in that first column of numbers, about 2/3 of the way down the page, you have your net pension liability and your net OPEB liability. First on the net pension liability there are two components of it, you are a participant in the New Hampshire Retirement System and you also have locally the Board of Public Works System.

With respect to your proportional share of the New Hampshire Retirement System Liability, you see that number about \$244,000,000.00 million dollars and that's measured as of June 30, 2017. That's actually down from the year before by about \$25,000,000.00 million dollars mostly due to improve investment results through the point and time of June 30, 2017. The other liability that I mentioned is just above that number, it is called your Net & Total OPEB Liability and that has an account balance of about \$67,000,000.00 million dollars. There is something new in that number this year; a year ago that number was \$27,000,000.00 million dollars but the accounting standards changed. I'll certainly try to answer any questions that the Committee may have on the changes, but it is not as if the liability from one year jumped from \$27,000,000.00 million to \$67,000,000.00 million. That major jump I think I recall speaking about it with you a year ago, was because a new accounting standard was put into play for Fiscal Year 18. And maybe just quickly to summarize, that OPEB or OPEB it is an acronym for Other Post-Employment Benefits and the "other" means benefits other than pension and by and large what that means is the retiree health care benefit that retirees have earned.

That's a real quick summary of those two long-term liabilities. Just to put them in perspective, they certainly are large and significant. Rating agencies know about them; the accounting standard changes that have been put into play over the last couple of years have in essence taken them from being – my words – buried on Page 150 where not that many readers would get to Page 150; the accounting standards changed to put them on the face of this balance sheet. But financial institutions and rating agencies have always known that for Nashua and other communities in the State and throughout the Country that those liabilities have existed.

Also, with respect to the Pension Liabilities, they are on a funding schedule; I think it goes out about 18 years and that liability is scheduled actuarially to be fully funded over that timeframe. So hopefully that provides just

a little bit of perspective on those two significant numbers. But again I think in today's what we have found in much of our Governmental work is that at least a quick discussion about those two liabilities when you walk through a document of this size and magnitude is important.

If I could now ask you to turn your attention over to Page 34, this is a much more of a traditional looking balance sheet, various funds and the focus from almost all readers is going to be on Page 34. It is that first column of numbers of your General Fund which is of course your main operating fund. The focus for readers is in that lower third section of that first column of numbers. Your fund balances, you have non-spendable, restricted, committed, assigned, and unassigned; and collectively those add up to the total fund balance in your General Fund of about \$54.8 million dollars. That \$54.8 million dollars is increased by about \$4 million dollars over the prior year. Essentially what that means is the inflows of current dollars exceeded the outflows of current dollars by about \$4 million dollars. We will the reasons why in just a minute when we look at your budget versus actual comparative statement.

But it is important to look not only at total fund balance, but the various components. For most readers, the key number is that third number up from the bottom or your unassigned fund balance with a June 20, 2018 balance of \$29 million or a little bit more than \$29 million dollars, your \$29.1 million dollars. That number is about \$800,000.00 greater than it was the prior year and it represents a little bit more than 10% of your General Fund Expenditures. Those are key indicators; financial institutions and rating agencies like to see a little increase in that unassigned fund balance each year and they like to look it as a percentage of the community's General Fund Expenditures. Having a balance in that account of a little bit more than 10% is generally viewed as very strong or very favorable.

When I mentioned earlier that there was a page in your MDNA, it was Page 26, a lot of what I just spoke about with respect to your unassigned fund balance, the change in it and the percentage, is summarized in that paragraph on Page 26 of your CAFR. So I wanted to draw that to your attention because it is a good resource to go back to a later point in time to just as a refresher as to why some of these account balances – or what they represent and how they have changed. You certainly have some other components of fund balance; the assigned fund balance, much of that is some year-end encumbrances as well as fund balance that is being applied towards the next Fiscal Year's Budget, the next Fiscal Year's Tax Rate. That is the assigned fund balance the committed fund balance, much of that is the CERF or the Capital Equipment Reserve Funds, is much of that, not all, but is in that \$13 million dollars. That component of fund balance, that committed fund balance of a little bit more than \$13 million dollars, that is up about \$4 million dollars over the prior year. There were a lot of dollars that were put into the Capital Equipment Reserve Fund at year end.

Just to summarize, total fund balance of \$54 million; it's up about \$4 million dollars. The unassigned fund balance again the first place that most readers will turn is up around \$800,000.00 and represents a little bit more than 11% of expenditures; which again is going to be considered very favorably or considered strong by rating agencies. Now I mentioned that there was both an increase in total fund balance, the unassigned fund balance and the committed. To look at the types of activities that occurred in your Fiscal Year 18 that would have generated those surpluses to add to those accounts; if I could turn your attention over to Page 38 just for a moment. Page 38 is your Budget and Actual Comparative Schedule, the first two columns are your budget as the headings indicate – the original budget and the final budget. Then you have your actual amounts on a budgetary basis and then the final column is your variances.

If you look first in the lower right hand corner, you see a number of \$6.6 million dollars, in total I would look at that as the favorable budgetary results of operation for Fiscal Year 2018. Almost all of that is coming on the revenue side of the equation; and even further most of the \$6.6 million dollars in favorable revenue results of operations is a direct result of the auto permits that came in almost \$4.6 or a little bit more than \$4.6 million dollars better than what was expected. That favorable number on the auto permits is consistent with prior years and is consistent with a lot of communities at the State. So the results of the operation here are fairly consistent with many, not all, but certainly many other communities.

