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CITY OF CONCORD

New Hampshire's Main Street™
Finance

REPORT TO MAYOR AND THE CITY COUNCIL

FROM: Brian LeBrun, Deputy City Manager-Finance
DATE: September 16, 2024
SUBJECT: Update to Fiscal Goals and Fund Balance Policy

Recommendation

As recommended by the Fiscal Policy Advisory Committee, accept this report updating the Fiscal Goals and Fund Balance Policy

Background

Periodically, the Fiscal Policy Advisory Committee reviews the City's Fiscal Goals and Fund Balance Policy. The Fund Balance Policy was last updated in November 2015 and the Fiscal Goals Policy was last updated in January 2019.

Discussion

At their regularly scheduled meeting on September 16, 2024, the Fiscal Policy Advisory Committee reviewed the City's Fund Balance Policy and Fiscal Goals, and recommend the changes as presented in the attached documents. A number of the changes are house-keeping items, while several are more substantive in nature.

A brief explanation of the substantive changes is as follows:

Fund Balance, Reserves and CIP Spending Policy (proposed)

IV. POLICY

A. Requirements

1. General Fund

a. Unassigned fund balance

Unassigned Fund Balance goal increase from 18.5% to 20.5%. As of the end of Fiscal Year 2023, the City's Unassigned Fund Balance was reported as 22.4%. This is a very strong fund balance and the rating agencies place a high level of importance on this metric. They will view this as a positive action by the City to increase its fund balance goal and will help with affirming the City's AA+ rating during bond sale reviews.

1. Special Revenue Funds

a. Operating fund reserves

Increase the Working Capital Reserves for the Golf, Arena, Parking, Airport and Solid Waste Funds from 10% of operating expenses, including debt service and capital expenditures, to 20%. With the business operations of these funds, it is prudent to maintain a strong working capital position to weather the diverse business conditions that may arise in any given year. A stronger working capital position will minimize the fund's need for increased assistance from the General Fund for operations. For FY25, the projected working capital in each fund is:

Golf	57.46%
Arena	18.97%
Parking	44.82%
Airport	53.18%
Solid Waste	49.42%

All funds except the Arena are projected to remain above the 20% level at the end of Fiscal Year 2025.

Concord City Council Fiscal Goals for Fiscal Year 2025 (proposed)

C. CAPITAL IMPROVEMENTS

Goal C2

General fund appropriations toward Capital Improvement Plan is increased from 3% to 5% and subdivided into two parts.

- a. By 2027 commit 3% of the tax rate to support the Annual Highway Improvement Program (CIP#78). This is currently 2% based on the program that was established several years ago. With the increasing cost of paving and the importance that the community places on road paving, increasing this support over time is prudent.
- b. Develop a plan to fund annual capital equipment purchased for vehicles and other similar items (not including fire apparatus in excess of \$500,000) from Capital Transfers by 2036, starting with \$100,000 in FY26 budget and

increasing each year there-after. Each year, the city bonds the majority of its capital equipment needs. Interest rates have increased so each year the city is paying principle and interest on these purchases. Developing a plan that will fund these purchases with ongoing cash from operations will save the interest expense to be used for other needs. This transition will take time and commitment to accomplish.

G. ENTERPRISE, SPECIAL REVENUE AND OTHER FUNDS MANAGMENT

Goal G7

For Water and Wastewater – increase fixed fee portion of utility charges to 30% by Fiscal Year 2028. Currently the fixed fee portion of Water is 19.5% and Wastewater is 19.1%. As water conservation continues to improve, ensuring adequate revenue stream to support operations is critical.

I. MUNICIPAL SERVICES EXPENDITURES AND REVENUES

Goal I4

This goal has been accomplished with the implementation of the street cutting fees system for utilities.

Goal I6

Reword goal to balance revenue generation with the community's need for municipal services. With the fee committee's work over the past few years to improve access to the City-Wide Community Center, parks and other facilities, the entrepreneurial approach is not always the goal of the City. The new wording provides more clarity on how fees are established.

Goal I9

Moves Goal G4 out of the Enterprise and Special Revenue Funds Management section and into the Municipal Services Expenditures and Revenues section.

The City's Fiscal Goals and Fund Balance will continue to periodically be reviewed by the Fiscal Policy Advisory Committee.