

## CITY OF CONCORD

**DATE:** May 10, 2013

**TO:** Honorable Mayor James Bouley and the Concord City Council

**FROM:** Thomas J. Aspell, Jr., City Manager

**SUBJECT:** Fiscal Year 2014 Budget Transmittal Letter

Herewith, I respectfully submit to you the City of Concord Operating Budget and Capital Improvement Program for the fiscal year July 1, 2013 through June 30, 2014.

The objective of this Transmittal Letter is to highlight the Fiscal Year 2014 budgetary opportunities and challenges. As the City enters the Fiscal Year 2014 budget cycle, amidst an improving economy, state and local government operations continue to be impacted by the economic downturn of the previous several years.

The City Council, Administration and staff have dealt with many difficult issues over the past five years. All the while continuing to make significant investments in the City's infrastructure and managing daily operations to meet the needs of the citizens and community. The City is currently in an excellent position to capitalize on the improving economy as it takes hold over the next few years. In 2009 and 2010, City operations became leaner. In 2011 and 2012, the City continued to make strategic investments in energy improvement projects, creating savings in electricity costs, and achieving almost the complete elimination of the use of heating oil.

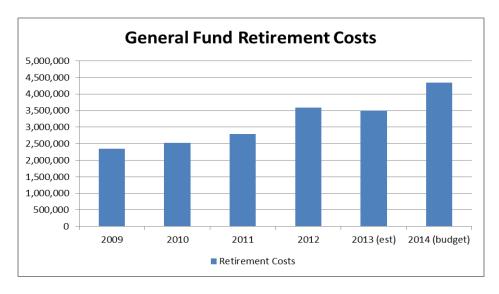
This organization has seen many accomplishments during this fiscal year, all deemed important by the City Council. We completed several energy improvement projects, gained control of the former Dame School, and undertook major organizational and operational changes at Beaver Meadow Golf Course. The City's Public Protection Class was upgraded by the Insurance Services Office placing the City within the top 1.4% of municipalities nationwide. This great achievement was due in no small part to the tireless efforts of the Fire Department and General Services Department. In terms of continuing the City's industry-leading vehicle management program, this spring the Fire Department will take delivery of a new ladder truck and two new ambulances so as to be able to continue their superior customer service delivery. The Police Department just recently placed a motorcycle in service for daily patrol duties. This is the first time since 1992 that the Concord Police have included a motorcycle as part of their fleet of vehicles. The General Services Department, for the first time ever, has created a priority sidewalk snow removal program for all elementary and middle public schools, without the addition of new staffing. There are many other important achievements identified throughout the budget, and our investments in private/public partnerships are paying dividends, as evidenced by the several ongoing high-profile development projects within the City's three tax increment districts.

Fiscal Year 2014 will bring significant investments in the City's infrastructure. In fact, the proposed Capital Improvement Program is the most robust in recent memory. The Capital Improvement Plan (CIP) includes the continuation of the Route 3 Corridor Improvements (CIP 35), including underground utilities in the Penacook Village, with a projected completion in Fiscal Year 2015; and a total expenditure to date of approximately \$11.4 million. Other noteworthy projects scheduled for Fiscal Year 2014 include \$130,000 for schematic design of the City-wide Multigenerational Community Center (CIP 443); \$10 million for replacement of the Sewalls Falls Bridge (CIP 22); \$400,000 for reconstruction of the parking lot, concessions stand, and press box at Memorial Field (CIP 557); as well as \$9.636 million for the Downtown Complete Streets Project (CIP 460), including installation of underground utilities for a portion of South Main Street to be financed by the Sears Block Tax Increment Finance District. Funding in the amount of \$1.527 million is also included for implementation of the Loudon Road Corridor Project (CIP 19). Funding in the amount of \$1.339 million is also included to begin construction of a parallel taxiway (CIP 73) at the Concord Municipal Airport. In total, the proposed FY 2014 Capital Improvement Program is \$37.2 million, much of which is being financed by Federal grants and other revenue sources separate from the City's General Fund.

In addition to these high profile projects, the FY 2014 CIP budget also continues the City's commitment to its water, wastewater, and highway infrastructure needs. Since 2009, \$7.9 million has been approved for water distribution system upgrades; since 2008, \$3.3 million has been approved for the Hall Street Waste Water Treatment Plant odor control program; and since 2008, \$7.5 million has been approved for ongoing pavement rehabilitations in the City's neighborhoods.

While the Federal Government has been helpful in supporting a variety of projects and initiatives, financial support from the State of New Hampshire continues to shrink. The State has eliminated revenue sharing; eliminated State Aid Grant funding for water and wastewater projects; abandoned its original commitment to increase the distribution of the Meals and Rooms Tax revenue; and, quite significantly, broken the commitment it made to Concord when it entered the New Hampshire Retirement System by eliminating its contribution match for Group II employees causing additional costs to the community.