That is a very, very quick walk-through of the Governance Letter, our audit process, some of the things that audit standards require us to communicate to you. Again I wanted to touch base very quickly on the long-term liabilities, the net pension liability and the OPEB liability than really focus on the General Fund because most readers still do focus there. There's a wealth of other information in this document on some of the other funds. Note disclosures, there's a wealth of note disclosures on the aforementioned pension and OPEB liabilities, on your long-term debt there's some amortization schedules in there that show how rapidly you pay out those long-term liabilities; which you do pay them out fairly rapidly. Your governmental debt is a lot of times financial institutions and rating agencies will look at how much of your overall debt load, the outstanding bonds payables, what percentage of that gets paid off within the next 10 years. Nashua has what is considered for your governmental debt, a very rapid payout of that debt. So again, note disclosures on all of those key accounts, as well as some trend information in the back of the report and combining schedules.

With that, I will open it up to see if there are questions on the Comprehensive Annual Financial Report or on the procedures we performed.

Mayor Donchess

Does Mr. Griffin have anything to add?

John Griffin, CFO

Thank you Mayor. I would just like to thank the members of the financial staff that prepare this document. I think it is our 13<sup>th</sup> year that we have won the GFOA Award for Reporting Excellence; in large measure due to the financial staff but also our colleagues in all the Divisions, the Division Directors and the Financial Managers in those areas. So it is a real comprehensive financial report that is done, that is really a testament to the City's financial position. As you have seen over the years, we talked a little bit about the budget, the financial services budget. Alderman Clemons was discussing the debt service, the payouts that Mr. McIntire said we do pay off debt rapidly which is a sign of strength. We have two Triple A ratings because of the efforts of both the presentations but also the communications that we have on ratings calls with Standard & Poors and Fitch.

So definitely a comprehensive effort; we are in good in position here and Mr. McIntire did focus on the OPEB, which is basically benefits as well as the pension liability. It is a very daunting number, but on the operating side we were glad to see for the Fiscal 20 budget that the pension amount, the rates that we are charged didn't go up as dramatically as they did in the most recent past. So thank you for allowing me to make comments Mr. Mayor and members of the Committee. Thank you.

Mayor Donchess

So questions or comments from Mr. McIntire or Mr. Griffin?

Alderman O'Brien

Thank you Mr. Mayor. In looking down legislative row here with some of my colleagues who serve up at the House; some good things are coming up from the State. I guess we were fast-tracked on that State Pension Plan and had to pay the \$2 million dollars annually. But now I understand there is a Bill and if it gets through, well let me just say with that increase of the \$2 million dollars, you can call it what you want, but the State used to pay 35% and they cut it down to basically nothing. You could call it a State Cutback, I like to call it a Tax and Inadvertent Tax but it was that.

If the Governor leaves his fingers off of it, there is a Bill pending that is going to contribute at least 15% to get the State, now that could even boast us even better. The second thing is, the fast-tracking I think Mr. Griffin, aren't we are at the zenith of that? Now it is going to start rolling back a little less if that Bill didn't come with the 15%, it is going to start dropping now, the implementation will start dropping a little bit from the \$2 million.

Mr. Griffin

I could probably address the impact to the City itself and I'll do that first and then maybe turn it over to Mr. McIntire. But the employer rates were held constant this year for the most part. There was a little increase in the teacher amounts. It is complicated, but there's a 5 year average of returns and the year that was dropped was a bad year; and the most recent year as Mr. McIntire indicated was a good year. So the rates are stabilizing, it is the liability that is still a large liability and is trying to get funded within a 30 year window.

But the impact to the City of a 15% State contribution to teachers, police and fire is about \$3 million dollars that when the Mayor had his meeting with you folks that are in the legislature, it's a big number, it's a \$3 million dollar number which coincidentally kind of matches the increase in the health cost. So it's a very important number for the City but maybe Mr. McIntire who follows more the larger level and then gets the apportionment can speak to that. The two definitely go together.

Mr. McIntire Well I was going to turn back to the actual page the liability is on it, probably isn't necessary. Certainly any contribution that would come from an external party, external to the City of Nashua would almost immediately begin to bring that liability down and over time I think it would even escalate the rapidness that liability could come down.

Alderman Klee

Relative the debt and the rapid payout, when you say rapid pay out you are meaning that we are paying it off earlier than expected so if we had a 15 year we might be paying it off in 11 or 12 years?

Mr. McIntire Great question that's not what I mean. What I mean by that is that as an example you know you issue bonds and some of those bonds have a 10 year life or 20 year life and it is going to vary. But in total if you had \$50 million dollars in debt, just you use some round numbers then credit rating agencies and financial institutions they are going to want to see you paying off about 75% of that within a 10 year period. So when I talk about how rapid you are paying it out, are you paying out 75% of your bonds, not early, but is the schedule that they are termed to be, will you pay off 75% of your outstanding bonds that your balance sheet date within a 10 year period. That's what I mean by a rapid pay out schedule; you are not paying them early.

Alderman Klee

So we are exceeding the 75% that would be required or are we just up to that, at least the 75%?

Mr. McIntire The 75% was a number for conversational purposes that I put out there to try to illustrate that it wasn't so much paying it early – 75% is a rapid pay out. You are in that ballpark. I don't want to sit here and tell you are at 75%; I wanted to hopefully simplify it a little bit. That's really the measure that rating agencies like to see is how rapid are you paying it out. Really not so much are you paying it early.

Alderman Klee

Ok thank you very much.

Mayor Donchess

In fact we don't necessarily have the option of paying early in the sense that to pay early you got so called call the bonds, meaning you pay people before they are anticipating being paid. Most of our bonds don't authorize that which is attractive really to the bond holder really, because they don't want to be bought out early. They don't want to be bought out early because they know they'll only get bought out early if they are in advantageous position.

Alderman Klee

Ok thank you.

