

**FY 2018 FINANCE COMMITTEE BUDGET SCHEDULE
CITY COUNCIL CHAMBERS**

May 12	(Friday)		Budget Delivery to City Council
May 15	(Monday)	7:00 PM	City Manager's Fiscal Year 2018 Budget Presentation Schedule Transmittal Letter Budget Summaries Resolutions General Fund Revenue
May 17	(Wednesday)	7:00 PM	General Government (Administration) Public Safety Police Fire General Services Community Development Leisure Services Library Parks and Recreation Human Services
May 22	(Monday)	7:00 PM	Special Revenue Funds Project Inspection Parking Airport Conservation Property Enterprise Funds Golf Course Arena Solid Waste Water Wastewater
May 25	(Thursday)	6:30 PM	Non Public Session: Comp Adjustment Capital Improvement Program TIF Districts Capital
May 29	(Holiday)		
June 5	(Monday)	7:00 PM	Committee Work Session Public Hearings Public Hearing Action (Budget Adoption)

Please note: This schedule is subject to change.




CITY OF CONCORD

New Hampshire's Main Street™

DATE: May 12, 2017

TO: Honorable Mayor James Bouley and the Concord City Council

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

SUBJECT: Fiscal Year 2018 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, 2017 through June 30, 2018.

The City Council and City staff continue to implement a vision of Concord as a vibrant, inclusive, sustainable, and growing community. Our municipal finances continue to be strong and improve; we are seeing major new investments in downtown living and our diversified economy; we continue to dramatically improve our public infrastructure and public spaces; and we stay committed to protecting the most vulnerable.

The public spaces where we gather for recreation and to discuss important public issues define us as a community. Our recent era of parks renewal will continue in Fiscal Year 2018. We will soon open an important section of the Merrimack River Greenway Trail at Terrill Park, and our community will enjoy the spectacular new multi-use path along one of our most important underused assets, the Merrimack River. This summer, we will begin construction on the long awaited Multi-Generational Community Center on the Heights, open the new replacement outdoor swimming pool at Kimball Park, and undertake construction to replace the outdoor swimming pool at Keach Park and the tennis courts at Memorial Field.

In addition to parks, streets and sidewalks are also incredibly important places that host much of our public life. In the season ahead, we will make multi-million dollar investments in this core public infrastructure, including repaving nearly five miles of roads.

This budget provides funding for the City Council and the Planning Board to undertake work on a form-based code and to implement the community's vision in a way that the current ordinance could never achieve. Specifically, this new ordinance will enact common sense zoning requirements designed to ensure that new in-fill development within Downtown Concord, Penacook Village, and the Opportunity Corridor will be of a similar size and mass to existing development, as well as architecturally appropriate and complimentary to the historic development patterns of these neighborhoods. In short, rather than being focused on the regulation of specific land uses, the new ordinance is focused on the regulation of the individual size, scale, mass and appearance of new buildings to ensure they are appropriate for these neighborhoods. As a result, the new ordinance will help ensure that new development in these neighborhoods will be sustainable, livable, and beautiful; as well as reinforce and support the City's recent investments in the renovation of the streetscapes in Downtown Concord and Penacook Village.

The City continues to support the Housing First strategies, spearheaded by the Concord Coalition to End Homelessness, and supported by many partners that have helped serve the city's homeless population in recent years. Funding has been reserved for just this purpose and is available for use as the City Council deems appropriate.

In terms of public safety, the City's Police and Fire Departments have done innovative and impactful work on many fronts. Over the next year, the City must continue to make new investments in and update its public safety efforts, with a continued focus that addresses the opioid crisis. This budget provides for such work.

What the City has accomplished to date would not have been possible without a proactive focus on communications. The successful "Report a Concern" page on the City's website, the daily use of social media, workshops associated with major capital projects and street improvements, and the numerous speaking engagements undertaken by City staff, all point to a local government fully engaged with its community.

All of the great work included in this budget, and capital projects approved in past budgets, are reflected in the 3.4% tax rate increase. This increase is a direct result of downshifted retirement costs from the state, increases in compensation and benefit costs, increases in debt service costs, and an additional ½ % increase on the tax rate specifically for the neighborhood paving program. I will highlight these items in more detail in other areas of this letter.

The City Council and City Administration continue to take a strategic and long-term approach towards budgeting and projects which allow Concord to be very proactive in creating a sustainable economic climate. This proposed budget continues that approach by strengthening core services and investing in initiatives, namely public safety and economic development, which will improve the quality of life for our residents, businesses and visitors. The Fiscal Year 2018 budget builds on the City's strong fiscal management record, implements thoughtful reforms that achieve savings and modernize processes, and invests in targeted initiatives to achieve a thriving, healthy and innovative City.