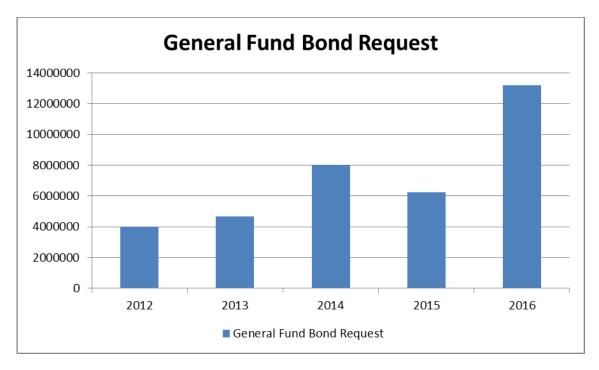
This budget is presented with a 3.1% proposed tax rate increase, virtually all of which is attributable to the State downshifting of New Hampshire Retirement System (NHRS) rate increases of 26.8% for Police, 21.2% for Fire and 22.4% for other municipal employees, totaling over \$959,916 for the General Fund. The impact for this retirement system change represents a 2.89% tax rate increase.



In addition, this is the second year the City is responsible for absorbing a portion of the Department of Justice grant that added police officer positions in prior years. The total amount to be paid from the General Fund in Fiscal Year 2014 is \$210,000, of which \$169,000 is the increased responsibility over Fiscal Year 2013.

The total of the two aforementioned items is \$1,128,916, equivalent to a 3.4% increase on the tax rate. Compared to the proposed tax rate increase of 3.1%, this means that a tax rate decrease of .3% may have been achieved.

This budget includes an increase in debt service costs of \$256,170. This amount represents 5% of the overall anticipated total debt service costs. This year's tax rate is presented in two parts: all other costs and debt service needs (see Budget Summary page for details). The significance is the anticipated additional debt service commitments in future years based on the many large scale bonded projects on the horizon. For Fiscal Year 2014, the General Fund CIP budget presents total bonding needs of \$8.015 million, which is nearly double the customary bonding level for the General Fund for the past five years. However, expanded use of bonds is necessary in order to take full advantage of non-City resources available for major projects such as the Sewalls Falls Bridge and the Downtown Complete Streets. Increased reliance on bonds is projected to continue for the immediate future. The proposed Fiscal Year 2015 CIP calls for \$6.229 million, and \$13.185 million has been identified for Fiscal Year 2016. These amounts are considerably higher than the \$4.65 million presented in 2013 or the \$4.025 million presented in 2012. The graph below illustrates the bond projections from Fiscal Years 2012 through 2016.

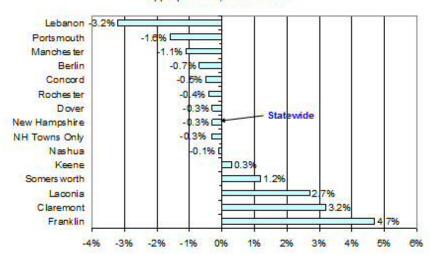


Notwithstanding the above, the City of Concord has been successful in maintaining a stable budget while continuing to provide high quality services. The *Financing New Hampshire's Cities and Towns: Through 2011* report, issued by the New Hampshire Center for Public Policy Studies, demonstrates the impact of State downshifting on local budgets. As can be clearly seen in the report, Concord compares quite favorably in responding to the challenge of controlling municipal spending compared to other municipalities in New Hampshire. The following two charts illustrate this finding; the report can be accessed at www.nhpolicy.org.



# Spending growth has slowed, but not everywhere

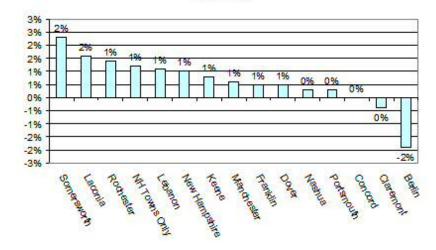
Annual Change in Total Per Capita Inflation Adjusted
Appropriations, 2007 to 2011





# Per-person property tax burden continues to grow

Change in Property Tax Receipts Per Person, Infation Adjusted 2007 - 2011



This is the fifth year in a row of proposing a balanced budget to the City Council without using unassigned fund balance. A truly balanced budget continues to improve the City's overall fiscal health of which the strongest indication is the 2012 Fiscal Year End Unassigned Fund Balance of \$8.2 million dollars or 17% of expenditures.

