



TOWN COUNCIL – AGENDA REQUEST FORM

THIS FORM WILL BECOME PART OF THE BACKGROUND INFORMATION USED BY THE COUNCIL AND PUBLIC

Please submit Agenda Request Form, including back up information, 8 days prior to the requested meeting date. **Public Hearing requests must be submitted 20 days prior to requested meeting date to meet publication deadlines** (exceptions may be authorized by the Town Manager, Chairman/Vice Chair).

MEETING INFORMATION

Date Submitted: September 18, 2019
Submitted by: Finance Director Paul T. Micali
Department: Finance
Speakers: Paul T. Micali

Date of Meeting: September 26, 2019
Time Required: 15 minutes
Background Info. Supplied: Yes: No:

CATEGORY OF BUSINESS (PLEASE PLACE AN "X" IN THE APPROPRIATE BOX)

Appointment:	<input type="checkbox"/>	Recognition/Resignation/ Retirement:	<input type="checkbox"/>
Public Hearing:	<input type="checkbox"/>	Old Business:	<input type="checkbox"/>
New Business:	<input checked="" type="checkbox"/>	Consent Agenda:	<input type="checkbox"/>
Nonpublic:	<input type="checkbox"/>	Other:	<input type="checkbox"/>

TITLE OF ITEM

MS-434 Discussion

DESCRIPTION OF ITEM

The Town Council to be presented with the details of the MS-434 (Revised estimate of the 2019-2020 revenues)

REFERENCE (IF KNOWN)

RSA:	Warrant Article:	_____
Charter Article:	Town Meeting:	_____
Other:	N/A	

EQUIPMENT REQUIRED (PLEASE PLACE AN "X" IN THE APPROPRIATE BOX)

Projector:	<input type="checkbox"/>	Grant Requirements:	<input type="checkbox"/>
Easel:	<input type="checkbox"/>	Joint Meeting:	<input type="checkbox"/>
Special Seating:	<input type="checkbox"/>	Other:	<input type="checkbox"/>
Laptop:	<input type="checkbox"/>	None:	<input type="checkbox"/>

CONTACT INFORMATION

Name:	<u>Paul T. Micali</u>	Address	<u>8 Baboosic Lake Road</u>
Phone Number	<u>424-7075</u>	Email Address	<u>pmicali@merrimacknh.gov</u>

APPROVAL

Town Manager: Yes No: Chair/Vice Chair: Yes No:

Hold for Meeting Date: _____

Memo



TO: Town Council
ATTN: Town Manager Eileen Cabanel
FROM: Finance Director Paul T. Micali
DATE: September 19, 2019

RE: MS-434

As many of may recall that during the 2019-20 budget discussion we set aside \$666,588 from Fund Balance to be used to offset taxes. I will need the Town Council to confirm this amount at the meeting so I can file the MS-434 with Department of Revenue Administration (DRA) to begin the Tax Rate setting process. Below is some information as it relates to the Undesignated Fund Balance.

Finance is currently having the Town's June 30, 2019 fiscal year-end audit. During this review Finance has been able to determine the estimated year end Undesignated Fund balance. As of today Finance is projecting to increase the Undesignated Fund balance of approximately \$1.9 million. The chart below is a summary of Fund balance:

Undesignated Fund balance as of 6/30/18	7,563,356
Fund Balance increase due to excess revenue	1,114,600
Fund Balance increase due to unexpanded appropriations	<u>1,457,452</u>
Estimated Fund balance as of 6/30/19	10,135,408
Use to reduce taxes (19/20)	<u>(666,588)</u>
Projected Fund balance December 2019	9,468,820

Some uses for fund balance as mentioned in the attached Fund Balance Retention Policy.

Recommended Utilization from Fund Balance Retention:

Excess Balance (over prescribed level)

- i. Emergency appropriations
- ii. Capital Projects
- iii. Transfers to Capital Reserves
- iv. **Reduction of the tax rate for the ensuing year (only option available at this time in the fiscal year)**
- v. Any other nonrecurring appropriation as deemed appropriate by the Council

Items ii and iii require a separate warrant article on the upcoming Town Warrant in April. Item iv would require a vote of the Town Council to include on the MS-434 (attached) Revised Estimated Revenues.