Through long-term planning, conservative spending and sound investments, the City has made progress on many important fronts with accomplishments during Fiscal Year 2017, including:

- Multi Award-winning Downtown Complete Streets project;
- Sewall's Falls Bridge;
- Hired new Economic Development Director;
- Hired new City Planner;
- Hired new Human Services Director;
- Reorganized Fire Department;
- Developed a Parking Strategic Plan for City Council consideration;
- Continued the highly successful Problem Oriented Policing (POP) Unit to respond to neighborhood and downtown concerns;
- Selected a new Enterprise Resource Planning (ERP) software for FY 2018 implementation;
- Completed the Pleasant Street signalization at Concord Hospital;
- Implemented online portal for Planning Board agendas, similar to City Council;
- Refurbished Assessing office to be more customer friendly and accessible;
- Replaced Kimball Park pool;
- Replaced Engine 7 (to be delivered by July 31);

- Replaced roof on Manor Fire Station;
- Replaced Fire Department communications equipment (underway);
- Replaced Police Department communications equipment (in process and in conjunction with FY 2018 funding);
- Replaced aging City telephone system with VOIP system;
- Implemented the 2nd year of the Enhanced Neighborhood Street Paving Program; and
- Successfully implemented the first “Concord Civics Academy.”

Fiscal Year 2018 Budget

This proposed budget focuses on improving quality of life; achievable through economic development and the strengthening of citizen safety, and improved municipal services and infrastructure.

Citizen Safety – In order to truly have quality of life, residents must feel secure in their homes, safe in their neighborhoods, and able to explore their city without threat or intimidation. To help achieve this goal, the proposed budget accomplishes the following:

- Fully funds the Problem Oriented Policing (POP) Program;
- Increases resources for the Drug Enforcement Unit;
- Implements the second phase of the Police Department’s communications equipment replacement;
- Continues replacement of the City’s Opticom equipment;
- Provides for continued improvements at the police station;
- Replaces patrol rifles;
- Continues the replacement of police vehicles;
- Replaces the Police Department’s Taser inventory;
- Replaces Ambulance #4 and #5;
- Makes fire station improvements;
- Continues improvements to the Fire Department’s communications equipment;
- Replaces Fire Department hose and suppression equipment;
- Builds a new Fire Training Facility; and
- Replaces fire alarm infrastructure.

Municipal Infrastructure – With 27 parks, 7 pools, dozens of buildings, and over 200 miles of roads, maintenance of our City’s infrastructure is essential for the quality of life of all our residents. This budget responsibly accomplishes significant infrastructure improvements in the following areas:

Park Improvements:

- Monkey Around Playground at White Park;
- Seals cracks and resurfaces the tennis courts at Keach Park;
- Replants trees at Rollins Park;
- Replaces the pool at Keach Park;
- Reconstructs the tennis courts at Memorial Field;
- Provides for new equipment to maintain parks and cemeteries; and
- Adds porta potties at Terrill Park and Beaver Meadow Park.

Transportation Network Improvements:

- The investments included in the Fiscal Year 2018 Proposed Budget move toward an improved overall transportation network, while at the same time “taking care of basics,” including funding for repair and maintenance of the road system, and greater emphasis on the needs of individual neighborhoods. Projects and initiatives in this proposed budget include an increase to the Annual Neighborhood Paving Program through a ½% addition to the tax rate, bringing in the annual funding in the budget to a 1% increase on the total tax rate;
- Improvement of traffic signal operations at the North Main/Bouton St. and I-393 intersection;
- Replacement of the Hooksett Turnpike Bridge;
- Replacement of the Birchdale Road Bridge;
- Improvements to the I-393/Main Street drainage concerns; and
- Continuation of the Phased Rehabilitation of the Airport’s Taxiway A.

Water/Wastewater/Storm Water Improvements:

- Implementation of storm water drainage improvements to Manor Road, Sewalls Falls Road, Shawmut Street, South Main Street, and Commercial Street;
- Replacement of water mains;
- Improvements to the Water Treatment Plant;
- Continuation of the water meter replacement program;
- Water system pump station improvements;
- Hydrant and valve replacement program;
- Sewer main rehabilitation and construction;
- Pump Station improvements;
- Hall Street odor control; and
- Improvements to the Hall Street and Penacook Wastewater Treatment Plants.

