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CITY OF CONCORD

New Hampshire's Main Street™

Finance

REPORT TO CITY COUNCIL

FROM: Brian LeBrun, Deputy City Manager – Finance
DATE: December 10, 2020
SUBJECT: Use of Surplus and Fiscal Year 2020 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, 2020, the City is reporting a preliminary General Fund surplus of \$1,067,600. Management plans to allocate \$1,280,000 at year-end to Assigned Fund Balance, including \$300,000 to be assigned for overlay for settlement of future abatements.

Management also recommends appropriating \$980,000 from the City's FY 2020 Assigned Fund Balance as a Transfer to Trust Fund Reserves, as detailed below, and appropriating \$79,700 to be transferred from Trust Fund Reserves for the purposes detailed below.

Background

In Fiscal Year ending June 30, 2020 fiscal results were positive and resulted in the surplus reported here. This is very good news considering the effects of the COVID-19 pandemic, impact on the economy and changes to City operations.

Discussion

General Fund

The FY 2020 General Fund actual revenues received were short of the amended budget by \$234,100. The major variances (greater than \$20,000) to budget are:

<u>Department Revenue Excess/ (Shortage)</u>	<u>Amount</u>
City Manager – Transfer In-Trust/Capital Reserve	(30,000)
Assessing – Payment in Lieu of Tax	30,500
Finance – Fines and Penalties	93,700
Motor Vehicle Registrations	22,900
Investment Income	(87,000)
Sale of Assets	65,100
General Overhead – Retiree Health Insurance	(52,800)
Insurance Distributions & Credits	99,900
Police – Parking Penalties	(39,700)
Special Police Duty Services	47,900
Other Gov Agencies - State	248,800
School District Payments	(83,500)
Fire – Ambulance Charges	96,100
Other Gov Agencies – Federal	92,900
Other Gov Agencies – State	305,500
General Services – Other Service Charges	28,400
Other Gov Agencies - State	41,700
CD – Street Damage Fees	206,100
Review Fees	(22,500)
Transfer In – Trust	(26,600)
Parks & Recreation – Camps	(54,700)
Program Fees	(60,900)
Rental Income	(83,800)
Human Services – Other Gov Agencies State	27,400
Budgetary Use of Fund Balance	(1,128,300)
All other revenues	<u>28,800</u>
Total Revenue Excess/ (Shortage)	(\$234,100)

Additionally, the City enacted numerous measures to combat the issues brought about by the pandemic including, suspending the solid waste Pay-As-You-Throw program; additional personal protective equipment measures; increased sanitization of facilities; greeters for stricter facility access; the City applied for and received funding from a variety of sources, including:

- \$54,317.57 from the Federal Emergency Management Agency (FEMA);
- \$31,756.97 from the United States Department of Justice;
- \$60,364.12 from the United States Department of Health and Human Services;
- \$725,681.72 from the State of New Hampshire Governor’s Office for Emergency Relief and Recovery (GOFERR) including;
 - \$382,799.40 as part of the First Responder Stipend Program; and
 - \$36,281.77 from the State of New Hampshire as a reimbursement for employee emergency management services rendered.

Conversely, while some General Fund line item expenses exceeded the amended budget, overall, actual expenses were under budget by \$1,301,700. The variances are:

<u>Expenses Category Underspent (Overspent)</u>	<u>Amount</u>
Compensation	\$467,200
Benefits	404,800
Outside Services	313,300
Supplies	133,400
Utilities	12,000
Insurance	3,600
Capital Outlay	24,900
Debt Service	(35,500)
Miscellaneous	175,100
Transfer Out	<u>(197,100)</u>
Total Under/ (Over) Expended	\$1,301,700
Total Surplus	\$1,067,600

Resolutions

The basis for the attached resolution is to support needed initiatives that were either not funded in the FY 2021 operating budget, issues that arose after the FY 2021 budget was presented/adopted, or looking ahead to resolve future issues.

