



Brian G. LeBrun
Deputy City Manager
Finance

CITY OF CONCORD

New Hampshire's Main Street™

Finance

REPORT TO CITY COUNCIL

FROM: Brian LeBrun, Deputy City Manager – Finance
DATE: December 21 2021
SUBJECT: Use of Surplus and Fiscal Year 2021 Financial Results

Recommendation

Accept this report and approve the attached resolutions as recommended by the Fiscal Policy Advisory Committee.

For Fiscal Year ending June 30, 2021, the City is reporting a preliminary General Fund surplus of \$1,067,700. Management plans to allocate \$2,800,400 at year-end to Assigned Fund Balance, including \$100,000 to be assigned for overlay for settlement of future abatements and \$820,400 for the amended FY 2022 budgetary Use of Fund Balance.

Management also recommends appropriating \$1,880,000 from the City's FY 2021 Assigned Fund Balance as a Transfer to Trust Fund Reserves, as detailed below, and appropriating \$130,000 to be transferred from Trust Fund Reserves for the purposes detailed below.

Background

In Fiscal Year ending June 30, 2021 fiscal results were positive and resulted in the surplus reported here. This is very good news considering the effects of the COVID-19 pandemic, and the use of \$1,500,000 from the City's Unassigned Fund Balance to balance the Fiscal Year 2021 General Fund Operating Budget. One significant item that contributed to the surplus is the year end property tax collection adjustment that is made as of August 31 each year, also known as the "60 day" rule adjustment. Most years this adjustment to property taxes is an increase or decrease to the Property Tax Revenue line of \$100,000 ±. For Fiscal Year 2021, this adjustment was an

increase to property tax revenue in the amount of \$1,476,900. This significant change is the result of higher property tax collection rates than past fiscal year due to earlier property liens. Many properties that were sold and had delinquent taxes paid which reduced outstanding taxes on August 31, 2021.

Discussion

General Fund

The FY 2021 General Fund actual revenues received exceeded the amended budget by \$642,400. The major variances (greater than \$30,000) to budget are:

<u>Department Revenue Excess/ (Shortage)</u>	<u>Amount</u>
• Finance	
○ Property Taxes	1,439,000
○ Fines and Penalties	167,500
○ Motor Vehicle Registrations	468,100
○ Investment Income	(79,900)
○ Sale of Assets	85,300
○ Other Revenue	75,200
• General Overhead	
○ Insurance Distributions and Credits	183,500
• Police	
○ Parking Penalties	(50,000)
○ Special Duty Services	(124,100)
○ Other Gov Agencies – State	90,700
• Fire	
○ Fire Prevention Permits	32,300
○ Other Gov Agencies – State	838,400
○ Other Gov Agencies – Local	84,900
• General Services	
○ Other Service Charges	34,100
• Community Development	
○ Construction Permits	107,700
○ Review Fees	101,700
• Parks & Recreation	
○ Camps	(30,300)
○ Program Fees	(82,600)
○ Rental Income	(64,400)
• Budgetary Use of Fund Balance	(2,501,700)
• All Other Revenues	<u>(133,000)</u>
 Total Revenue Excess/(Shortage)	 \$642,400

Additionally, the City received full reimbursements from the State of New Hampshire for Fire and Police Department efforts at the Steeplegate Mall vaccination site. This reimbursement is reflected in Other Gov Agencies State revenue above for both Fire and

Police. The corresponding expenses are reflected in the overspending of compensation (below). Benefits were not over expended due to attrition this past year.

Conversely, while some General Fund line item expenses exceeded the amended budget, overall, actual expenses were under budget by \$425,300. The variances are:

<u>Expenses Category Underspent (Overspent)</u>	<u>Amount</u>
Compensation	(\$441,400)
Benefits	187,800
Outside Services	396,800
Supplies	8,500
Utilities	4,600
Insurance	2,700
Capital Outlay	24,800
Debt Service	(24,900)
Miscellaneous	286,300
Transfer Out	<u>(19,900)</u>
Total Under/ (Over) Expended	\$425,300
	Total Surplus \$1,067,700

Resolutions

The basis for the attached resolution is to support needed initiatives that were either not funded in the FY 2022 operating budget, issues that arose after the FY 2022 budget was presented/adopted, or looking ahead to resolve future issues.