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Despite the difficult economic environment of the past years, Concord continues to maintain and improve City services and programs. Addressed in this budget document are the priorities of the City Council: a balanced budget; maintain reasonable expenses; enhance sustainability of enterprise and other fund operations; improve parks and playgrounds; enhance library services; and maintain high quality public safety services.

The City's pragmatic financial policies have paid dividends in the form of a very high credit rating. Moody's Investors Service affirmed the City's Aa1 rating at the most recent bond sale in January 2013. Moody's cited the City's very strong fiscal position and sound fiscal policies, as well as its experienced and capable management team. The City must remain cognizant of depleting its General Fund balance.

Concord remains in a better financial position than most other communities in New Hampshire and the nation. In 2013, the Policom Corporation once again ranked Concord as the # 1 micropolitan economy in the United States. This distinction is attributable, in part, to the City's sound financial management practices, stable labor market, and low unemployment rate. However, significant challenges remain ahead. These challenges include unfunded post-employment liabilities (OPEB); benefit costs associated with an underfunded State retirement system, as will be reported in the City's Consolidated Annual Financial Report under GASB 68 for Fiscal Year 2015; ever increasing health insurance costs; and ongoing capital needs primarily in public buildings, neighborhood streets, and the storm water system.

The initiatives put forth here provide for continued financial improvement in the utility funds. The Airport and Arena funds continue to perform at or above expectations and are able to make annual contributions to the City's General Fund overhead costs and undertake considerable capital reinvestments in their assets. There are significant challenges in the Parking, Golf and Solid Waste funds. The net results of the Water and Wastewater funds are strong and the future anticipated rate changes are a direct result of debt service for continuing capital costs due to infrastructure improvements. The following pages describe this budget in more detail.

#### **Changes in Positions and Improved Operating Efficiency**

City Department Heads and staff continue to provide excellent services to City residents and the business community. The Fiscal Year 2014 budget recommends a net decrease of 1.05 FTEs. This includes the reduction of one full-time vacant firefighter position, an increase of .2 FTE's in the Police Department Dispatch Division, an increase of .1 FTE's in the Legal Department's Prosecution division, a decrease of .25 FTE's in the Human Services Department and an increase of .1 FTE in the Parks & Recreation Department. The increases in FTEs convert part-time positions to full time. It has become increasingly difficult to keep qualified employees in certain part-time positions for extended periods of time as many employees are seeking full time employment. Increasing these positions to full-time is the best option to maintain a high quality, trained workforce. This budget has reduced other costs as much as practical to neutralize the effect of these increases. These changes in staffing will be discussed in detail as part of the individual budget reviews.

Downtown Concord and Downtown Penacook are truly assets that need to be protected and nurtured. However, the complexity of the various issues and the differing needs of the many stakeholders in each can challenge the coordination of service delivery and the maintenance of a sustained vision. Given the planned improvements in the downtown, this challenge will only increase. To address this issue, the budget proposes the creation of two positions with no net increase in FTEs.

The first position proposed is the Director of Redevelopment, Downtown Services & Special Projects to help manage service delivery and promote economic redevelopment. This position will also manage the City's grant programs, Revolving Loan Fund program, Tax Increment Finance Districts, RSA 79-E Program, as well as oversee strategic planning, fiscal administration and maintenance activities of the Parking Division. The position will also be responsible for negotiations of public/private partnerships for development projects, administer real estate transactions for tax deeded property, and manage high profile capital projects such as the new City-wide Multi-generational Community Center. As part of this change the position of the Assistant for Special Projects will be eliminated.

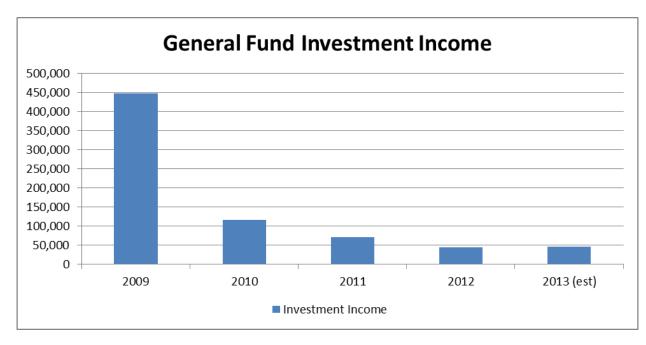
The second position is the Parking Supervisor. This position will oversee the day to day operations and management of personnel in the Parking Control Unit within the Police Department. The responsibilities for the support of the Parking Advisory Committee, maintenance, budget/finance, strategic planning and general oversight of all parking facilities will be administered by the Director of Redevelopment, Downtown Services & Special Projects. The current position of Parking Manager will be eliminated.