The items requested in the resolution(s) are:

Highway Reserve (Paving) Reserve	\$400,000
Equipment Reserve	300,000
Office Furniture and Equipment	30,000
Recreation Reserve	<u>250,000</u>
Subtotal	\$980,000
Allocation for Overlay	<u>300,000</u>
Total FY 2020 Assigned Fund Balance	\$1,280,000

Note: it is recommended to use \$49,700 from the Equipment Reserve account; (\$30,000) to support necessary replacement/purchase of furniture and equipment; (\$3,700) for IT camera maintenance agreement; (\$16,000) for Citizen Request Tracker software maintenance and \$30,000 from the Education Reserve account 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 2020 summary year-end performance by other major funds is:

<u>Fund</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Inspection	4,441	(5,023)	(9,464)
Parking	124,803	(58,323)	(183,126)
Airport	(82,387)	(32,959)	49,428
Golf	0	2,005	2,005
Arena	18,304	(39,758)	(58,062)
Solid Waste	(80,758)	173,729	254,487
Water	(55,845)	272,738	328,583
Wastewater	(889,119)	(365,225)	523,894

Note that there are variances in a number of the special revenue and enterprise funds for FY 2020. The explanation of variances is below:

1. Inspection Fund – \$9,500 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 – \$183,100 worse than anticipated. Metered Parking and Parking Penalties were significantly under budget due to pandemic and fewer customers paying for parking. Also, Real Estate taxes were higher than budget.
3. Airport Fund - \$49,400 better than anticipated. While revenues were on target with expectations; wages, benefits, building repairs and other expenses were less than budgeted.
4. Golf Fund – \$2,000 better than budget.

Revenues – Camps, Season Pass, Driving Range, Simulator and Concession Revenues were under budget due to the Pandemic, reduced membership fees and forgiveness of concessionaire rent that was due on June 1. Green Fees, Cart Rental, League and Tournament and Other Gov Agencies revenues were all ahead of budget through June 30. Overall revenues were short of budget by \$18,700.

Expenses – Wages and Benefits, Professional Development, Rent, Grounds and Horticultural, and Water/Wastewater were all underspent. Repairs and Maintenance, Department Supplies, Cost of Goods Sold, League and Tournament and Electricity were all over budget. Overall Expenses were underspent by \$20,700.

The net effect of revenues and expenses resulted in the fund finishing the year \$2,000 better than projected.

Note: The October City Council approved a supplemental request to transfer an additional \$9,500 from the General Fund to the Golf Fund to support operations. After final year-end adjustments were completed, including recognizing stimulus funds from GOFERR, this transfer is not needed and will not be processed.

5. Arena Fund - \$58,100 worse than budgeted.

Revenues – Pro Shop sales were better than budget. Concession and Rental Income was worse than budget due to the pandemic and not being able to host shows and events. Revenue from Use of Fund Balance is budgeted and not recorded as revenue which contributes to the overall results. Overall revenues were \$58,100 less than budgeted.

Expenses - Wages and Benefits, Repairs and Maintenance/Building Supplies and Electricity were all over budget due to additional staff time and materials needed to repair roof leaks, repair condenser shaft, repair restroom and shower room leaks. Electricity costs were in conjunction with the energy management system (EMS) and the repairs to the condenser shaft. Overall expenses were less than \$100 over budget.

The net effect of the revenues and expenses resulted in the fund finishing the year \$58,100 worse than budget. A supplemental appropriation was approved by the City council at their October meeting for the expense over expenditures. The Arena fund has sufficient working capital to absorb the Fiscal Year 2020 results.

6. Solid Waste Fund - \$254,500 better than expected.

Revenues – Revenues in this fund were short of budget mainly due to commercial sales. The Pay-As-You-Throw (PAYT) program was suspended for six weeks and the estimated lost revenues are \$195,000 due to the suspension. Additionally, at the beginning of the pandemic, the PAYT program realized an increase in bag purchases by customers stocking up. As a side note, the PAYT revenue at the beginning of FY21 is short of the same time period a year ago due to customers using the bags they stocked up on in early March. The solid waste fund also received GOFERR revenue to cover the cost of added services during the purple bag suspension due to additional municipal solid waste curbside pickup. Overall revenues are short of budget by \$106,200

Expenses – Expenses in this fund are short of budget by \$360,700 mainly due to Professional Services for commercial solid waste pickup, commensurate with the lower revenue than budget. This under expenditure in Professional Services includes the added costs for the increased effort of municipal solid waste curbside pickup during the suspension of the PAYT purple bag program, approximately \$102,200. Overall expenses in this fund were short of budget by \$360,700.

The net effect of the revenues and expenses resulted in the fund finishing the year \$254,500 better than budgeted.

7. Water Fund - \$328,600 better than expected. Overall revenues in this fund were ahead of budget by 1.8% or \$113,500 and expenses were short of budget by 3.4% or \$215,100.
8. Wastewater Fund - \$523,900 better than expected. Overall sales were short of budget by under budget for 1.1% or \$84,200 and expenses were short of budget by 6.9% or \$608,100. Expenses were Wages and Benefits, Repairs and Maintenance, Department Supplies, Chemicals, Electricity and Natural Gas.

cc: City Manager
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