Mayor Donchess

Ok any other questions or comments? Alright, well thank you very much for your report and how many years have you done the audit, I forget now.

Mr. McIntire It has been a handful, I don't know off the top of my head.

Alderman Klee

I was looking back at it and you were there I think 2010, so it's been a few.

Mayor Donchess

It has been awhile so I was just curious. Alright well thank you very much for your help.

#### COMMUNICATIONS

From: John L. Griffin, CFO/Comptroller  
Re: Melanson Heath Presentation – April 17, 2019

**There being no objection, Mayor Donchess accepted the communication and placed it on file.**

From: Dan Kookan, Purchasing Manager  
Re: Contract for NPD Window Project

**MOTION BY ALDERWOMAN KELLY TO ACCEPT, PLACE ON FILE AND, CONTINGENT UPON FINAL PASSAGE OF R-19-127, AWARD THE CONTRACT TO D.L. KING & ASSOCIATES IN THE AMOUNT OF \$134,500. SOURCE OF FUNDING IS DEPARTMENT 150, BOND FUNDS**

#### ON THE QUESTION

Mayor Donchess

And Ms. Smith and another is here for the Police Department, so why don't you come forward. How many people have visited the PD to see the condition of these windows? Has anybody on the Committee? Alright some came over right?

Alderman Kelly

We see pictures.

Alderman O'Brien

We had a video presentation and it showed how the snow was getting in so it proved a point.

Alderman Klee

And that they wear their winter coats to do their work.

Mayor Donchess

I think President Wilshire and someone else came over didn't they? I forget, didn't someone actually visit but maybe not. Anyway I went over there.

Alderman Klee

I think Alderman Dowd was there.

Mayor Donchess

Anyway the condition of the windows is ridiculous, we are losing all kinds of energy, snow is coming in. How this building that's only 40 years old and renovated could have got to this way? Anyway do you have anything to add to the situation. Do you have anything that you'd like to ....

Robert Giggi, Lieutenant Nashua PD

I don't have anything to add aside from what a majority of people have seen already. If there is any questions I'd be happy to answer them.

Mayor Donchess

Well the motion is for the award of the contract contingent on approval of the funding later on. Is there any discussion or questions for the PD?

Alderwoman Kelly

Thank you, you guys did a pretty good job of walking us through the need here. I'm just wondering how soon we can get those windows in so that it is not snowing this winter.

Lieutenant Giggi

As soon as we can get the work done, the end date, I have the end date that DL King gave us. They actually updated the contract and I can give you that date as soon as I can find it. They gave us a final date of, so 25 weeks after the notice to proceed will be the completion date. That includes the lead time for the product and all of the labor.

Alderman Kelly

Great thank you.

Mayor Donchess

Anyone else?

Alderman O'Brien

I was just going to say in general and I am glad we are addressing this, and coming from the other side of the fence on fire that has multiple buildings and I did say it the last time spending a night in Lake Street Station, the old one, and I went home that morning and I asked the wife – Can I have every spare blanket in the house, you know what I mean? The heater came on in September and didn't go off until May, you know what I mean. It's a shame when we have you know municipal buildings and expect people to be productive and work. I am hoping that as this Board and I think maybe as we go along in the future that we look at our infrastructure; Police Fire Stations, Sewers and we are doing very well with another project, speaking with the sewage

treatment plant. If we start losing our infrastructure you know what money did we save? We didn't save anything, so I am glad we are addressing it for you guys. Thank you.

Mayor Donchess

Alright, if there are no other questions?

### **MOTION CARRIED**

From: Dan Kooken, Purchasing Manager  
Re: Contract for Independent Consultant Services

**MOTION BY ALDERWOMAN KELLY TO ACCEPT, PLACE ON FILE AND AWARD THE CONTRACT TO MEENA GYAWALI IN THE AMOUNT OF \$22,000. FUNDS ARE AVAILABLE IN DEPARTMENT 183, ECONOMIC DEVELOPMENT; TIF DISTRICT**

Mayor Donchess

And I believe Mr. Cummings is here on this. Why don't you come up? To clarify what the source of the funds for this contract would be, the Board of Aldermen and the City created a TIF or Tax Increment Financing District surrounding the river a little over a year ago. And what that means is that a certain proportion of the taxes generated from the buildings around the river including Lofts 34, Clock Tower, Cotton Mill Square and a few others, a certain portion of the money generated by those properties is devoted or is directed into the TIF, the Tax Increment Financing District. That money is then dedicated to be spent along the river and to implement the Riverfront Master Plan that the Board of Aldermen adopted several years ago.

There is about \$800,000.00 or between \$700,000.00 and \$800,000.00 in the account right now. So this \$22,000.00 would come from that account, the TIF Account. There is a TIF Board of Director or Advisory Board of property owners and residents around the river that advises the City as to how the money might be spent. I assume they have endorsed this idea. Just as background, with that, could you Mr. Cummings explain what is proposed here?

Tim Cummings, Economic Development Director

Absolutely Mr. Mayor, again for the record Tim Cummings Director of Economic Development. So what is before you this evening is just a temporary contract up to six months, though I think it is going to be less than that where we are going to be engaging in independent consultant. Alderwoman Kelly did a great job in saying the name, that is actually a very difficult name. The first time I tried saying it, it was very challenging, her name is Neena Gyawali and her resume is included in your packet. You will see she is very experienced and has some wonderful skills.

