CITY OF CONCORD
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Finance

Brian G. LeBrun
Deputy City Manager
Finance

REPORT TO MAYOR AND THE CITY COUNCIL

FROM: Brian LeBrun, Deputy City Manager-Finance

DATE: October 1, 2025

SUBJECT: Fiscal Year 2026 Budget Revision due to Final MS-1 Real Growth

Recommendation

Approve the attached resolution, revising the Fiscal Year 2026 General Fund Operating Budget due to the Final MS-1 real growth being reduced from the estimated real growth in property assessments during the Fiscal Year 2026 budget adoption.

Background

Each year as part of the budget adoption process, administration estimates the amount of real growth that will occur in Concord as of April 1. This estimate is used to help offset the tax rate increase due to the new tax revenue. In the Fiscal Year 2026 proposed and adopted budgets, the estimated real growth used was $47 million.

Discussion

Each year the City files an MS-1 Summary Inventory of Valuation report with the New Hampshire Department of Revenue Administration. This is a required report and must be filed prior to the tax rate being set for the tax year in question. The Fiscal Year 2026 budget is based on the 2025 tax year. This report "provides for the certification of valuations, appropriations, estimated revenues and such other information as the Department of Revenue Administration may require upon reports prescribed for that purpose."

On the 2025 MS-1, line 21E Net Valuation Adjusted to Remove TIF Retained Value and Comm/Ind Construction is listed as $5,303,438,104. This amount is $4,500,533 higher than the 2024 valuation of $5,298,937,571. The final real growth amount of $4,500,533 is $42,499,467 less than the estimated amount at budget adoption of $47,000,000.

While the actual new real growth in the community was approximately $33,778,170, or about $13,000,000 less than the estimate, the main factors for the difference between the estimated real growth and the actual are:

$17,762,350 Loss in Assessed Value due to conversion from Taxable Property to Exempt Property driven largely by:

- 1 Granite Place purchased by State of NH ($10,958,400 in AV)
- 4 Bouton Street purchased by City ($3,252,500 in AV)
- 278 Pleasant Street, Riverbend Community Mental Health Inc. qualified for charitable exemption ($1,329,100 in AV)
- 3 N State Street, Next Step Living Inc. qualified for charitable exemption ($828,600 in AV)

$5,956,667 Loss in Assessed Value due to Low Income Housing Tax Credit program (LIHTC)

- 18 Langdon Avenue, 22 Langdon Avenue, 26 Langdon Avenue, 30 Langdon Avenue & 95 Village Street all applied for the State's Low-Income Housing Tax Credit program (LIHTC) (RSA 75:1-a). Property assessments under this program are set by an income valuation model created by the State. In this case the City lost $5.9M in assessed value in addition to the additional value that would have been realized in tax year 2025 due to the completion of new construction.

  If these properties remained fully taxable (did not apply for LIHTC program) significant value increases would have been added to the assessment of these individual properties.

The estimated tax rate calculation at budget adoption was $10.13 or a 29-cent increase from the 2024 tax rate of $9.84, or a 2.95% increase. If no adjustment is made, the tax rate increase due to the real growth change would result in a tax rate of approximately $10.21 or a 3.76% increase over the 2024 tax rate.

In order to maintain the 2.95% tax rate increase, as estimated at the June 5, 2025 City Council budget adoption, $406,500 will need to be reduced from the amount to raise in taxes. In order to achieve this revision, the following action is recommended and detailed in the attached resolution:

1. Reduce Overlay by $125,000 – the overlay account has a sufficient balance in the amount of $1,092,865.41 to manage current abatement requests of $460,321.88.
2. Increase the use of Fund Balance by $105,000 – the Fiscal Year 2025 unassigned fund balance is anticipated to be $15,856,059 or 20.7% of expenses. The final amount will be reported in the ACFR and Surplus report, expected by December 2025.
3. Adjust wage and benefit expenses by $176,500 – an extensive review of budgeted and current labor expenses identified net material savings. These were primarily benefit selections, staffing changes, and filled vacancies.

With approval of these actions, it will result in the same tax rate increase as estimated in the Fiscal Year 2026 budget adoption.

Note: Additionally, the tax rate is projected to increase based on the proposed City Council action to approve a $260,000 supplemental appropriation for additional funding needs as part of the ratification of the Fire Department's IAFF Collective Bargaining Agreement.