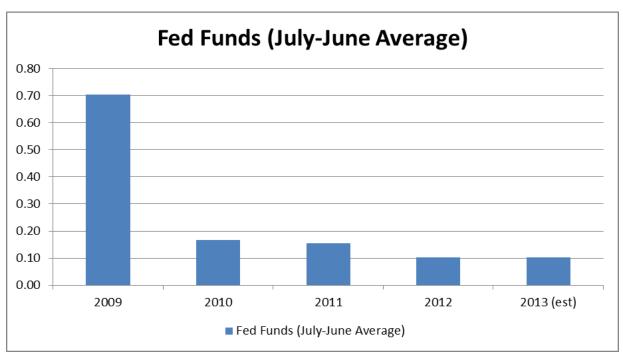
Over the past several years, the City Council has reviewed and acted upon various job classifications to ensure that positions within the organization are properly classified. The Director of Human Resources and Labor Relations was tasked with the review of senior management level positions to determine, based on their job classifications and work assignments, whether the individual positions are classified correctly and on the correct labor grade scale. The Director found that several positions, all located currently within Labor Grade 23, are no longer properly classified, as their respective responsibilities have evolved. As such, the following positions will be submitted to the City Council for action at an upcoming meeting to change to Labor Grade 24: City Clerk, Deputy Fire Chief, Deputy Police Chief and Human Services Director. These modifications will be accomplished within the proposed budget without additional funding requests.

#### **Fiscal Resources**

Although fiscal resources continue to be scarce, some non-tax revenue sources are showing signs of improvement. Auto registrations improved slightly for Fiscal Year 2012 and are anticipated to be ahead slightly for Fiscal Year 2013. Fiscal Year 2014 auto registrations are anticipated to maintain the levels reflected in Fiscal Year 2013. Ambulance Service Charges continue to improve and are trending higher again for Fiscal Year 2013. Fiscal Year 2014 is anticipating additional growth over the Fiscal Year 2013 budget level through more refined billing strategies. Rooms and meals revenue have remained relatively flat, building permit revenue is projected to be under budget by approximately \$103,000 in Fiscal Year 2013. The Fiscal Year 2014 budget anticipates building permits slightly less than the Fiscal Year 2013 estimate. This budget allocates these scarce resources to meet the City's legal obligations, core service priorities, and facility obligations. The groundwork for greater efficiency in service delivery and reduced overhead costs began in past budgets and continues here.

Historically, a large revenue producer is interest income. The Federal Funds rate continues to be at historically low levels. In the past, when interest rates were 4-6%, it may not have been worth changing investments for a difference of 0.25 - 0.5%. Today, most of the new investment options are yielding less than 0.5% annually. For Fiscal Year 2013, interest income revenue is expected to be approximately \$45,500 for the General Fund. Below are the graphs for investment income and Fed Funds rates for the past five years.





#### **Demand for Services and Use of Resources**

Total service calls for Public Safety over the past year have increased by approximately 1.0%, following a 7.4% overall increase the previous fiscal year. In FY 2014, the volume of service calls is anticipated to rise slightly above current levels. The demand for Human Services remains steady and the City continues to monitor the impact of changes by other governmental entities very closely. Parks & Recreation Department program registrations and interest in other recreation activities are up. Library circulation is up and the demand for Library services and access to personal computers continues to increase.

It is anticipated that long-term energy costs will continue to increase as the economy improves. The City has completed the energy improvement program projects with Con Ed Solutions (Phases I and II), and has taken advantage of Federal Stimulus Funds (ARRA) to make long-term energy saving improvements (solar domestic hot water at three fire stations and the water treatment plant; anti-idling devices in several GSD vehicles; and new LED crosswalks are in service). Several boilers and the HVAC system at the Fire Communications Center have been replaced, as well as smaller units at the cemetery maintenance building and golf course. Some funding still remains to replace or upgrade the boilers/HVAC systems at the Manor, Heights and possibly Broadway Fire Stations during Fiscal Year 2014. Significant steps have been taken to reduce overall energy consumption, to aggressively participate in energy contracts to manage costs on a longer term basis and, to the greatest extent possible, move all facilities away from #2 heating oil and onto natural gas. Currently the only facilities in the City using #2 heating oil are the Penacook Library and the Heights Community Center. The City has entered into contracts to maintain stable electric rates for G2 accounts through 2015, and natural gas costs into FY 2014.

The new floor at the Everett Arena has just finished its first ice season and the improvements have been an operational success. In the past, General Fund support was needed for major capital improvements such as the locker room renovations. The Arena Fund budget is fully supporting this newest capital investment.