We are bringing her in to help us move the TIF initiative forward and particular help to bring forward some of the projects that I know this body and other groups in the City have been asking about. So I am asking for you to approve this. The reason why you are approving it is because per the governing documents that enabled the TIF, all contracts need to come back before the Board of Aldermen, no matter what dollar amount. This one is just a tick over \$22,000.00 though I don't think we will actually spend that. Meena Gyawali's scope of services is really just to help us get the first RFP off the ground or RFQ technically where we would be looking to bring forward the continuation of the Riverwalk and hopefully have a civil engineering firm on board that would project manage similar to the way Hanna Swanson did for the Broad Street Parkway with Mr. John Vanacore. That's the ultimate goal that we are working towards.

Mayor Donchess

Discussion.

Alderman O'Brien

Thank you. Mr. Cummings, particularly of interest in one of the ancillary projects would be invasive species removal. Ok, could this contract, can she help us out maybe with some granting? I know the State does have some things and we need to take care of that river, we don't want no more dirty water, you can keep it in Boston. But we want Nashua to be good.

Mayor Donchess

What was the song again?

Alderman O'Brien

Oh I love that dirty water. Yes. Mr. Cummings knows the tune.

Mr. Cummings

I do and if I may Mr. Mayor the answer is yes and in fact Director Marchant and I already sat down with Ms. Gyawali and started that conversation. As you know, the invasive species removal process is being really run out of the Community Development Office. Because that invasive species removal is so integral to the TIF and the success of the Riverfront Meena Gyawali will be intimately involved and could help us by adding some additional resources such as grants and what not.

Alderman O'Brien

Very good.

**MOTION CARRIED**

From: Dan Kooken, Purchasing Manager  
Re: Contract for Legal Counsel Services for NMTC

**MOTION BY ALDERWOMAN KELLY TO ACCEPT, PLACE ON FILE AND AWARD THE CONTRACT TO DRUMMOND-WOODSUM ATTORNEYS-AT-LAW IN THE AMOUNT OF \$56,500. SOURCE OF FUNDING IS DEPARTMENT 183, ECONOMIC DEVELOPMENT; PERFORMING ARTS CENTER**

ON THE QUESTION

Mayor Donchess

Mr. Cummings?

Mr. Cummings

Thank you Mr. Mayor so the contract in its full amount is for \$56,000.00 though it should be clear to everyone that our obligation is only somewhere around \$5,000.00 as it is outlined in the contract. That is for the pre-work that is necessary for setting up the differing legal entities proving us with tax opinions relative to the New Market Tax Credit Transaction. This is just planning and preparation that we need to do so we are in good stead. So if we are successful in receiving a New Market Tax Credit, we will be able to execute quickly and that's paramount in these types of transactions.

So the balance of this fund of this money would actually come from the New Market Tax Credit Transaction itself; that \$5ish thousand dollars and what is referenced in your Memo is a consulting line item that we have for the Performing Arts Center. So that money that is \$5,000.00 is not off of the authorized bond but off of money that was set aside by the Downtown Improvement Committee for consulting services to advance the

Performing Arts Center project. That is the same funds that we used to pay for the professional fund raising consultant and the New Market Tax Credit consultant. So anyway I wanted to provide you that additional information and ask that you support this. It is extremely important that we get this outside legal service's opinion or consultation to help us advance this project. We've done this in collaboration with our Corporation Counsel's office, Attorney Bolton has been working with me through this initiative. We requested three proposals from very experienced New Market Tax Credit attorneys and John Kaminski of Drummond Woodsum is the one we are recommending.

Alderman Harriott-Gathright

I have a question for Director Cummings, you said that the value was \$56,500.00 but yet you think they are only going to use about \$5,000.00, did I get that correct? But you also say there were three different attorneys?

Mr. Cummings

Yes if I may Mr. Mayor, so we solicited proposals from three different firms and the one that we've chosen has outlined a two-phased type contract where the first phase all we are obligating ourselves to is approximately \$5,000.00. And that is all we are obligating ourselves to because if we are not successful in obtaining that New Market Tax Credit which would pay for the balance of this contract; there is no expectation that we would have to pay the attorney.

Steve Bolton, Corporation Counsel

I want to make one disclosure so it's clear. Celia Leonard, the Deputy Corporation Counsel is in fact married to a lawyer at this firm. That played no role in the selection of this firm; we excluded Celia from the selection of the firm. But Tim and I agreed that John Kaminski had the best presentation of the lawyers we talked to. He understood what was involved and what we would be facing and he was very reasonable in structuring the contract as Tim just explained to minimize our expense and our exposure to expenses up front if we don't obtain the allocation of New Market Tax Credits. So if a project doesn't go forward because those aren't obtained, the expense of these legal services will be minimized. Celia will be working on the project but she was as surprised as anyone when I told her that it would be her husband's firm. So just to let you know.

Alderman Klee

Thank you Mr. Mayor. Director Cummings I just want to make sure that I do understand this correctly; you said a two-phase, \$5,000.00. So the \$5,000.00 will be paid out of what fund?

Mr. Cummings

The consulting budget if you will or the consulting account that the Downtown Improvement Committee approved that is run through the office of Economic Development.

Alderman Klee

So that \$5,000.00 will be paid out of that and the \$51,000.00 if we did secure the Credits and so on will be paid out of the New Market Tax Credit Fund and so on. And I just want to make sure I have this correct; they are in fact going to help us secure these New Market Tax Credits and this is different than the New Market Tax Credit that we hired to do the application and so on. Those are two separate entities correct?

Mr. Cummings

Yes, Mr. Mayor if I may, yes two separate entities, and the legal counsel will play a supportive role to help us secure the New Market Tax Credit. The bulk of that work would be done by the New Market Tax Credit Consultant that we already have on board. If you look at the scope of services I think it is tasks like 1 through

3, if you will is really what the New Market Tax Credit Attorney would be providing to us. Basically providing ancillary support, help us with marketing, help us with providing additional evidence to the New Market Tax Credit entities, those CDE's – that we have our act together, this project is serious. We are working as hard as we can to bring it to fruition. And having this third party type of attorney there to help echo that message is the type of services that they would be providing and that would be their role in that regard.

