



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 17, 2021
Submitted by: Finance Director Thomas Boland
Department: Finance
Speakers: Tom Boland

Date of Meeting: September 23, 2021
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 Update

DESCRIPTION OF ITEM

The Town Council to receive an update on the MS-434.

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:	Thomas Boland	Address:	8 Baboosic Lake Road
Phone Number:	424-7075	Email Address:	tboland@merrimacknh.gov

APPROVAL

Town Manager: Yes No: Chair/Vice Chair: Yes No:
Hold for Meeting Date: _____

Memo



TO: Town Council
ATTN: Town Manager – Paul Micali
FROM: Finance Director – Tom Boland
DATE: September 17, 2021

RE: MS-434

As you may recall, during the 2021-22 budget discussion we set aside \$1,650,000 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.

The audit of the Town's June 30, 2021 fiscal year-end financial statements is currently in process. During this review Finance has been able to determine the estimated year-end Undesignated Fund balance. As of today Finance is projecting a decrease in the Undesignated Fund balance of approximately \$486 K. The chart below is a summary of Fund balance:

Year End 6/30/2021 Review		
Undesignated Fund balance as of 6/30/20		9,443,525
Fund Balance increase due to excess revenues	476,664	
Fund Balance increase due to unexpended appropriations	587,678	
Use of Fund Balance	(1,550,000)	(485,658)
Estimated Fund balance as of 6/30/21		8,957,867
Use to reduce taxes (21/22)		(1,650,000)
Projected Fund balance June 30, 2022		7,307,867

Some uses for fund balance as mentioned in the 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 that have been discussed in the past would include:

- * To help offset the bond for the Public Safety Complex (warrant article needed)
- * Paving additional Roads through the 2022-23 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.

Below you will find the projected level of fund balance:

	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22 est.
Town	27,531,324	27,234,754	29,309,129	29,302,185	29,025,972	29,352,505	30,347,888	29,681,117
School	51,043,718	52,971,222	54,854,701	58,094,112	60,602,162	62,636,203	62,919,203	66,115,399
County	3,694,374	3,859,409	3,969,788	4,081,908	4,150,000	4,159,620	4,136,795	4,136,795
Total	82,169,416	84,065,385	88,133,618	91,478,205	93,778,134	96,148,328	97,403,886	99,933,311
Unreserved Fund Balance : AS OF 6/30/XX	3,258,678	5,084,882	6,606,894	7,240,738	10,135,337	9,443,525	8,957,867	7,307,867
%	3.97%	6.05%	7.50%	7.92%	10.81%	9.82%	9.20%	7.31%
4% fund balance over (under)								\$ 3,997,332
								\$ 3,310,535
6% fund balance over (under)								\$ 5,995,999
								\$ 1,311,868
8% fund balance over (under)								\$ 7,994,665
								\$ (686,798)

Return of Fund Balance effect on tax rate:

Fund balance used	Effect on Tax Rate
\$50,000	0.01
\$100,000	0.02
\$150,000	0.03
\$200,000	0.04
\$250,000	0.05
\$300,000	0.06
\$350,000	0.07
\$400,000	0.08
\$450,000	0.09
\$500,000	0.10

The chart on the next page only takes into account what we know at this time to include revenue decreases/increases but I did not adjust for any additional use of fund balance. As expected, the Town's property valuation increased significantly due to the Town-wide revaluation in 2021. The total valuation increased from approximately \$3.5 billion to \$4.8 billion, or approximately 35%. Given these revised valuation numbers, I am estimating the 2021 tax rate to be \$4.02 compared to the budget amount of \$5.38, which is a decrease of 25%. If we apply the updated valuation numbers to the prior year budget for comparison purposes the estimated tax rate increase from 2020 (\$3.72) compared to 2021 (\$4.02) is 30 cents. During our budget deliberations we were expecting an increase of 32 cents.

	2021
Appropriations	36,994,495
Estimated revenues	(17,055,447)
Bond Proceeds	(75,000)
Tax overlay	375,000
General Fund surplus:	
Property tax relief	(1,650,000)
Veterans exemptions	825,330
Property tax levy	19,414,378
Valuation for state property tax rate	4,832,280.263
Municipal property tax rate	\$ 4.02

Over the past five/ six 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 also seen significant unanticipated revenues in Motor Vehicle permits, Interest (prior to FY2020-21) and other non-tax revenues. However, fiscal year 2021-22 will be challenging for many reasons when it comes to revenues. While, so far, the State of New Hampshire has made efforts not to cut funding to cities and towns as a result of the ongoing COVID-19 pandemic, the Town could still see a reduction in some of the State of NH revenues such as rooms & meals and block grant, in addition to interest on deposits. The pace of vehicle registrations has slowed over the past two months as a result of the decrease in the inventory of new vehicles available for purchase, but we remain on target to hit our budgeted numbers for registration revenues at this point, and we're hopeful that these inventory issues will be resolved over the second half of the year.

The combination of these two factors (unspent appropriations and unanticipated revenues) had led to a large increase in Unreserved Fund Balance through FY2019-20. In past deliberations, the Town Council has indicated a desire to reduce these levels of Unreserved Fund Balance over a several year period. In addition to using Fund Balance to help reduce the Municipal portion of the tax rate I have decreased/increased several revenue accounts to project where I believe they will be at year end. We are still waiting on guidance from the Department of Revenue on the amount of Room & Meals tax that we are expected to receive in FY2021-22. The chart below is a summary of the other expected (decreases)/increases:

	Project Feb/March	Revised Est	Difference
Interest	383,000	233,000	(150,000)
Block Grant	580,815	591,603	10,788
Room & Meals -- TBD	1,327,663	1,327,663	(0)
Current Use	65,000	150,000	85,000
Building Permits	180,000	225,000	45,000
Totals	2,536,478	2,527,266	(9,212)

Below is a chart depicting the Unreserved Fund Balance runout which you saw during the budget process and has been updated for the estimated June 2021 estimated fund balance. As you can see, we are still on target with the Town Council's goal of reducing fund balance.

Fiscal Year	2020/21	2021/22	2022/23
Unreserved Fund balance	10,507,867	8,957,867	7,307,867
Reductions:			
Reduce taxes	300,000	942,800	300,000
Offset Capital Projects *	902,000	407,200	750,000
Extra use of Unreserved Fund Balance	348,000	300,000	300,000
Total Reduction To Fund Unreserved Balance	1,550,000	1,650,000	1,350,000
Unreserved Fund Balance (Adjusted)	8,957,867	7,307,867	5,957,867
Percentage Of Unreserved Fund balance	9.20%	7.31%	5.96%

* For instance additional paving , Public Safety Complex