



CITY OF CONCORD

New Hampshire's Main Street™

City Manager's Office

Thomas J. Aspell, Jr.
City Manager

May 14, 2020

Honorable Mayor and City Council:

It is my privilege to submit the Fiscal Year 2021 budget for your consideration. At the time of this submittal, our City and the world are facing unprecedented uncertainty relative to the containment and prevention of COVID-19 which has taken a significant, albeit not yet completely understood, toll on the local, state, and national economies. Despite this challenge, the City of Concord has continued to provide essential services to our community such as public safety, building and trade inspections, water and waste water treatment, solid waste collection, and recycling.

The consensus among leading scientific and health policy experts is that COVID-19 will remain a threat until a broad-based vaccination program can be developed. The City's steps to date to contain the spread of this virus have included greater use of online/electronic media for payments, motor vehicle registrations, applications, and inspections as well as increased use of remote staffing and "virtual" meetings. Unfortunately, we have also had to temporarily close or curtail services such as the Library, in-person recreational programming including the golf course, occupied housing inspections, and the use of our community playgrounds. We have discovered that this new "reality", while not ideal, has allowed the City to maintain productivity in our core functions.

The Fiscal Year 2021 budget projects a return to a sense of normalcy (from the current state of emergency restrictions) with restored services across the board, although delivered in a potentially different format. It is critical to note, however, that this budget, perhaps more than any other I have submitted to City Council in my tenure, is subject to a fair amount of unknowns, particularly the knowledge of the true depth of losses in essential revenue streams such as property taxes, rooms and meals tax, motor vehicle registration, etc. I have tried to

temper this potential impact by taking a conservative approach, but that method is based on the information we have available today, which will change. The Finance Department and I will monitor the City's revenues and expenses very closely and will keep the Fiscal Policy Advisory Committee and City Council updated throughout the year.

Fiscal Year 2020 in Review

Thanks to the City Council's long-term fiscal planning and to proactive and responsive changes made in Fiscal Year 2020, Concord is in a position to weather the COVID-19 challenge better than most places. That said, we fully anticipate that Concord will not be spared the full impact of this phenomenon with projected increases in unemployment as well as anticipated reductions in key municipal revenues.

One of the successes of this last year that has helped position the City to be on sounder fiscal and operating footing in the long term was the negotiation of new collective bargaining agreements with 5 of the City's unions: CPSA, CPPA, AFSCME; UAW; and IAFF. These agreements addressed significant issues for the City. In the Police Department, we implemented a new wage scale to allow us to more directly compete with the larger departments in the state to address a chronic shortage of officers. All of the contracts also moved the City toward the use of a high deductible health insurance plan that will better safeguard the City from rising health care costs going forward.

The City of Concord has an audited, unassigned fund balance of 19.0% exceeding City Council's goal of 18.5%. We also hold a AA+ bond rating that places us among the most trusted institutions to manage the public's dollars. These sound fiscal practices have afforded us the ability to project ending Fiscal Year 2020 in a reasonable financial position while many other institutions and governments may be facing dire budgetary shortfalls. Of course, we have also made responsible financial adjustments to contain costs in light of the Governor's state of emergency. These measures have included eliminating all employee travel and training, implementing a targeted hiring freeze, and temporarily reducing staffing in areas where services no longer could be offered. It is my hope that we can re-establish these practices once we have a better understanding of the external fiscal influences on our organization.

Despite the impact of COVID-19 on the last three months of the fiscal year, Fiscal Year 2020 still had several highlights. Property values from new construction exceeded projections by \$15.1 million, the municipal tax rate was \$.03 less than expected when the budget was approved, and we doubled the amount of street paving dollars from Fiscal Year 2019. Perhaps the most important achievement in Fiscal Year 2020 was the manner in which our City employees built upon a culture of continuous improvement and cost management to keep our organization

working during these last few extremely challenging months. Much of our City operations have continued without a drop in productivity. I am very proud of our team.