Alderman Klee

Thank you I just wanted to make it clear for the listening public and so on. Thank you so much.

Alderwoman Kelly

Attorney Bolton, if we could just go back to what you brought up I just want it to be clear. You said Celia is going to work on it, is her husband also working on it or just the firm itself?

Attorney Bolton

His expertise is in other areas.

Alderwoman Kelly

Perfect, thank you.

Mr. Cummings

And I should also just note and echo on that point, this firm is a pretty large firm with multiple offices. This is not the type of firm where there are one or two practicing attorneys, I don't know how many attorneys they have but there are quite a number of offices and quite a number of attorneys on staff at this firm. They have a few different practice areas so this runs wholly separate from whatever Attorney Celia Leonard's husband works on.

## **MOTION CARRIED**

From: Dan Kooker, Purchasing Manager  
Re: Fiscal Agent Agreement with City Arts Nashua

## **MOTION BY ALDERWOMAN KELLY TO ACCEPT, PLACE ON FILE AND AUTHORIZE THE CITY TO ENTER INTO THE FISCAL AGENT AGREEMENT WITH CITY ARTS NASHUA**

### ON THE QUESTION

Mayor Donchess

Mr. Cummings?

Mr. Cummings

Yes thank you so this document that's before you has been a long time coming a document I would have liked to have gotten to you much sooner than now but has been a very nuanced process. It is a representation of a lot of work where City Arts Nashua is coming forward and acting as our Fiscal Agent and they have already been doing this informally on our behalf. So this just codifies and memorializes the process that has developed and what we have been working toward. It has been reviewed by the Performing Arts Center Steering Committee; it has been reviewed by a sub-group of that Steering Committee. It has been subject to a lot of conversations between the Chair of City Arts Nashua, Lisa Bissonnette and myself.

There are terms in this agreement that I don't like, you know to be clear. And I found disappointing and frustrating, but I understand why they are there and I respect the rationale and the reasons. At one point early on, I believe Alderwoman Gathright had asked a very specific question relative to "is there going to be a fiscal agent fee"? At that time I had indicated "no" because that's what I understood to be the case; actually right after that I learned that it was the intention of City Arts Nashua to charge us a 2% fee or actually a little bit more than that. Corrected it originally started at 4% and obviously that was a little disheartening to hear; I corrected the message with Alderwoman Gathright as soon as I learned about it and then worked really hard to try to position ourselves to be in the best position possible. So what you have is 2% and capped at \$40,000.00 and I think that's reasonable; we verified that with our professional fund raising consultant, I even got off the phone with her not an hour ago to reaffirm this; that she recommends it. She typically sees something in the order of 5% in these types of contracts and she thinks that City Arts Nashua is providing value and we should be willing to work with them and they've done a great job thus far. So with that being said Mr. Mayor, I am asking you to endorse this contract.

#### Alderman Klee

I was at a few of the meetings where we talked and discussed this and it did start at 4% and there were a number of experts there that told us it could go as high as 10%. We knew that that would not happen; at least we prayed it would not happen with City Arts. But the benefit of having them so close and so on, I think this 2% is a good plan. They will help promote the project and so on which is also a benefit of it and I think we would work really well with them and I would echo the recommendation of approval of this.

#### Alderman Caron

Thank you. So when I first saw the Memo it said value was 0 and then when I was reading the contract it said up to \$40,000.00. So as I've said before my concern is we are spending all this money and anticipating getting a lot of money. And now an agency that has come forward to act as our fiscal agency, which is all part of the Performing Arts Center is going to get \$40,000.00 and I am still waiting to hear how much money do we have going towards the Performing Arts Center. That's my concern. And I know obviously you can't be doing all of this and you know it's nice to have this. But I am just wondering why we don't have a fund set up within the City like we do a lot of projects and there wouldn't be any cost because staff has to do all of this work? I just get a little nervous about this and I know that the Mayor and I have talked about it. I want this to happen; I want it to go right, I just have all these fears. If you can alleviate another one that's fine.

#### Mayor Donchess

In this case, this is not City money that would be spent this is contributions from individuals that go into a 501(c)3 which is the City Arts Nashua and they hold the funds for the benefit of this project. So this is a 2% out of private funds that are contributed. I think I would add that part of what we said is we would keep the private funds that are raised out of the City's hands, that this wouldn't become a City project in that respect. So in order to do that, we have to use a 501(c)3 and this is the consequence of it. But the City money spent on this project would not be subject to this 2%. This is only money that is contributed in the form of a charitable contribution.

#### Alderman Caron

Which we don't know.

#### Mayor Donchess

Well I know we can say that no City money would be spent in this fashion because the City money is not subject to this.

Alderwoman Kelly

Ok so a couple of questions. The first question is if they were not intending to charge us a fiscal agent fee originally does that mean what we currently have is not subject to this 2% fee?

Mr. Cummings

It was never their intention to not charge us a fiscal agent fee.

Alderwoman Kelly

So everything will be subject to this?

Mr. Cummings

Yes but capped at \$40,000.00.

Alderwoman Kelly

Capped at \$40,000.00. Question around \$40,000.00 does that then mean that we have to raise \$4,040,000.00 before we can move anything?

Mr. Cummings

You are not obligated to raise \$4 million dollars out of this particular entity; in fact I don't think you would actually raise \$4 million dollars out of this entity and what has been told to this body on a couple of occasions is somewhere around \$2 to \$2.5 million is more realistic.