Some suggestions for using the Fund Balance would be:

- * To help offset the bond for the Public Safety Complex (warrant article needed)
- * Paving additional Roads through the 2020-21 budget and offset utilizing Fund Balance
- * Reduction of taxes. Depending on the amount the council wants to give back I would suggest a phased in approach to stabilize the tax rate over several years. On the next page you will find a chart showing the effect on the tax rate in \$50,000 increments up to \$500,000. I would suggest using another \$300,000 to reduce taxes. The total Fund Balance used to reduce taxes would be \$966,588

Below you will find projected level of fund balance:

	15/16	16/17	17/18	18/19	19/20
Unreserved Fund Balance AS OF 6/30/XX	5,084,882	6,606,894	7,240,738	7,563,356	9,468,820
%	6.05%	7.50%	7.92%	8.07%	9.80%
4% fund balance over (under)					\$ 3,866,486 \$ 5,602,333
5% fund balance over (under)					\$ 4,833,108 \$ 4,635,712
6% fund balance over (under)					\$ 5,799,730 \$ 3,669,090
7% fund balance over (under)					\$ 6,766,351 \$ 2,702,468
8% fund balance over (under)					\$ 7,732,973 \$ 1,735,847

Return of Fund Balance effect on tax rate:

Fund balance used	Effect on Tax Rate
\$50,000	0.01
\$100,000	0.03
\$150,000	0.04
\$200,000	0.06
\$250,000	0.07
\$300,000	0.09
\$350,000	0.10
\$400,000	0.12
\$450,000	0.13
\$500,000	0.14

At this time I am projecting that the Municipal Tax Rate will be \$4.89 without the extra \$300,000 (see below). If the Town Council increases use of Fund Balance to reduce taxes to \$966,588 the tax rate would be \$4.80.

The chart below only takes into account what we know at this time to include revenue increases but I did not adjust for any additional fund balance.

	2019	
Appropriations	48,126,397	
Estimated revenues	(18,544,207)	
Bond Proceeds	(13,100,000)	
Tax overlay	375,000	
General Fund surplus:		
Property tax relief	(666,588)	
Veterans exemptions	711,000	
Property tax levy	16,901,602	
Valuation for state property tax rate	3,453,386.038	\$ 4.89

Over the past five years the Town has had many retirements. For that reason we have had a large amount of unspent appropriations most notably in Police, Fire and Public Works. We have seen significant unanticipated revenues in Motor vehicle permits and other non-tax revenues.

The combination of these two factors (unspent appropriations and unanticipated revenues) has led to a large increase in Unreserved Fund Balance over the five years. In order to bring the Unreserved Fund Balance down the Town council has:

1. Increased revenue Projections for the 2019/20 fiscal year
2. Used Unreserved Fund balance to reduce taxes
3. Used Unreserved fund balance to increase paving budget

In addition to Fund Balance Increase to help reduce the Municipal portion of the tax rate I have increased several revenue accounts to project where I believe they will be at year end. I have also included a marked up version of the MS434 for your review which takes into account these increase. The chart below is a summary of these increases:

Revenue Estimates	April ballot vote	Increase(decrease) 2019/20 Revenue	New Revenue Estimated amounts
Building Permits	150,000	25,000	175,000
Motor Vehicle Permits	5,200,000	225,000	5,425,000
Other Licenses		27,000	
Interest	500,000	275,000	775,000
Rooms & Meals	1,314,837	(6,726)	1,308,111
Highway Block Grant	590,197	16,856	607,053
Misc. Adjustment		(302)	
Ambulance	775,000	75,000	850,000
TOTAL		\$636,828	

Below is a chart depicting the Unreserved Fund Balance runoff:

Fiscal Year	2019/20	2020/21	2021/22	2022/23
Unreserved Fund balance	\$10,135,408	9,168,820	7,618,820	6,068,820
Reductions:				
Reduce taxes	300,000	300,000	300,000	300,000
Offset Capital Projects *	200,000	950,000	950,000	750,000
One Time Insurance Rebate	166,588			
Extra use of Unreserved Fund Balance	300,000	300,000	300,000	300,000
Total Reduction To Fund Unreserved Balance	966,588	1,550,000	1,550,000	1,350,000
Unreserved Fund Balance (Adjusted)	\$9,168,820	7,618,820	6,068,820	5,268,820
Percentage Of Unreserved Fund balance	9.49%	7.89%	6.28%	4.88%

* For instance additional paving , Public Safety Complex

Year End 6/30/2019 Review

Undesignated Fund balance as of 6/30/18					7,563,356
Use to reduce taxes (18/19)					
Use to reduce taxes (19/20)					(666,588)
Fund Balance increase due to Anticipated Revenue					1,114,600
Fund Balance increase due to Unexpended Appropriations					1,457,452
Est Increase to Undesignated Fund balance Pre Audit					1,905,464
Estimated Undesignated Fund balance as of 6/30/19					9,468,820
Tax commitments (19/20) estimated			96,662,160		
Percentage Undesignated Fund balance to tax commit			9.80%		

Unanticipated Revenue (actual 2018-19)

Building Permits	75,700				
Ambulance	124,000				
Interest	388,000				
Insurance Rebate	110,900				
Highway Block Grant	72,000				
Motor Vehicle Permits	280,000				
Tax Overlay	87,700				
Interest (taxes)	(60,700)				
Other	37,000				
TOTAL				1,114,600	

Unexpended Appropriations (actual 2018-19)