Economic Development – To attract and retain a robust business climate, the City is committed to increased support for Economic Development opportunities. Tangible efforts in this budget include:

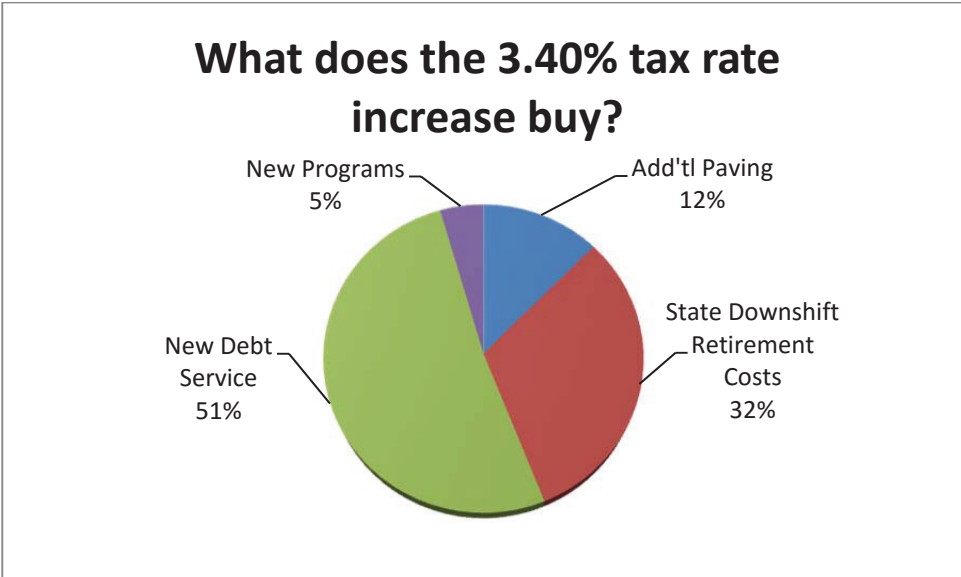
- Full year funding for Economic Development Director position;
- Funding for an economic development marketing/strategic plan and branding campaign; and
- Funding for the creation and implementation of a form-based code, phase 1 of 2.

Budget Details

This budget is presented with a 3.40% proposed tax rate increase. New budgetary items include:

- \$810,000 in additional debt service costs;
- \$481,500 for compensation adjustments;
- \$496,000 in State downshifting of retirement costs;
- \$403,300 for all other employee benefits;
- \$195,500 additional ½% for paving program;
- \$50,000 for economic development marketing and strategic planning;
- \$20,000 for replacement of Auditorium doors;
- \$10,000 for contracted pressure washing of Main Street;
- \$18,000 for Cemetery preservation team supplies;

- \$9,500 for Human Services software;
- \$6,800 to upgrade Network Engineer position to Assistant IT Director;
- \$6,000 to replace pool enclosure gates;
- \$5,000 for a trail intern;
- \$4,000 for Plausawa Hill Tower rental for Police Department;
- \$4,000 for Forestry consultant management and inspection;
- \$2,500 for Police Department Biohazard Cleaning;
- \$2,000 for Way-finding and trailhead signs;
- \$2,000 for Human Services language bank; and
- \$1,000 for Fire Department Emergency Operations Center equipment.



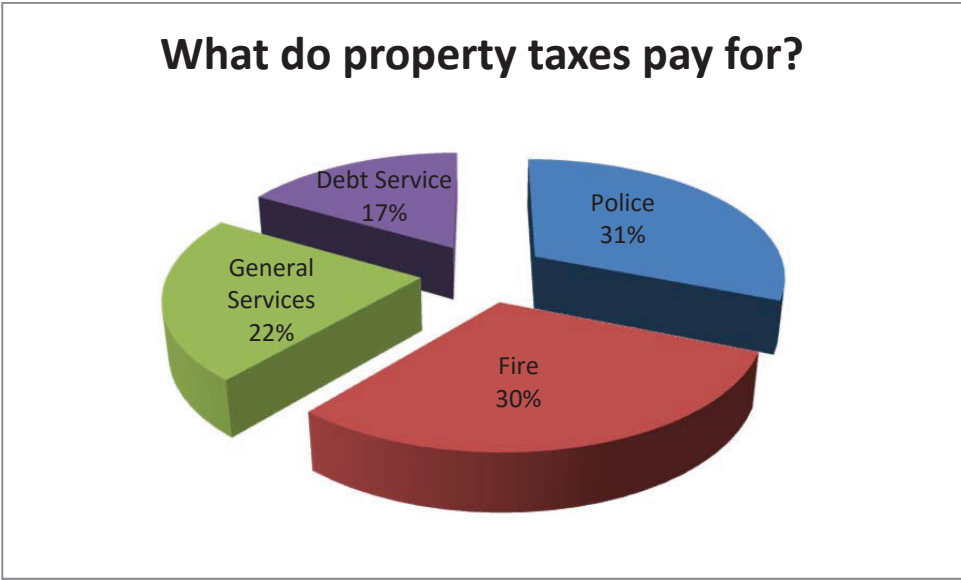
Understanding that capital projects are vitally important to the continued improvement of the City, there is a cost to all of these projects. As compared to Fiscal Year 2017 debt service, new debt service costs for Fiscal Year 2018 are \$810,000, increasing total debt service to \$6,206,740 or 10.04% of the general fund budget. This is slightly higher than the City’s Fiscal Goal E1, which limits the General Fund debt service expenditures to no more than 10% of total appropriations.