Mayor Donchess

So the New Market Tax Credit funds, if they are successfully obtained, so not flow through this. Those come directly to the City. The money that would go in here are people who write checks for the benefit of the Performing Arts Center. And they way that the Resolution reads at this point is that as long as the City brings in \$4 million dollars, including New Market Tax Credits; the project can proceed.

Alderman Kelly

Ok so then my question is do we have a separate fund where those New Market Tax Credit are going to, is it a trust fund, what's that?

Mr. Cummings

That's a great question and one that we are working on; part of the reason why we are procuring this New Market Tax Credit Attorney to help us set up those types of structures so we can actually do this and do exactly what you are talking about which would be to set up another entity that would actually receive the funds and actually, if you will, manage the project.

Mayor Donchess

The New Market Tax Credit Transaction is complicated, you know anybody who does that needs legal and consulting help. That is a separate issue from this. The money going to City Arts Nashua are the people who write private checks. So if you have written a check for the benefit of the Performing Arts Center that money has gone to City Arts Nashua and is held in their 501(c)3 account and that's what this has to do with. So if we want tax deductibility for the contributors, we need a 501(c)3. The City Arts Nashua is providing that and for that benefit they are charging 2% to the people really who make the contributions.

Alderwoman Kelly

Yes so we had originally talked about the fiscal agency as something that was a stop gap while we were setting up our 501(c)3, can you talk you about where we are in that process please.

Mr. Cummings

Yes again a great question. So as quickly as possible and we are working through these minor details, they are minor but they play a major role. They have material effects; so we need to make sure we are doing, we are doing things appropriately. We would be looking to set up this separate 501(c)3 to take over for what City Arts Nashua is currently doing anytime now. Hopefully within the next few weeks we can file that paperwork that would create the non-profit. That non-profit then would have to file for IRS Tax Exempt Status which could take anywhere around six months. And so what we want to make sure we do though is make sure that we set up this structure that allows us to proceed in a way that doesn't prohibit the New Market Tax Credit transaction. And if anything can help complement it and those are the type of more nuanced conversations that are occurring.

Attorney Bolton

I believe you will all be seeing in the material you receive on Friday a Resolution to adopt State-enabling Legislation that will allow for the creation of one or more non-profit corporations by the City and that is the next step in putting this in motion. So you will be seeing that on Friday for introduction next Tuesday and hopefully approval at the next Board of Aldermen meeting.

Alderwoman Kelly

I just wanted to clarify something and then I'm going to give the floor. When I asked about the \$40,000.00; it doesn't matter whether we are raising them through the Tax Credits or we are raising them privately, we will have to account for the Fiscal Agent fee before we move forward correct? If we have \$40,000.00 less than \$4 million then we can't move forward?

Attorney Bolton

No it's just an expense. We have to raise a certain amount of money, how we spent that is not controlled in that Resolution.

Alderwoman Kelly

Thank you.

Mayor Donchess

Now this agreement can be terminated with 60 days' notice if we don't like it. But I think, I would reiterate again there is no City money that will go to City Arts as a result of this contract; no City tax funds. These are all privately raised funds; 2% would go City Arts Nashua. So if you contribute \$5,000.00, \$100.00 of those dollars would go to City Arts Nashua for the service they are providing in enabling you to get a Charitable Tax Deduction and for holding the funds until the funds are needed.

Alderman Caron

Thank you, so this is a one-time \$40,000.00, no more than \$40,000.00; doesn't matter how long it takes, it's no more than \$40,000.00 that City Arts will get?

Mayor Donchess

Correct and not one of those dollars will be a City tax dollar.

Alderman Caron

Ok thank you, my next question is are they holding that in a separate account for the Performing Arts Center? And I see a head shaking.

Mr. Cummings

If I may Mr. Mayor, yes, yes, they are, it's a whole separate bank account.

Alderman Caron

So do you think that someday we will know what we have in that bank account?

Mr. Cummings

If I may, I know the Capital Campaign Committee, which I am not part of, is working hard and as diligently as possible and, in fact, I believe they meet tomorrow morning.

Alderman Caron

Thank you.

Mayor Donchess

But they cannot really begin in earnest until we have the design so I mean that's getting close.

Alderman Harriott-Gathright

My question is the \$40,000.00 so conceivably they might not ever get to that \$40,000.00 correct?

Mayor Donchess

Correct.

Alderman Harriott-Gathright

Thank you.

Alderman Caron

We'd like them to that's the thing.

Alderman Harriott-Gathright

No we don't.

Alderman Caron

Yeah you do because you want that \$4 million dollars.

Mayor Donchess

Well once we establish a separate 501(c)3 money could go there and wouldn't go to the ... so even private contributions would go to that entity and not to City Arts. So only with respect to money that goes to City Arts while they are performing 501(c)3 services go to them. So if the bulk of the money comes in through the other 501(c)3, they would get very little.

Alderman Caron

Thank you for clarification.

Alderman Klee

That is kind of what I was going to clarify also. But on the opposite end, if this does take a long time for us to get a 501c and suddenly somebody dropped an extraordinary amount of money, which probably won't ever happen but if it did, we would not go over the \$40,000.00 and that's kind of what this contract is.

Mayor Donchess

If someone gave \$10,000,000.00 we still pay \$40,000.00 total.

Alderman Klee

Right and if we've already been collecting up to that point it would be even less on that \$10 million dollars so that's the bottom line but we do hope – once this gets approved and so on how long do we know, I had heard 6 months to a year it could take to get a 501(c) depending upon the IRS' time and availability. Do we have any clue or idea as to what we think, realistically?

Mr. Cummings

So if I may Mr. Mayor, I am going to say that we are creating a structure that is going to be as clean and as putting ourselves in the best position possible so we achieve that designation as quickly as possible so I can't speak for what the timeline would be for the IRS. But we are doing in a way so whatever that is, it's on the 6 month side of things not the year side of things, which was part of the issues that we were working through relative to the New Market Tax Credit.