Salaries & Benefits

Fire Wages	228,000				
Police Wages	323,000				
DPW Wages	121,000				
Other Wages	167,000				
Workers Comp	57,000				
Dental Insurance	25,000				
Health Insurance	389,000				
Retirement	125,000				
Social Security & Medicare	17,000				
Compensated Absences	134,824				
Gasoline & Diesel	13,000				
Education	27,500				
Maintenance Equipment & Vehicles	(12,000)				
Elections	(12,000)				
Telephone	(11,000)				
Outside Services	(59,000)				
Solid Waste Disposal	(14,000)				
MYA	43,000				
Computer Services	(52,000)				
Maintenance Building/grounds	(53,000)				
Natural Gas	(18,000)				
Equipment & vehicles	(14,000)				
Other	32,128				
TOTAL				1,457,452	



Revised Estimated Revenues

Account	Source	Article	2019-20 Estimated Revenue	2018-19 Actual	Variance
Taxes					
3120	Land Use Change Tax - General Fund	03	\$75,000	\$70,410	\$4,590
3180	Resident Tax		\$0	\$0	\$0
3185	Yield Tax	03	\$5,000	\$3,578	\$1,422
3186	Payment in Lieu of Taxes	03	\$7,335	\$7,335	\$0
3187	Excavation Tax	03	\$1,500	\$400	\$1,100
3189	Other Taxes	03	\$400,000	\$389,683	\$10,317
3190	Interest and Penalties on Delinquent Taxes	03	\$220,786	\$168,369	\$52,417
9991	Inventory Penalties		\$0	\$0	\$0
Taxes Subtotal			\$709,621	\$639,775	\$69,846
Licenses, Permits, and Fees					
3210	Business Licenses and Permits		\$0	\$0	\$0
3220	Motor Vehicle Permit Fees	03	\$5,425,000	\$5,479,553	(\$54,553)
3230	Building Permits	03	\$175,000	\$210,708	(\$35,708)
3290	Other Licenses, Permits, and Fees	03	\$328,862	\$309,428	\$19,434
3311-3319	From Federal Government	03	\$28,400	\$123,142	(\$94,742)
Licenses, Permits, and Fees Subtotal			\$5,957,262	\$6,122,831	(\$165,569)
State Sources					
3351	Shared Revenues		\$0	\$0	\$0
3352	Meals and Rooms Tax Distribution	03	\$1,308,111	\$1,308,111	\$0
3353	Highway Block Grant	03	\$607,053	\$597,404	\$9,649
3354	Water Pollution Grant	03	\$78,536	\$79,711	(\$1,175)
3355	Housing and Community Development		\$0	\$0	\$0
3356	State and Federal Forest Land Reimbursement		\$0	\$0	\$0
3357	Flood Control Reimbursement		\$0	\$0	\$0
3359	Other (Including Railroad Tax)	03	\$1,947	\$1,947	\$0
3379	From Other Governments		\$0	\$0	\$0
State Sources Subtotal			\$1,995,647	\$1,987,173	\$8,474
Charges for Services					
3401-3406	Income from Departments	03,11,05,0	\$7,059,018	\$6,477,931	\$581,087
3409	Other Charges		\$0	\$0	\$0
Charges for Services Subtotal			\$7,059,018	\$6,477,931	\$581,087
Miscellaneous Revenues					
3501	Sale of Municipal Property	03	\$67,460	\$48,490	\$18,970
3502	Interest on Investments	03	\$819,500	\$866,381	(\$46,881)
3503-3509	Other	03	\$66,135	\$165,809	(\$99,674)
Miscellaneous Revenues Subtotal			\$953,095	\$1,080,680	(\$127,585)
Interfund Operating Transfers In					
3912	From Special Revenue Funds	03	\$125,000	\$127,604	(\$2,604)
3913	From Capital Projects Funds		\$0	\$0	\$0
3914A	From Enterprise Funds: Airport (Offset)		\$0	\$0	\$0
3914E	From Enterprise Funds: Electric (Offset)		\$0	\$0	\$0
3914O	From Enterprise Funds: Other (Offset)		\$0	\$0	\$0
3914S	From Enterprise Funds: Sewer (Offset)		\$0	\$0	\$0
3914W	From Enterprise Funds: Water (Offset)		\$0	\$0	\$0
3915	From Capital Reserve Funds	03,06	\$1,721,564	\$1,564,718	\$156,846
3916	From Trust and Fiduciary Funds	03	\$23,000	\$10,605	\$12,395
3917	From Conservation Funds		\$0	\$0	\$0
Interfund Operating Transfers In Subtotal			\$1,869,564	\$1,702,927	\$166,637
Other Financing Sources					
Total Revised Estimated Revenues and Credits			\$18,544,207	\$18,011,317	\$532,890
Ballot vote revenue			\$ 17,907,379		
			<u>\$ 636,828</u>		