What does this debt service buy for the community? Some of the notable projects included in the Fiscal Year 2018 debt service costs are:

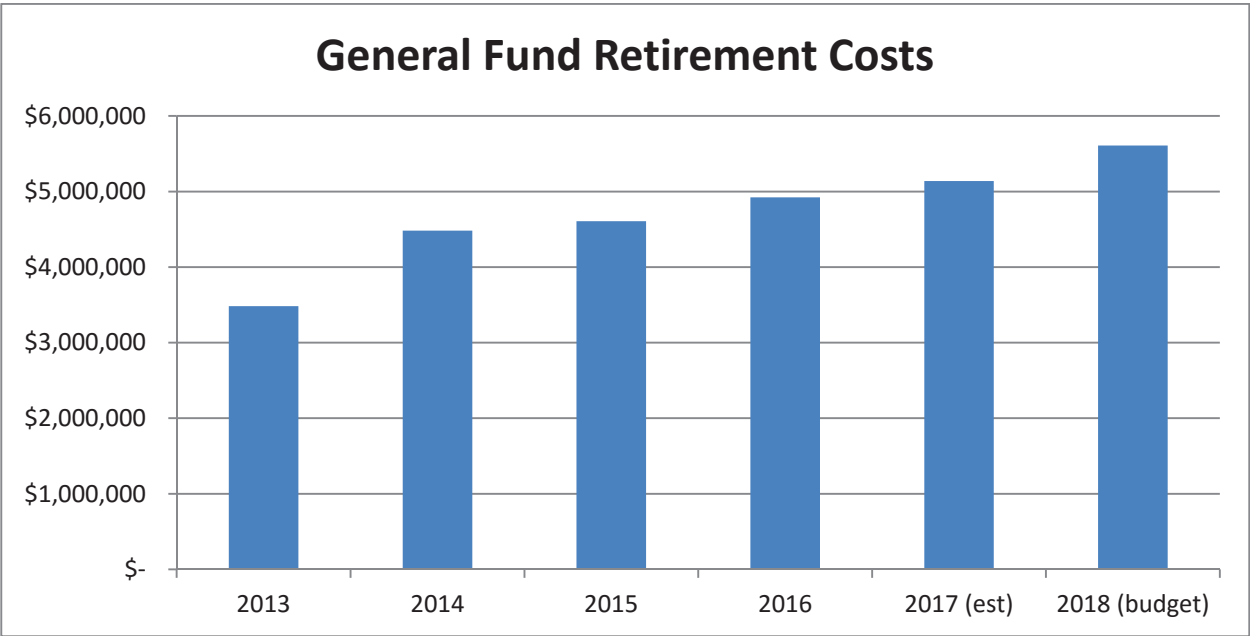
	2018 Debt Service Amount
Route 3 North Improvements	\$857,000
Main Street	\$128,000
Neighborhood Paving Bond	\$384,000
Fire Department Vehicle Replacements (last three years)	\$107,000
General Services Vehicle Replacements (last four years)	\$198,000
Sewalls Falls Bridge	\$112,000
Loudon Road	\$110,000

In addition to the Fiscal Year 2018 General Fund debt service increase, the City also has \$7.2 million in General Fund authorized bond appropriations that have not been issued yet. This includes \$6.4 million for the new community center and does not include the balance of the conservation bond approved in 2004 for property acquisition.

The total Fiscal Year 2018 General Fund Operating budget is \$61,809,837. The amount to raise in taxation, excluding overlay and veterans credits, is \$39,029,446. This amount essentially supports Police, Fire and General Services operations (less associated revenues), plus debt service, totaling \$37,338,934.