Alderman Klee

But it may not happen until after the money needs to be gotten sort to speak and we could possibly stay with City Arts to that February/March date, but thank you.

**MOTION CARRIED**

From: Tim Cummings, Economic Development Director

Re: Notice of Change in Contract for Residential Brokerage Services with Louise Brochu

**There being no objection, Mayor Donchess accepted the communication and placed it on file.**

From: Tim Cummings, Economic Development Director

Re: Memorandum of Agreement with Spectacle Management

Alderwoman Kelly

I can move to accept the communication and place it on file but I would like to point out that I did not see the MOA attached.

Mayor Donchess

Yeah I didn't see it either actually.

Mr. Cummings

If I may I have it front of me because that's Resolution 18-073 which is later on in your agenda.

Mayor Donchess

Yes, right, right.

Alderwoman Kelly

I'll withdraw that.

**There being no objection, Mayor Donchess accepted the communication and placed it on file.**

UNFINISHED BUSINESS – None

NEW BUSINESS – RESOLUTIONS

**R-19-129**

Endorsers: Mayor Jim Donchess  
Alderman-at-Large Ben Clemons  
Alderwoman Mary Ann Melizzi-Golja  
Alderwoman-at-Large Shoshanna Kelly  
Alderman June M. Caron  
Alderman Tom Lopez  
Alderman-at-Large Brandon Michael Laws  
Alderman Patricia Klee

**AUTHORIZING THE CITY OF NASHUA TO ENTER INTO CONTRACTS WITH NASHUA COMMUNITY COLLEGE, RIVIER UNIVERSITY, TOWN OF HUDSON, TOWN OF MERRIMACK, SOUHEGAN VALLEY TRANSPORTATION COLLABORATIVE AND THE PLUS COMPANY FOR TRANSIT SERVICES**

**MOTION BY ALDERWOMAN KELLY TO RECOMMEND FINAL PASSAGE  
MOTION CARRIED**

**R-19-132**

Endorser: Mayor Jim Donchess  
**AUTHORIZING THE MAYOR TO ENTER INTO A SUCCESSOR "CONCESSION AGREEMENT"  
WITH GRANITE DIAMOND, LLC**

**MOTION BY ALDERWOMAN KELLY TO RECOMMEND FINAL PASSAGE**

ON THE QUESTION

Mayor Donchess

And we have a guest here. So Mr. Creedon is here, maybe you could come up and sit next to Alderwoman Caron that would be great or right there, either way, wherever, either way. So what this Resolution does is it approves a transfer of the Lease from the former owner of the Silver Knights to the new owner of the Silver Knights which is the entity that is described, but in essence is Mr. Creedon's company.

Mr. Creedon is already an operator or his company, his family, are already an operator in the league. They own the Worcester Brave Hearts and they have come to the City, they have shown a lot of imagination and energy down in Worcester and they have come forward and put forth a very ambitious plan regarding growing the team and making it a successful entity. We do still believe that Silver Knights are going to beat the Brave Hearts this year and probably every year. And we put a little bit of a wager on that with their General Manager, down in Worcester. But I think Mr. Creedon is going to do a great job for us and will really move the team forward based upon the discussions and everything that Mr. Creedon has done already. But with that I might introduce Mr. Creedon and he could tell you a little bit about himself and what he intends for the team.

Mr. Creedon Good evening and thank you for your time. As the Mayor said we are already in the baseball business; we've been operating a baseball team for six years now in Worcester, Massachusetts. My family business and background, we are actually a catering company and a tent rental company. So we come at the baseball business model from the hospitality perspective, so we are very excited about extending some warm and plentiful hospitality to all the guests for the Nashua Silver Knights Games and that would also extend beyond Nashua Silver Knights Games to City events as the ballpark as well.

So I am very excited at the opportunity and I want to thank Mayor Donchess and your administration; the Parks & Rec Department, everybody has been warmly welcome and gracious and very supportive of us operating the team. The collaboration could not have been better up to this point and I am very excited for what the future holds near-term and long-term. So thank you all.

Mayor Donchess

And the terms of the lease are precisely the same. All we are doing is just substituting one entity for the other in terms of the team with whom we have a relationship, or the owners of the team with whom we have a relationship.

Alderwoman Kelly

It's not a question, just a comment, I wanted to say welcome, excited to have you. I know that I've been going to the baseball games since I moved to Nashua and I think it is a treasure that we have here in the City. My daughter loves to go, so looking forward to seeing you.

Mr. Creedon Thank you, wonderful. I look forward to seeing you and your family, thank you.

Mayor Donchess

And they have a deal, if you offer the same thing as Worcester, if you pay \$385.00 for the season, you can go to every game and eat as much as you want for \$385.00.

Alderman Laws

They haven't met my fiancé.

Alderwoman Kelly

I wouldn't have said that in public, she may not be your fiancé anymore.

Alderman Caron

They haven't met the Board never mind.

Mayor Donchess

It's 22 games, right?

Mr. Creedon It's 28 regular season home games and then playoffs.

Mayor Donchess

So you'd get 28, 30 meals for \$385.00 as much as you want, so that's a pretty good deal.

Alderwoman Kelly

I'm eating for 2 so here we go.

Alderman Harriott-Gathright

How do you spell your last name?

Mr. Creedon C-R-E-E-D-O-N.

Alderman Harriott-Gathright

Thank you.

Alderman Caron

I want to welcome you too because I think this is a great fit for Nashua. I was there when the first group came in 100 years ago and was part of the ballfield for 40 years. It is nice to see new faces there and I am sure you are going to bring some new and exciting things for not only the team but the concession stand, we hope. And no Mayor I will not be giving \$375.