#### Major Initiatives for FY 2014:

- The transfer of the former Dame School property to the City as the New Heights Community Center took place in January and this budget includes funding to commence schematic design for the new 80,000 SF facility in accordance with the 2011 Needs Assessment Report. The Parks & Recreation Department has already moved their offices into the new center. Programming is under way and will continue at that site until construction takes place in future years. As planning gets under way for the City-wide community center, that plan will include the optimization of existing community centers.
- The Golf Fund reported a \$53,700 loss for Fiscal Year 2012, which included a reprieve of the overhead payment to the General Fund and, for Fiscal Year 2013, funding of \$30,000 was provided to support clubhouse debt service. This fund anticipates breaking even or posting a slight improvement in the fund position for Fiscal Year 2013. The new Golf Pro and Pro Shop operation are in place with a new look to the interior setting. The course is starting to take shape from the long winter and has come through without any significant damage. Beaver Meadow is looking forward to a very successful year and signs are positive that the operation has turned the corner and will be on a break even or profitable path as Fiscal Year 2013 comes to a close and Fiscal Year 2014 begins.
- Other Funds Arena, Airport, Engineering Inspection, and Property Management Funds round out the
  picture as more secure in their positions; however, continued focus needs to be maintained on yearend positions.
- Customer Service The City continues to strive to provide exceptional customer service in all areas. The Tax Collector and City Clerk Offices started staying open until 6:00 PM on Thursday evenings. The Collections Office has been averaging 11 customers after 4:30 PM since opening and the trend is growing each week. The Clerk's Office has not seen the same type of demand. Consequently, in reviewing the need for their extended hours, the City may decide to return the Clerk's Office back to regular hours. The City is also in the process of accepting credit and debit cards for most services and is working with each department on implementation, which is anticipated to be completed by early fall

of 2013. Auto registration renewals are again available to be completed online with the new E-reg program. In the first month of operation, 134 registrations were processed through this method. The City's new website is up and running. The new "Report a Concern" feature is proving to be a resounding success through its implementation with the use of smart phones/i-pads. This is a significant investment in technology that will need to be supported in future budgets. Concerns are routed directly to the responsible division manager, primarily in the General Services Department, and issues can be addressed quickly/easily/efficiently and closed out in record time. Also included is funding to provide increased public internet bandwidth at the Concord Public Library to meet the growing demands of the public.

• Other Post-Employment Benefits (OPEB) – The rate of increase in the 'pay-as-you-go' appropriation for retiree health insurance is fast approaching the annual required contribution. City staff continues to review all options for mitigating benefit levels and prefunding the OPEB obligation. It has been very challenging for the City Council to allocate funds for this liability. However, the pay-as-you-go approach will continue for another 30-40 years. The City must continue to develop alternatives to help reduce the future costs. June 30, 2012 reflected an increase in this accrued actuarial liability to \$45.3 million.

#### **General Fund Highlights**

Summary of Fiscal Year 2014 General Fund Budget Appropriations, Revenues and Tax Rate – Compared to the adopted Fiscal Year 2013 budget. For Fiscal Year 2014 General Fund gross appropriations increased by \$1,753,699 or 3.4% of spending. See Appendix A of this report for full details of changes by category of spending and revenues.

General Fund Budget Comparison Summary FY2013 Adopted Budget to FY2014 Manager's Recommended Budget								
Revenues								
Description	FY 2013	FY 2014	Difference	%				
All Other Revenues	19,000,600	19,740,202	739,602	3.9%				
Property Taxes	32,691,833	33,705,930	1,014,097	3.1%				
Total Sources	51,692,433	53,446,132	1,753,699	3.4%				
Appropriations								
Description	FY 2013	FY 2014	Difference	%				
All Expenses	51,692,433	53,446,132	1,753,699	3.4%				
Total Use of Funds	51,692,433	53,446,132	1,753,699	3.4%				

### 53<sup>rd</sup> Pay Week

Starting in Fiscal Year 2013, and continuing into Fiscal Year 2014, the City will accrue year-end payroll each year. This will eliminate the 53<sup>rd</sup> week blip and the need to fund a reserve account.

#### Tax Base Growth

This budget reflects a real growth increase of .05% to \$3.834 billion in the City's tax base for calculating property tax revenue. Market value change is not included in the target tax rate calculation. This increase is net of abatements and elderly/blind exemptions. While the growth of Concord's economy has slowed, our city remains attractive to new businesses and visitors.

#### Use of General Fund Surplus

This budget does not include the use of any General Fund surplus to offset the tax rate.