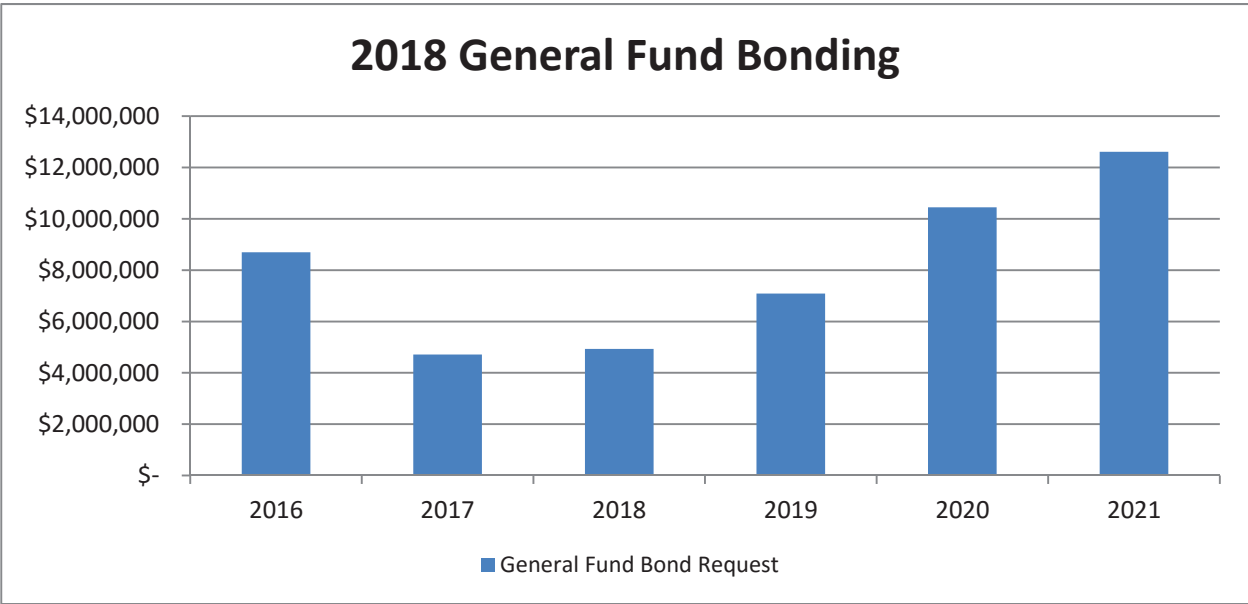


Due to State funding changes in the Retirement System, the City’s Retirement expense has grown considerably in the past few years and now consumes 9.1% of the overall General Fund budget and just over \$5.6 million for Fiscal Year 2018.



For Fiscal Year 2018, the General Fund CIP budget presents total bonding needs of \$4,930,000. This amount includes the following projects: Storm water drainage improvements, Second Phase of Police Department Communications Equipment Replacement, Opticom Equipment, Police Station Improvements, Replacement of Patrol Rifles, Continued Replacement of Police Vehicles, Taser Replacements, Fire Department Replacement of Ambulances 4 & 5, Fire Station Improvements, Next Phase of Fire Department Communications Equipment Replacement, Fire Department Hose and

Equipment Replacement, and New Fire Training Facility. The graph below illustrates bond projections from Fiscal Years 2016 through 2021.



The City of Concord has been successful in maintaining a stable budget while continuing to provide very high quality services. Considering the State’s finances, it is uncertain what the Legislature’s move will be to balance the State’s budget in the coming years and what costs may again be passed down to local municipalities.

Balanced Budget Financial Position and Improved Services

This is the ninth year in a row of proposing a balanced budget to the Concord City Council without using Unassigned Fund Balance. A truly balanced budget continues to improve the City’s overall fiscal health. The strongest indication is the 2016 Fiscal Year End Unassigned Fund Balance of \$10.7 million dollars, or 19.5% of operating expenditures, which is ahead of the City Council’s revised goal of 18.5%.

This budget maintains Concord’s ongoing commitment to maintaining and improving City services and programs. Addressed in this budget document are the priorities of the City Council: a balanced budget; community-wide economic development initiatives to expand tax base; increasing public awareness through branding, marketing and communications; public safety; continued support of the social services network; continued increased effort for the Neighborhood Street Improvement Program; and sustainability of municipal facilities and recreational assets. The Parking Fund implementation measures are not included in this budget and the City Council will need to address the impact of the parking changes separately. Council priorities also include the completion of the ongoing initiatives that the City has underway.

The City’s financial policies continue to pay dividends in the form of a very high credit rating. Standard and Poor’s affirmed the City’s AA+ rating in January 2017, citing “Very strong management conditions, very strong budget flexibility, and very strong liquidity.”

Concord remains in a better financial position than most other communities in New Hampshire, the State government, and the nation. However, significant challenges remain. These challenges include:

- Unfunded post-employment liabilities (OPEB);
- Benefit costs associated with an underfunded State retirement system;
- Ever increasing health insurance costs;
- Ongoing capital needs primarily in:
 - Public buildings and properties,
 - Neighborhood streets,
 - Water,
 - Wastewater, and
 - Storm water systems;
- Funding the new community center operations, as presented in the Program Change Requests (PCRs). The following amounts would support operations for a May 1, 2018 opening; neither of these amounts are included in this budget.
 - \$77,200 for Recreation
 - \$21,600 for Library

Changes in Employee Positions and Improved Operating Efficiency

The Fiscal Year 2018 budget recommends the following changes:

- \$6,847 to upgrade an existing Information Technology position to Assistant IT Director to provide better overall IT supervision, continuity of operations and transfer of knowledge of IT operations.
- \$4,115 to increase the Library Circulation Supervisor position from 37.5 hours to 40 hours. Due to the staggered hours of the staff, this will help with oversight efficiency and be more flexible with schedules and meeting times.
- \$0 for the Library to eliminate the Adult Services Manager position and create an Adult Services and Outreach Coordinator, eliminate the Technical Services Manager, and create the Assistant Library Director and Technical Services Manager Positions.
- \$0 for General Services to eliminate a Maintenance Technician position and create a Field Technician position, eliminate a Water Maintenance Supervisor and create a Water Treatment Operator position, and reduce the number of hours for a Part Time Custodian position.
- \$0 for Human Services to increase hours for the part time Administrative Specialist II position.
- \$9,500 to purchase new Human Services software to replace the 16 year old current software with an application that will be able to be regularly updated and the same software used in other municipalities.
- \$2,000 for a Human Services Language Bank to assist clients that have hearing impairments or are not able to speak English proficiently.
- \$20,000 for new Auditorium doors. The existing doors are at the end of their useful life, have been modified several times to meet fire codes, and are no longer weather tight. This improvement will provide a motorized door to assist patrons with mobility impairments.
- \$6,000 to replace enclosure gates at pools for safety related issues and to comply with the State certification requirement.
- \$10,000 to contract for hot water pressure washing of sidewalks in downtown.
- \$50,000 to develop an Economic Development Marketing/Strategic Plan. This is a critical element to the success of the City's investment in an Economic Development Director.

Fiscal Resources

Although fiscal resources continue to be scarce, some non-tax revenue sources are showing signs of improvement. Motor Vehicle Registrations improved for Fiscal Year 2017 and are anticipated to be even greater for Fiscal Year 2018. Ambulance service charges and Rooms and Meals revenue are both projected to be flat for Fiscal Year 2018.

There was one increase in the Federal Funds rate to date in Fiscal Year 2017, and the Federal Reserve Bank anticipates raising rates two more times in calendar year 2017. Even with these increases, the rates continue to be at historically low levels. Investment income is expected to increase to \$225,000 in Fiscal Year 2018, up from \$111,200 in Fiscal Year 2017. This higher amount is still considerably less than the \$1.5 million dollar range that this revenue item was in the early 2000's.

It is anticipated that long-term energy costs will continue to increase as the economy improves. The City anticipates continued increases in electricity rates in the long term; however, year over year costs are expected to decrease by 5%. Natural gas rates are contracted to decrease for Fiscal Year 2018, although overall natural gas costs will increase by approximately \$65,400 due to the conversion of the City Hall Complex away from steam. Steam costs will be reduced by \$195,300 with an overall net savings in utility costs of approximately \$164,000.

General Fund Highlights

Summary of Fiscal Year 2018 General Fund Budget Appropriations, Revenues and Tax Rate – Compared to the adopted Fiscal Year 2017 budget. For Fiscal Year 2018, General Fund gross appropriations increased by \$2,331,725 or 3.9% of spending.

General Fund Budget Comparison Summary FY2017 Adopted Budget to FY2018 Manager's Recommended Budget

Revenues				
Description	FY 2017	FY 2018	Difference	%
All Other Revenues	\$21,985,074	\$22,780,391	\$795,317	3.6%
Property Taxes	\$37,493,038	\$39,029,446	\$1,536,408	4.1%
Total Sources	\$59,478,112	\$61,809,837	\$2,331,725	3.9%

Appropriations				
Description	FY 2017	FY 2018	Difference	%
All Expenses	\$59,478,112	\$61,809,837	\$2,331,725	3.9%
Total Use of Funds	\$59,478,112	\$61,809,837	\$2,331,725	3.9%

This budget reflects a \$25 million real growth increase to the \$3.956 billion City tax base used in calculating property tax revenue. This increase is net of abatements and elderly/blind exemptions. Market value change is not included in the target tax rate calculation.

Use of General Fund Surplus

For the ninth year in a row, this budget does not include the use of any General Fund surplus to offset the tax rate.

State Funding Impacts

The ability to maintain a stable tax rate in the City is challenged regularly due to continued reduction in funds and the downshifting of obligations by the State of New Hampshire. Including the Fiscal Year 2018 budget, if State revenues to the City and New Hampshire State Retirement rates had remained stable since 2009, the City would have recognized an additional \$7.5 million in revenue and \$8.3 million less in retirement costs.

Tax Increment Finance (TIF) Districts

Currently, the City has three tax increment finance districts: the North End Opportunity Corridor TIF (NEOCTIF), the Sears Block TIF (SBTIF), and the Penacook Village TIF (PVTIF). Since 1998, the City has invested a combined \$25.2 million in infrastructure improvements in these three districts. This investment has yielded total new development valued at \$90.9 million. The NEOCTIF and SBTIF have exceeded expectations. While still in its infancy, the PVTIF, 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.

