



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 15, 2022
 Submitted by: Town Manager Paul T. Micali
 Department: General Government
 Speakers:

Date of Meeting: September 22, 2022
 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:	<u>Paul Micali</u>	Address:	<u>6 Baboosic Lake Road</u>
Phone Number:	<u>603-424-2331</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 – Paul Micali
 FROM: Finance Director – Tom Boland
 DATE: September 15, 2022

RE: MS-434

As you may recall, during the 2022-23 budget discussion we set aside \$1,350,000 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, 2022 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 an increase in the Undesignated Fund balance of approximately \$265 K. The chart below is a summary of Fund balance:

Year End 6/30/2022 Review		
Undesignated Fund balance as of 6/30/21		8,714,637
Fund Balance increase due to excess revenues	334,522	
Fund Balance increase due to unexpended appropriations	1,580,378	
Use of Fund Balance	(1,650,000)	264,900
Estimated Fund balance as of 6/30/22		8,979,537
Use to reduce taxes (22/23)		(1,350,000)
Projected Fund balance June 30, 2023		7,629,537

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 an approach that seeks 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
Town	27,531,324	27,234,754	29,309,129	29,302,185	29,025,972	29,352,505	29,847,888	31,921,879
School	51,043,718	52,971,222	54,854,701	58,094,112	60,602,162	62,952,155	62,919,203	60,834,154
County	3,594,374	3,859,409	3,969,788	4,081,908	4,150,000	4,357,500	4,136,795	4,429,647
Total	82,169,416	84,065,385	88,133,618	91,478,205	93,778,134	96,662,160	96,903,886	97,185,680
Unreserved Fund Balance AS OF 6/30/XX	3,258,678	5,084,882	6,606,894	7,240,738	7,563,356	9,443,525	8,714,637	8,979,537
%	3.97%	6.05%	7.50%	7.92%	8.07%	9.77%	8.99%	9.24%
4% fund balance over (under)	\$ 3,286,777 \$ (28,099)	\$ 3,362,615 \$ 1,722,267	\$ 3,525,345 \$ 3,081,549	\$ 3,659,128 \$ 3,581,610	\$ 3,751,125 \$ 3,812,231	\$ 3,866,486 \$ 5,577,039	\$ 3,876,155 \$ 4,838,482	\$ 3,887,427 \$ 5,092,110
6% fund balance over (under)	\$ 4,930,165 \$ (1,671,487)	\$ 5,043,923 \$ 40,959	\$ 5,288,017 \$ 1,318,877	\$ 5,488,692 \$ 1,752,046	\$ 5,626,688 \$ 1,936,668	\$ 5,799,730 \$ 3,643,795	\$ 5,814,233 \$ 2,900,404	\$ 5,831,141 \$ 3,148,396
8% fund balance over (under)	\$ 6,573,553 \$ (3,314,875)	\$ 6,725,231 \$ (1,640,349)	\$ 7,050,889 \$ (443,795)	\$ 7,318,256 \$ (77,518)	\$ 7,502,251 \$ 61,105	\$ 7,732,973 \$ 1,710,552	\$ 7,752,311 \$ 962,326	\$ 7,774,854 \$ 1,204,683

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. The Town's property valuation increased slightly in 2022 as a result of new construction being added to the tax base. The total valuation increased from approximately \$4.9 billion to \$5.0 billion, or approximately 2.8%. With these revised valuation numbers, I am estimating the 2022 tax rate to be \$3.93 compared to the budgeted amount of \$4.02, which is a decrease of 2.2%. If we compare the actual tax rate from 2021 (\$3.82) compared to the estimated rate for 2022 (\$3.93), it represents an increase of 11 cents. During our budget deliberations we were expecting an increase of 20 cents.

	<u>2022</u>
Appropriations	48,818,599
Estimated revenues (as revised)	(18,741,701)
Bond Proceeds	(10,102,750)
Tax overlay	375,000
General Fund surplus:	
Property tax relief	(1,350,000)
Veterans exemptions	<u>817,080</u>
Property tax levy	19,816,228
Valuation for state property tax rate	5,038,905.168
Municipal property tax rate	\$ 3.93

Over the past several years the Town has had many retirements and resignations. 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), State Aid, and other non-tax revenues. The decrease in the current estimated tax rate compared to the budgeted rate is the result of additional revenues to be received for the State Highway Block Grant, State Aid to be received in the form of a 7.5% contribution to offset the Town's NHRS contributions for Police Officers and Firefighters, and an increase in interest earnings on invested cash reserves as a result of the Federal Reserve's interest rate hikes that they initiated in March 2022 to offset the effects of inflation. The pace of vehicle registrations has slowed in recent months as a result of the ongoing shortages 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 ease 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 FY2022-23. The chart below is a summary of the other expected (decreases)/increases:

	Project Feb/March	Revised Est	Difference
Interest	149,250	450,000	300,750
Highway Block Grant	591,603	599,819	8,216
Room & Meals – TBD	1,997,671	1,997,671	(0)
Current Use Taxes	225,000	125,000	(100,000)
State Aid for Police and Fire NHRS contributions (7.5%)	0	198,000	198,000
Totals	2,963,524	3,370,490	406,966

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 2022 fund balance. As you can see, despite the unexpected increase in fund balance for the 2021-22 fiscal year, we remain on track with the Town Council’s goal of reducing fund balance.

Fiscal Year	2021/22 est	2021/22 actual	2022/23	2023/24 *
Unreserved Fund balance BOY	8,714,637	8,714,637	8,979,537	7,629,537
Revenue Surplus and Unexpended Appropriations		1,914,900		
Reductions:				
Reduce taxes	(942,800)	(942,800)	(984,500)	(350,000)
Offset Capital Projects **	(407,200)	(407,200)	(365,500)	(1,400,000)
Extra use of Unreserved Fund Balance	<u>(300,000)</u>	<u>(300,000)</u>	<u>(0)</u>	<u>(0)</u>
Total Reduction To Fund Unreserved Balance	(1,650,000)	(1,650,000)	(1,350,000)	(1,750,000)
Unreserved Fund Balance (Estimated) EOY	7,064,637	8,979,537	7,629,537	5,879,537
Percentage Of Unreserved Fund balance	7.29%	9.24%	7.85%	6.05%

* Estimated beginning fund balance

** For instance additional paving, Highway Garage gas pumps, Public Safety Complex

MS 434 / 2022 Tax rate discussion

Presented to the
Merrimack Town Council
September 22, 2022

FY 2022-23 Revenue Estimates

	Project Feb/March	Revised Est	Difference
Interest	149,250	450,000	300,750
Highway Block Grant	591,603	599,819	8,216
Room & Meals – TBD	1,997,671	1,997,671	(0)
Current Use Taxes	225,000	125,000	(100,000)
State Aid for Police and Fire	0	198,000	198,000
NHRS contributions (7.5%)			
Totals	2,963,524	3,370,490	406,966

* Still pending NHDRA input

Undesignated Fund Balance Estimates

Year End 6/30/2022 Review

Undesignated Fund balance as of 6/30/21		8,714,637
Fund Balance increase due to excess revenues	334,522	
Fund Balance increase due to unexpended appropriations	1,580,378	
Use of Fund Balance	<u>(1,650,000)</u>	<u>264,900</u>
Estimated Fund balance as of 6/30/22		8,979,537
Use to reduce taxes (22/23)		<u>(1,350,000)</u>
Projected Fund balance June 30, 2023		<u>7,629,537</u>

Level of Undesignated Fund Balance Estimates

Fiscal Year	2021/22 est	2021/22 actual	2022/23	2023/24 *
Unreserved Fund balance BOY	8,714,637	8,714,637	8,979,537	7,629,537
Revenue Surplus and Unexpended Appropriations		1,914,900		
Reductions:				
Reduce taxes	(942,800)	(942,800)	(984,500)	(350,000)
Offset Capital Projects **	(407,200)	(407,200)	(365,500)	(1,400,000)
Extra use of Unreserved Fund Balance	(300,000)	(300,000)	(0)	(0)
Total Reduction To Fund Unreserved Balance	(1,650,000)	(1,650,000)	(1,350,000)	(1,750,000)
Unreserved Fund Balance (Estimated) EOY	7,064,637	8,979,537	7,629,537	5,879,537
Percentage Of Unreserved Fund balance	7.29%	9.24%	7.85%	6.05%

* Estimated beginning fund balance

** For instance additional paving, Highway Garage fuel pumps, Public Safety Complex

2022 Municipal Tax Rate Estimate

	2022
Appropriations	48,818,599
Estimated revenues (as revised)	(18,741,701)
Bond Proceeds	(10,102,750)
Tax overlay	375,000
General Fund surplus:	-
Property tax relief	(1,350,000)
Veterans exemptions	817,080
Property tax levy	19,816,228
Valuation for state property tax rate	5,038,905.168
Municipal property tax rate	\$ 3.93

Questions/Comments