Fiscal Year 2021

The Fiscal Year 2021 budget I present to you is a carefully considered response to the unprecedented global economic situation in which we find ourselves. This budget reflects the City Council's priorities, funds all services currently provided, and does so with a 0% tax rate increase. To accomplish this, this budget relies on the following:

- \$1.5 million in unassigned fund balance usage
- \$300,000 in managed attrition
- 67.4% reduction in program change requests compared to Fiscal Year 2020
- \$1.4 million reduction in the General Fund appropriation of the Capital Program

This marks the first time in 12 years that a “balanced” budget will not be achieved, as this proposal recommends using \$1.5 million in unassigned fund balance to help offset any tax rate increase. It is my sincere hope to work with City Council and the Fiscal Policy Advisory Committee to mitigate the use of fund balance in the future through targeted measures. However, it is imperative to recall that the unassigned fund balance is a product of the City's planned financial strength, and its use in an emergency such as the COVID-19 crisis is clearly justified. City Council is to be commended for having maintained this fund balance level; many other communities were not as forward looking and now may be contemplating overwhelming financial challenges.

As noted above, I am also proposing a more conservative approach to funding new operational and capital expenditures. The Fiscal Year 2021 budget includes 67.4% less in new operational expenses (program change requests) as compared to Fiscal Year 2020. General Fund proposed appropriations for the Capital Improvement Program are also reduced by \$1.4 million. This year I am proposing a smaller set of capital projects be appropriated with the budget and putting aside a number of other projects for City Council's consideration during the upcoming fiscal year once we have a clearer picture of impacted revenues.

In the Water fund, I am proposing a 0% rate increase. The Wastewater fund, however, has to make significant capital upgrades and operational changes due to new PFAS regulations to include the absorption of a \$770,000 expenditure for sludge disposal. These costs will require an 8.25% rate increase. No bag price increase is proposed in the Solid Waste Fund.

A sum of all funds in the Fiscal Year 2021 budget will show a \$2.7 million reduction compared to last year's adopted budget.

As we do every year, the Finance Department and I will be closely monitoring the City's budget throughout the coming months. This year, however, we will be increasingly attentive to the following revenue streams that are most likely to show fluctuations due to the COVID-19 economic repercussions:

- Property Tax Collections
- Rooms & Meals Tax
- Highway Block Grant Funds
- Motor Vehicle Registrations
- Investment Income
- Recreation revenues
- Ambulance charges
- Golf revenues

We will provide regular reports to the Fiscal Policy Advisory Committee on any changes to these sources as well as to other special revenue funds. We will have plans in place to address substantive deviations that could impact the Fiscal Year 2021 budget and will prepare recommendations to City Council for necessary mid-year adjustments.

Alignment with City Council Priorities and Goals

As mentioned earlier, this budget reflects the City Council's priorities and goals to the greatest degree possible. While I am not able to explicitly meet Goal #1 of a "balanced" budget, the recent advances made in our collective bargaining agreements will significantly help to contain health insurance costs; a critical element to this objective. The new wage scale in the CPPA agreement should greatly aid in recruitment, helping to meet Goal #3 relative to public safety work. The proposed Fiscal Year 2021 capital program, despite this year's more conservative approach, still seeks to enhance tax base and improve neighborhood streets (Goal #2 and On-going Initiative #2). In the area of sustainability (Goal #7), we continue to make significant inroads. Over the last fiscal year, the Council adopted a solar ordinance and funded the hiring of a sustainability fellow. In Fiscal Year 2021, we plan to install a solar array at the Wastewater Treatment Plant and expect to replace 2,090 of Concord's street lights with LED fixtures.

One item that City Council discussed at its priority-setting session in February, the creation of what I am calling a Project Coordinator position, was not possible. Prior to the effects of COVID-19, I was prepared to fund that new position in the budget. However, the current state of emergency and its still undefined impacts on the City's revenues did not leave me with a level of comfort sufficient to support including it at this time.

Budget Document Changes

Beginning with this FY 2021 Budget submittal, I am presenting you with a new “Budget in Brief” document. This document graphically illustrates, in an easy to read fashion, what historically would be presented in the text details of a lengthy transmittal letter. This Budget in Brief can function as a stand-alone document which you can share with your constituents and will be placed on the City’s website and social media channels as a quick reference to the City and its finances.

In conclusion, I’d like to sincerely thank and commend the Finance Department’s Office of Management and Budget, and all City departments for the effort undertaken to prepare what I am confident will be another award-winning budget document for City Council’s review.

Sincerely,
Thomas J. Aspell, Jr.

A handwritten signature in blue ink, reading "Thomas J. Aspell Jr.", written over a horizontal line.

City Manager