Continuing in Fiscal Year 2018, the SBTIF will support debt service payments and operating expenses for infrastructure improvement directly financed by the District, as well as provide financial contributions to the General Fund and Parking Fund for debt service reimbursements associated with the Capital Commons Redevelopment Project during 2005-2007. Specifically, the SBTIF will make a contribution for debt service of \$412,757 to the General Fund in Fiscal Year 2018. Of this total, \$229,412 will reimburse the General Fund for debt service payments incurred for the Capital Commons Project. These reimbursements will continue through Fiscal Year 2027. The remaining \$183,345 represents debt service payments associated with the \$2.5 million bond, which was issued to support the Complete Streets Project. In addition, the SBTIF will also contribute \$36,490 to the General Fund, which will support the Downtown Services Team Senior Maintenance Aide for maintenance of that portion of the Complete Streets Project within the SBTIF District. Lastly, \$20,635 will be contributed to the General Fund for the District's ongoing administrative support.

Relative to the Parking Fund, the SBTIF will transfer a total of \$205,130 in Fiscal Year 2018. Of this total, \$197,370 shall support debt payments to be incurred by the Parking Fund in Fiscal Year 2018 for the Capital Commons Parking Garage. These debt service contributions will continue through Fiscal Year 2027. The remaining \$7,760 to be transferred from the SBTIF to the Parking Fund represents financial support for snow removal at the New Hampshire Employment Security building parking lot.

Lastly, in accordance with standard practice implemented in Fiscal Year 2005, this budget includes the release of a significant portion of the captured tax revenues generated by new incremental development which has been constructed in the NEOCTIF District since it was enacted in 1997. Sixty-six percent (66%) of the total new incremental assessed value within the District, equating to \$951,475 of tax revenues associated with \$33,712,272 in captured assessed value, shall be released in Fiscal Year 2018.

Enterprise Funds

Parking Fund

The Parking Fund continues to struggle. While a transfer-in from the Sears Block Tax Increment Finance District of \$205,130 is budgeted in the Fiscal Year 2018 budget, the inclusion of necessary maintenance and debt service costs due to major capital improvements adds significant stress to this fund. This Parking Fund is on target to lose almost \$97,000 in Fiscal Year 2017, and \$183,000 is budgeted to be lost in Fiscal Year 2018. This loss for 2018 is before any adjustment to the fund based on the

recommendations of the Parking Committee from their April 27, 2017 meeting. Additionally, no accommodations have been made in the General Fund Fiscal Year 2018 budget for any of the proposed changes.

Golf Fund

The clubhouse debt is fully repaid in Fiscal Year 2017 so no additional funding is needed in Fiscal Year 2018. This fund anticipates a loss of \$1,700 for Fiscal Year 2017, due in part to the very hot, dry summer in 2016, which resulted in lower daily pass revenue and slower than expected driving range revenue. The golf simulator revenue is clearly a bright spot for the golf course for Fiscal Year 2017 with anticipated revenue of \$64,500, compared to \$29,600 the prior year, and slightly exceeding Fiscal Year 2017 expectations. The spring 2017 golf season is starting later than last year, opening on April 11, but has been very busy to start. Memberships also appear to be off to a strong start with several new members. We will have more updates as the remainder of the year progresses.

Wastewater and Water Funds

For Fiscal Year 2018, the contribution to the overhead in the General Fund decreased by \$12,800 for Water and increased by \$77,500 for Wastewater. Additionally, right-of-way maintenance contributions from the Water and Wastewater Funds remain at \$200,000 and \$120,000, respectively. Fiscal Year 2017 remained solid for both utility funds, and they anticipate to end the year with positive budget results and is better than anticipated.

There are no anticipated rate increases associated with this budget for either the Water or Wastewater funds. The City is currently conducting a rate study with Weston and Sampson engineers. This study is anticipated to be completed during the summer of 2017. Once completed, administration will develop a rate recommendation for City Council consideration. The driving factor in increasing rates is the need for necessary capital investments in the out years. Regular rate increases will be required in future years in order to maintain the solvency of these funds at or near the target working capital levels.

Solid Waste Fund

This is the eighth year of the Pay-As-You-Throw (PAYT) program. Although the new contract with Casella Resource Solutions for both collection and disposal of municipal solid waste and recycling will again increase expenses in Fiscal Year 2018, due to increases in the purple bag prices and containerized dumpster revenues, this fund is projected to remain solvent through 2023, compared to the 2017 pro forma that projected the fund to be in the negative starting in 2019. When the PAYT program was first instituted, the stated goal was to manage the program in such a way as to not require an increase in bag costs for a period of five years. This goal was achieved in Fiscal Year 2016 and extended by City Council action for one more year. The first bag price increase was only instituted for Fiscal Year 2017; a full six years into the program. The Fiscal Year 2018 budget projection includes the full realization of the PAYT price increases that were effective July 1, 2016. While Fiscal Year 2017 will have only partial recognition of the increased revenues for this increase, the full recognition of increased PAYT revenues will occur in Fiscal Year 2018, which shows that the bag price increase is working as planned. Again, with this increase, it is anticipated that the Solid Waste Fund will remain solvent through 2023. It will be important for the Solid Waste Advisory Committee to consider the PAYT bag pricing structure again starting in 2021.