Mayor Donchess

\$385.

Alderman Caron

Or \$385.00 seniors don't get a discount?

Mayor Donchess

I have talked to some single people in our community who have said "Hey that's a good way to take care of 28 nights of dinner during the summer".

Mr. Creedon Even better, it's \$350.00.

Mayor Donchess

Oh it's \$350.00.

Alderman Caron

For seniors.

Mr. Creedon Friends and family discount, sure.

Alderwoman Kelly

That works out to \$12.50 per meal.

Mr. Creedon I'll see you at every game.

Alderman O'Brien

I just want to say welcome, I think this is great, I mean it's one of the better assets to this City for the family fun, to come out on a nice night and enjoy a decent ballgame, take concession advantages, nothing like a hot dog at Hollman Stadium. They taste better there for sure. I wish the best of luck to your franchise.

Mr. Creedon Thank you very much.

Alderman Laws

How do I follow that up really, I don't want to be the only person not to welcome you into the community. I'm excited and I was going to ask you afterwards, but I'll just invite you now to Downtown Improvements Committee at some point. Hopefully there is something we can do to work with you to get the local downtown businesses involved with the stadium. I remember, just anecdotally, years ago there was a bartender, small business owner downtown that used to have something called Stars & Bars where they would take all the local bartenders and place them on teams against people on the Knights. And it was a great time, packed stadium.

Mayor Donchess

I think that's a good idea, so Alderman Laws could pitch, it would be great.

Alderman Caron

So Mayor if I remember, the last time you were Mayor, we had a ball team playing out there, it was the Board of Aldermen against all these various employees and Department heads at Hollman Stadium and that turned into a ... community or health department chief, Dolly Dollavance was part of that crew.

Mayor Donchess

Maybe we should do that again.

Alderman Klee

A bat in my hand is a lethal weapon, we don't want that. And I was going to add that I still have the video of Alderman Laws throwing out that first pitch. Anybody wants to see it, I have it on the phone.

Alderman Laws

It was a great honor Mayor thank you, extending you that courtesy I appreciate it.

Mayor Donchess

Any other discussion? All those in favor of the motion?

**MOTION CARRIED**

Mayor Donchess

And this will be voted on by the Board of Aldermen Tuesday.

Mr. Creedon Thank you all.

Mayor Donchess

Thank you for coming.

**R-19-133**

Endorsers: Mayor Jim Donchess  
Alderman Mary Ann Melizzi-Golja  
Alderman Patricia Klee  
Alderman-at-Large Brandon Michael Laws  
Alderman Tom Lopez  
Alderman-at-Large Shoshanna Kelly  
Alderman-at-Large David C. Tencza  
Alderman Jan Schmidt

**AUTHORIZING THE MAYOR TO ENTER INTO A MEMORANDUM OF UNDERSTANDING WITH SPECTACLE MANAGEMENT, INC.**

**MOTION BY ALDERWOMAN KELLY TO RECOMMEND FINAL PASSAGE  
MOTION CARRIED**

NEW BUSINESS – ORDINANCES – None

RECORD OF EXPENDITURES

**MOTION BY ALDERWOMAN KELLY THAT THE FINANCE COMMITTEE HAS COMPLIED WITH THE CITY CHARTER AND ORDINANCES PERTAINING TO THE RECORD OF EXPENDITURES FOR THE PERIOD MARCH 30, 2019 TO APRIL 11, 2019  
MOTION CARRIED**

GENERAL DISCUSSION

Alderman Laws

Thank you Mayor. I just wanted to point out, I was a little flustered at the beginning of the meeting because I saw a presentation on the agenda and I was expecting that screen to come down and then he was sort of talking, referencing page numbers and I felt like I was back in College. So just in the future, fortunately Alderman Klee showed me the light, but in the future when there is a presentation like that and there is a pamphlet of material that we should be following along with ..

Alderman Klee

We did get it.

Alderman Laws

Where was it.

Alderman Harriott-Gathright

It was in the e-mail.

Alderman Klee

The Finance Report, that came a few weeks ago.

Alderman Laws

My mistake then.

Alderman Harriott-Gathright

But I think the e-mail said something to the effect that we should bring it with you, I just didn't read the e-mail until I got here.

Alderman Klee

It's actually, I meant to mention it at the Pennichuck Water Meeting that I was at, but the flushing of the hydrants has started and people are calling about the brown water or making comments to it on the Civic Sounding Board. I just wanted to remind everybody that the process is for about 10, 15, 20, minutes run your cold water, only your cold water, don't use a faucet that has a filter on it like your sink, but multiple faucets. This will clear it up. It's just through the flushing process; we do not have a brown water issue. And everybody who that had this problem, when I gave them that advice, got clear water. If it doesn't clear up, Pennichuck has asked that people contact them at 603 882 5191. I've been giving this number out, I have it memorized. They will come and they will flush out anything that needs to be done. But the 20 minutes has fixed it for everybody so thank you. 603 882 5191.

Alderman O'Brien

Just to submit the reason you were 100% correct the reason you want to run the cold only, you don't want it in your hot water tank. So that's why you never turn on the hot tap just flush it out with the cold and it will be adequate.

PUBLIC COMMENT - None

REMARKS BY THE ALDERMEN - None

NON-PUBLIC SESSION – None

ADJOURNMENT

**MOTION BY ALDERWOMAN O'BRIEN TO ADJOURN  
MOTION CARRIED**

The Finance Committee meeting was adjourned at 8:16 p.m.

Aldерwoman-at-Large Shoshanna Kelly  
Committee Clerk