#### State Reductions

- State Revenues This budget reflects the permanent reduction from the State for Shared Revenues, a continued \$108,000 reduction in Highway Block Grant funding, and level funding of Rooms and Meals Tax. Concerning the Meals and Rooms Tax revenue, it is important to note that the City is disadvantaged in two ways when it comes to the distribution of this revenue source. First, the distribution formula does not recognize that the funds are generated as a function of economic activity and not according to relative population size. Second, the State has not achieved the legally mandated level of revenue distribution to the municipalities. The law was initially intended to have the State return 40% of the collection to municipalities and keep the remaining 60%. However, the State has not yet reached the level of revenue distribution. The distribution to municipalities is at 25% and not the legislatively mandated 40%.
- State Expenses This budget reflects Concord contributing the full State retirement contribution for Group II employees and no additional revenue from the State; a substantial increase in the retirement rates for both Group I and II employees.

#### Reductions

- Manage Police vacancies through attrition –\$165,000.
- Eliminate Firefighter position (vacant); add overtime -\$50,318.
- Manage General Services' vacancies through attrition \$55,000.
- Reduce Police Capital Outlay –\$20,000.

#### Enterprise and Other Funds

For Fiscal Year 2014, the contribution to the overhead in the General Fund increased for Water (\$13,210), Wastewater (\$37,240) and Arena (\$2,760). Additionally, right-of-way maintenance contributions from the Water and Wastewater Funds remain at \$120,000 and \$55,000. Fiscal Year 2013 remained solid for both utility funds with respect to units sold and revenues collected and, ultimately, the projected year-end fund equity position.

Tax Increment Finance (TIF) Districts: Currently the City has three tax increment finance districts. These are the North End Opportunity Corridor TIF, Sears Block TIF, and Penacook Village TIF. Since 1998, the City has invested a combined \$23.8 million in infrastructure improvements in these three Districts. This investment has yielded total new development valued in excess of \$83.5 million. The NEOCTIF and Sears Block TIF have exceeded expectations. While still in its infancy, the Penacook Village TIF, enacted in 2010, is performing well, despite limited development activity, and is well positioned to support the impending redevelopment of the remaining Allied Leather Tannery site.

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Starting in FY 2014, an administration charge, as allowed by statute, will be assessed to each of the TIF Districts. The charge is based upon total staff costs to manage these Districts. In total, the charges will raise just under \$50,000 for the General Fund.

Commencing this year, the Sears Block TIF District (SBTIF) will make financial contributions to the General Fund and Parking Fund. Beginning in Fiscal Year 2014, the SBTIF will reimburse the General Fund for debt service payments it supported from 2005 to 2013 for the Capital Commons Project. The annual payment will be approximately \$85,900 and will run through FY 2027. Also starting in Fiscal Year 2014, the SBTIF will pay all remaining debt service costs incurred by the General Fund for the Capital Commons Project. The FY 2014 amount is approximately \$184,550.

Finally, the SBTIF will make the first of four payments to the Parking Fund intended to repay the Fund's equity contribution of \$550,000 plus interest for the Capital Commons Garage. The initial installment to be paid in FY 2014 is \$227,000.

Lastly, in accordance with standard practice since FY 2005, this budget includes releasing an allocation of tax revenues from the NEOCTIF District to support the City's General Fund, as well as the Concord Union School District and Merrimack County. In total, \$658,800 in revenues will be released, which equates to tax revenues associated with \$25,985,400 in captured assessed value.

#### Parking Fund Challenges

The Parking Fund continues to struggle. While a transfer-in from the Sears Block Tax Increment Finance District of \$227,000 is anticipated in the Fiscal Year 2014 budget, the inclusion of necessary maintenance and debt service costs due to major capital improvements, namely in the Durgin Garage, add significant stresses to this fund. Financial models suggest that the Fund's solvency will be in jeopardy starting in FY 2016. In addition to changes in the management of the Parking Fund, as mentioned above, I am also recommending that the Parking Advisory Committee, working with City Administration, undertake a detailed review of the parking system and make recommendations to the City Council in Fiscal Year 2014.

#### Wastewater and Water Funds Rate Increases

The FY 2014 projected Wastewater rate increase is 2.5%. The projected Water rate increase is 2.5%. The Water rate increase is consistent with the Fiscal Year 2013 pro forma projection and Wastewater is lower than the Fiscal Year 2013 pro forma projection. In both funds, the driving factor in increasing rates is the need for necessary capital investments. A continued increase in rates in future years is also necessary to maintain solvency in these funds.

#### Solid Waste Fund

As previously predicted, the Solid Waste Fund proforma continues to struggle. This is the fourth year of the Pay as You Throw Program. Bag revenues continue to drop, as more citizens utilize small purple trash bags in excess of their intended weight limit. While there is not a proposed increase in bag prices for Fiscal Year 2014, the current bag price structure is not in proportion to the cost of disposal and collection. This dynamic presents significant challenges to this fund.