Fiscal Year 2018 Budget Preparation

A presentation was made to the Fiscal Policy Advisory Committee (FPAC) in March 2017. FPAC again recommended that the City Manager bring a responsible budget to the City Council that is in keeping with the Council's priorities and goals and cognizant of the continued downshifting of costs from the State.

Below are the major changes that helped to balance the budget:

- \$470,000 Reduction of health insurance increase from 13.4% to 5.9%;
- \$400,000 Funding from Self Insurance Reserve;
- \$164,300 Savings in utility costs;
- \$114,000 Increase in Motor Vehicle registration revenue;
- \$113,800 Increase in Investment Income;
- \$93,800 Police Department reductions, including attrition;
- \$53,700 Human Services Special Programs reduction (due to decreased demand);
- \$49,300 General Services reductions, including attrition;
- \$19,900 Savings in vehicle fuel;
- \$19,800 Savings in transfer to Golf Fund, clubhouse debt service paid off in Fiscal Year 2017; and
- \$17,500 Reductions from all other departments.

Closing Notes on Fiscal Year 2017

Fiscal Year 2017 experienced significant storm related expenses with 34 weather related events that resulted in plowing, salting and sanding; of which 12 occurred on weekends or holidays. As of this writing, the General Services Snow and Ice Control budget is fully expended with an additional \$100,000 expected to be spent on salt to fill the sheds and be ready for the beginning of the Fiscal Year 2018 winter storm season. Other budgetary items that are putting pressure on the Fiscal Year 2017 budget are:

- \$42,000 additional costs for expert witnesses to settle abatement cases;
- \$35,000 additional steam costs to date with another bill to come;
- \$85,000 additional costs for sale of vacation day program to help offset benefit costs; and
- \$80,000 workers compensation premium holiday revenue that did not materialize.

Legal Department Update

The City's Legal Department has contributed enormous time and resources to the Northern Pass Project. Over the last several years, the Solicitor's Office has been increasing the amount of complex litigation matters that it handles. These cases are often time-consuming and require a significant amount of resources. These cases involve subjects such as commercial bankruptcies, redistricting, use of locally-maintained highways, employment disputes and tax abatements. Many of these cases have resulted in appeals to the New Hampshire Supreme Court. The Solicitor's Office is currently involved in the Northern Pass litigation as an intervenor before the Site Evaluation Committee. Due to the complexity of this case, as well as the potential impact it presents to the City of Concord, it has required a large amount of resources within the Legal Department.

Parks & Recreation Department Reorganization

A proposal for the next phase of the Parks and Recreation Department reorganization will realign our resources and allow for a more expansive vision. This proposal will be presented to the Recreation & Parks Advisory Committee and City Council in subsequent months.

With an eye toward a broader range of services, several changes will be recommended, which are cost effective, and will be equitable and parallel to other department structures. These changes are also designed to ensure improved customer service.

Other Budgetary Items

Citywide wage and benefit lines are trending towards under-expenditures for the fiscal year due to staff turnover; new employees hired at lower rates than departing employees; and benefit selections for new employees at single, two-person and opt out coverages vs. departing employees with two person and family coverages. Most other revenue and benefit lines are trending on par with budget. Based on all these factors, and generally conservative budget management, it is expected that at the close of the fiscal year, overall operational results will closely meet expectations.

Conclusion

The economy is improving in the country, state and in Concord. New construction and improved economic activities are beginning to take hold, and in Fiscal Year 2018 the City is estimating \$25 million in taxable real growth compared to \$14 million in Fiscal Year 2017. As such, this recommended budget reflects moderate growth estimates that will enable us to maintain existing levels of service. Within this constrained financial environment, this budget provides for significant progress in areas important in sustaining and improving the quality of life in Concord.

The City of Concord has established a history of achieving balanced budgets through an extremely difficult economic period. City management places a high priority on adhering to comprehensive financial policies and long-range planning strategies, as well as continuing to exercise strong fiscal discipline. These practices ensure the City's ability to preserve budgetary balance, maintain essential services and address future budget challenges.

The City Council's top priorities, including needed strategic investments, are reflected in this budget. The Fiscal Year 2018 budget is balanced in both the fiscal and policy sense, to ensure Concord's bright future.

Thank you

I wish to recognize the employees that helped bring the many parts of this endeavor together into one document for the City Council and this great community. All Department Heads and their immediate staff have provided creative leadership in shaping their budgets and various alternatives.

I recommend this budget to the City Council.