The items requested in the resolution(s) are:

Highway Reserve (Paving) Reserve	\$1,000,000
Equipment Reserve	530,000
Recreation Reserve	250,000
Economic Development	<u>100,000</u>
Subtotal	\$1,880,000
Allocation for Overlay (Abatements)	100,000
Allocation for FY 2022 Budgetary Use of Fund Balance	<u>820,400</u>
Total FY 2021 Assigned Fund Balance	\$2,800,400

Note:

The attached resolution also recommends a supplemental appropriation to support the following items:

- From Equipment Reserve \$120,000

- \$40,000 additional funding for the City Hall Door access project.
 - \$10,000 to support necessary replacement/purchase of furniture and equipment
 - \$42,000 for counter replacement in the Collections Office (in conjunction with the proposed FY23 Collections Office upgrade, need to purchase counters early and have on site due to supply and delivery issues)
 - \$7,000 for large format scanner in the Codes Office (PCR #27) (for scanning old plans into system)
 - \$9,000 Police Department Key Management System (PCR #75)
 - \$12,000 for scissor lift for Downtown Services team (PCR #60)
- *From Education Reserve \$10,000*
 - \$10,000 for education and training opportunities.

These items are proposed to be funded entirely from available reserve account funds.

Enterprise and Special Revenue Funds Results

In addition to the General Fund, the FY 2021 summary year-end performance by other major funds is:

<u>Fund</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Inspection	11,700	(26,200)	(37,900)
Parking	(102,000)	(346,300)	(244,300)
Airport	(86,200)	(59,800)	26,400
Golf	0	242,000	242,000
Arena	12,400	(125,500)	(137,900)
Solid Waste	(166,200)	287,700	453,900
Water	(424,600)	13,700	438,300
Wastewater	(411,300)	909,000	1,320,300

Note that there are variances in a number of the special revenue and enterprise funds for FY 2021. The explanation of variances is below:

1. Inspection Fund – \$37,900 worse than anticipated. Revenues did not fully cover inspection services expenses. A supplemental appropriation was approved by the City Council at their October City Council meeting.
2. Parking Fund – \$244,300 worse than anticipated. Metered Parking and Parking Penalties were significantly under budget due to pandemic and fewer customers paying for parking and less staff available to write tickets.
3. Airport Fund - \$26,400 better than anticipated. While revenues were mostly on target with expectations; outside services, supplies and transfers were less than budgeted.

4. Golf Fund – \$242,000 better than budget.

Revenues – All revenue lines except Seasonal Passes, Concession Sales, and Rental income exceeded budget. 55% of Seasonal Passes were deferred to FY 2022 to align revenue with member course usage. Overall revenues were ahead of budget by \$235,100.

Expenses – Compensation, Fringe Benefits, Outside Services and Supplies were all overspent. A supplemental appropriation was approved by City Council at their October meeting to align the budget with actual expenditures.

The net effect of revenues and expenses resulted in the fund finishing the year \$242,000 better than budgeted. (*note: this is after deferring Seasonal Passes revenue by \$140,800*). If the deferment had not taken place, the fund would have finished FY 2021 \$382,800 better than budgeted.

5. Arena Fund - \$137,900 worse than budgeted.

The Arena Fund was significantly impacted by closures during the pandemic and the Governor Sununu statewide suspension of arena operations during the height of the indoor ice season. The Arena worked to reduce expenses as much as possible during this time.

6. Solid Waste Fund - \$453,900 better than expected.

Solid Waste revenues were 2% or \$79,900 better than budget. Expenses were 8% or \$373,900 less than budget, mainly due to lower Outside Services expenses. The net result is the fund finished the year \$453,900 better than budget.

7. Water Fund - \$438,300 better than expected.

Overall revenues in the Water Fund were ahead of budget by 5% or \$291,700 due to increased water sales revenue. Expenses were 2% or \$146,600 less than budget mainly due to a gain on refunding of bonds. The net result is the fund finished the year \$438,300 better than budget.

8. Wastewater Fund - \$1,320,300 better than expected.

Overall revenues in the Wastewater Fund were significantly higher than expected, \$811,300 or 10% better than budget. This is due to higher Sewer Usage Charges \$390,300, higher Sewer Usage Charges – Towns \$152,700, additional Leachate Processing \$287,800 and increased Septage Processing \$156,300. Expenses were under budget by \$509,000 due to savings in compensation \$52,600, Retiree Health \$15,200, Repairs and Maintenance \$22,600, Professional Services \$199,400, Chemicals \$20,500, Electricity \$60,600 and Gain/Loss on Refunding \$131,300. The net result is the fund finished the year \$1,320,300 better than expected.

cc: City Manager
Assistant Finance Director