# CHALLENGES ASSOCIATED WITH PREPARING THE FY 2014 GENERAL FUND OPERATING BUDGET

A presentation to the Fiscal Policy Advisory Committee (FPAC), and subsequent report to City Council, in February 2013, outlined the following budgetary challenges for FY 2014. The gap of \$3.2 million represented a 9.34% increase needed in the tax rate. Ultimately, FPAC recommended, and the City Council agreed, not to set a specific target tax rate increase. Instead, the message again this year to the City Manager was to bring a responsible budget to the City Council that was in keeping with the Council's priorities and goals, while keeping in mind the continued downshifting of costs from the State.

#### How the Gap was Eventually Closed

#### Revenue Difference Between the Model and Recommended Budget

Increases in revenues played a role in closing the gap. The most significant items that exceeded the model projections are listed below. Overall, miscellaneous non-tax revenues exceeded the model by 3.7% or \$713,000.

The other major differences are:

- \$75,000 Ambulance Service Charges projection better than expected.
- (\$125,768) Licenses and Permits (building permit projections lower than expected).
- \$101,640 Miscellaneous (mainly unanticipated PILOT payments from previous years).
- \$601,980 Transfers in Other (new revenue sources mainly transfers from Sears Block TIF and recoupment of debt service for Langley Parkway paid by Impact Fees).

	FY2014 Proposed		Model Less	
Item of Revenue	Budget	FY14 Model	Proposed	Percent
MV Registrations	5,425,900	5,406,000	(19,900)	-0.40%
Ambulance Service Charge	1,375,000	1,300,000	(75,000)	-5.80%
Fees & Charges-Programs, Services & Products	1,972,119	1,936,466	(35,653)	-1.80%
Fines, Penalties & Costs	661,200	729,220	68,020	9.30%
Franchise Fee	730,000	730,000	-	0.00%
Intergovernmental-Federal	120,000	101,625	(18,375)	-18.10%
Intergovernmental-Local	678,180	617,210	(60,970)	-9.90%
Intergovernmental-State	164,430	125,900	(38,530)	-30.60%
Highway Block Grant - State	750,000	756,590	6,590	0.90%
Rooms and Meals Tax - State	1,896,000	1,907,000	11,000	0.60%
Investment Income	50,000	60,000	10,000	16.70%
Licenses and Permits	882,714	1,008,482	125,768	12.50%
Mis cellaneous-Donations	1,500	5,700	4,200	73.70%
Mis c-Mis cellaneous	252,840	151,200	(101,640)	-67.20%
NHRS Share of Retiree Health Insurance	1,028,530	1,057,900	29,370	2.80%
Retiree Share of Health Insurance	474,330	516,320	41,990	8.10%
Capital Contributions	23,200	25,250	2,050	8.10%
Other Taxes	694,719	624,912	(69,807)	-11.20%
Transfers-In Other	2,055,570	1,453,590	(601,980)	-41.40%
Transfers-In Trust	503,970	513,868	9,898	1.90%
<b>Total Revenues</b>	19,740,202	19,027,232	(712,970)	-3.70%
Amount to be Raised by taxes	34,273,019	35,908,215	1,635,196	4.60%
Total Sources of Revenue	54,013,221	54,935,447	922,226	1.70%

#### Appropriation Difference Between the Model and Recommended Budget

The other contributors to closing the gap came from appropriation reductions in the model. Among the prime items were:

- \$231,728 Wages lower than Model (standard wage calculation for Model higher than actual budget).
- \$165,359 Beneflex lower than Model based on current enrollment census.
- \$227,225 Miscellaneous Expenses lower than model assumptions.
- \$308,452 Retiree Health Insurance lower than Model based on current enrollment census.
- \$190,870 Transfer to Solid Waste Fund (offset to debt service costs for Old Turnpike Rd Landfill).
- \$144,500 Other Transfers out (anticipated additional transfers out to capital projects).
- \$300,000 OPEB Transfer (not budgeted in FY 2014).
- (\$204,692) Debt Service (offset to Transfer to Solid Waste).
- \$985,300 From 3.1% tax rate increase.

	FY2014			
	Proposed		Model Less	<b>.</b>
Item of Appropriation	Budget	FY14 Model	Proposed	Percent
Compensation	24,055,915	24,286,643	230,728	1.00%
Retirement	4,357,508	4,332,508	(25,001)	-0.60%
Beneflex	6,790,408	6,955,767	165,359	2.40%
Fringe Benefits	2,256,272	2,286,161	29,889	1.30%
Allocated Costs	(676,470)	(629,283)	47,187	-7.50%
Supplies	2,461,715	2,489,521	27,806	1.10%
Outside Services	2,108,538	2,058,804	(49,734)	-2.40%
Miscellaneous	1,065,630	1,292,855	227,225	17.60%
Utilities	1,209,856	1,234,847	24,991	2.00%
Insurance	472,330	490,666	18,336	3.70%
Retiree Health Insurance Costs	2,192,900	2,501,352	308,452	12.30%
Transfers Out - Solid Waste	1,219,130	1,410,000	190,870	13.50%
Capital Outlay	196,600	250,000	53,400	21.40%
Transfers Out	755,500	900,000	144,500	16.10%
OPEB - Transfer Out Trust	-	300,000	300,000	
Debt Service	4,980,300	4,775,608	(204,692)	-4.30%
Total Expenditures	53,446,132	54,935,448	1,489,316	2.70%
Overlay	300,000	247,774	(52,226)	-21.10%
Service Credits	267,089	267,089	_	0.00%
Total Uses of Funds	54,013,221	55,450,311	1,437,090	2.60%

#### **Closing Notes on Fiscal Year 2013**

Fiscal Year 2013 experienced very heavy snowfall and many weather events requiring plowing or salting and sanding. Expenses are over budget in Snow and Ice Control overtime in the amount of \$80,000 plus related benefit costs.

The significant investments made in the City's two downtowns continue to pay dividends. In addition to the projects recently completed, Downtown Concord recognized significant redevelopment with both the Bindery site and the Endicott Hotel renovation well under way. Proposed plans will be reviewed this spring for the soon to be vacated State Department of Employment Services building. Manchester Street has two new auto dealership buildings that are now complete. Loudon Road realized the completion of a rebuilt fast food restaurant, a new big box drug store and the addition of a new restaurant. The new construction on D'Amante Drive in the area of the Steeplegate Mall complex is also complete. In the south end, Evolution Rock, a new rock climbing facility, is also complete.

Clean-up of the former Tannery site will be completed this construction season. In addition, the City is working with interested parties on additional redevelopment within the Penacook Village TIF District.

#### **Looking Ahead**

Overview – while there are indications that the economy is beginning to improve in the country, state and in Concord, in terms of new construction and improved economic activities, those positive indicators will not fully influence the City's budgeting until after FY 2014. As such, this recommended budget reflects slow growth estimates that will enable us to maintain existing levels of service. However, even within this constrained financial environment, this budget provides for significant progress in areas of importance to sustaining and improving the quality of life in Concord.

Economic Strategy – this budget builds upon past successes and includes funding for new capital projects which are essential for maintaining the City's core assets, and encouraging economic development activities. Over the last fifteen years, the City has deployed new economic strategies that have transformed the relationship among government and the private and non-profit sector to attract investment and create jobs. These efforts will continue.

Innovation – the City's efforts to foster improvements to internal processes, while maintaining core services, have been instrumental in creating a more affordable, sustainable and prosperous community. An emphasis on public participation through innovative approaches, such as the creation of the Downtown Complete Streets Project Advisory Committee, has increased transparency and continues to alter the way the City makes decisions.

Solid Waste/Recycling – the City is currently seeking proposals for solid waste and recycling collection and disposal and will make a determination of whether to stay actively involved in the Concord Regional Solid Waste Resource Recovery Cooperative based on the proposals received. The City implemented single stream recycling beginning April 1, 2013, and will manage this change within the confines of the current solid waste collection contract. The significant reduction in solid waste volumes and the increased level of recycling that we have observed with the adoption of Pay-As-You-Throw will continue to serve us well. Continued fine tuning of this program is needed to achieve its long term objectives. A threat looming over the City is the Old Suncook Road Landfill site and the potential State-mandated closure costs which will have a significant impact on costs for this fund and the City. These costs are acknowledged in CIP #381 and may necessitate an increase in the General Fund Transfer.

Energy Cost – The City has entered into contracts for natural gas and electricity that will keep these budgeted costs somewhat level through 2014. However the costs of gasoline, diesel and No. 2 heating oil remain volatile. Internally, the City meets regularly to discuss and make decisions on the timing of when to buy into longer-term agreements.

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As a city, we have made tremendous progress to stabilize our finances, though we remain on tight margins. As a community, we want safe and secure neighborhoods, vibrant downtowns and businesses, well maintained infrastructure, quality parks and superior community services for all residents and visitors. This budget allows the City to continue to both provide and improve upon these ideals.

#### Thank you

I wish to recognize the folks that helped bring the many parts of this endeavor together into one document for the City Council and this great community. While all Department Heads and their immediate staff have provided creative leadership in shaping their budgets and various alternatives, I would like to provide my special thanks to Brian LeBrun, Carlos Baía, Bob McManus, Katie Graf, Matt Walsh, Sue Stevens and Gretchen Wood.

I recommend this budget to the City Council.