



# 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 22, 2023  
Submitted by: Finance Director Adam Britten  
Department: Finance

Date of Meeting: September 28, 2023

Speakers:

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"/>
<b>Public Hearing:</b>	<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>Adam Britten</u>	Address	<u>8 Baboosic Lake Road</u>
Phone Number	<u>603-424-7075</u>	Email Address	<u>abritten@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 – Adam Britten  
DATE: September 21, 2023

RE: MS-434

As you will recall, during the 2023-24 budget discussion we set aside \$2,384,500 from Fund Balance to be used to offset taxes. The Town Council needs to confirm this amount at a regular public meeting so we 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, 2023 fiscal year-end financial statements is currently in process. During this review the Finance Department 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 \$1.6 M. The chart below is a summary of Fund balance:

Year End 6/30/2023 Review		
Undesignated Fund balance as of 6/30/22		8,979,537
Fund Balance increase due to excess revenues	1,173,075	
Fund Balance increase due to unexpended appropriations	1,783,846	
Use of Fund Balance	<u>(1,350,000)</u>	<u>1,606,921</u>
Estimated Fund balance as of 6/30/23		10,586,458
Use to reduce taxes (23/24)		<u>(2,384,500)</u>
Projected Fund balance June 30, 2024		8,201,958

## 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)
- \* Additions to reserves for potential tax abatement settlements
- \* Paving additional roads through the 2024-25 budget and offset utilizing Fund Balance
- \* Reduction of taxes. Depending on the amount the council wants to give back we have tried in the past to utilize 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:

	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Town	27,234,754	29,309,129	29,302,185	29,025,972	29,352,505	29,847,888	31,921,879	33,082,579
School	52,971,222	54,854,701	58,094,112	60,602,162	62,952,155	62,919,203	60,834,154	63,501,306
County	3,859,409	3,969,788	4,081,908	4,150,000	4,357,500	4,136,795	4,429,647	4,458,199
<b>Total</b>	<b>84,065,385</b>	<b>88,133,618</b>	<b>91,478,205</b>	<b>93,778,134</b>	<b>96,662,160</b>	<b>96,903,886</b>	<b>97,185,680</b>	<b>101,042,084</b>
Unreserved Fund Balance AS OF 6/30/XX	6,606,894	7,240,738	8,013,356	10,135,337	9,443,525	8,714,637	8,979,537	10,586,458
%	7.86%	8.22%	8.76%	10.81%	9.77%	8.99%	9.24%	10.48%
4% fund balance over (under)	\$ 3,362,615	\$ 3,525,345	\$ 3,659,128	\$ 3,751,125	\$ 3,866,486	\$ 3,876,155	\$ 3,887,427	\$ 4,041,683
	\$ <b>3,244,279</b>	\$ <b>3,715,393</b>	\$ <b>4,354,228</b>	\$ <b>6,384,212</b>	\$ <b>5,577,039</b>	\$ <b>4,838,482</b>	\$ <b>5,092,110</b>	\$ <b>6,544,775</b>
6% fund balance over (under)	\$ 5,043,923	\$ 5,288,017	\$ 5,488,692	\$ 5,626,688	\$ 5,799,730	\$ 5,814,233	\$ 5,831,141	\$ 6,062,525
	\$ <b>1,562,971</b>	\$ <b>1,952,721</b>	\$ <b>2,524,664</b>	\$ <b>4,508,649</b>	\$ <b>3,643,795</b>	\$ <b>2,900,404</b>	\$ <b>3,148,396</b>	\$ <b>4,523,933</b>
8% fund balance over (under)	\$ 6,725,231	\$ 7,050,689	\$ 7,318,256	\$ 7,502,251	\$ 7,732,973	\$ 7,752,311	\$ 7,774,854	\$ 8,083,367
	\$ <b>(118,337)</b>	\$ <b>190,049</b>	\$ <b>695,100</b>	\$ <b>2,633,086</b>	\$ <b>1,710,552</b>	\$ <b>962,326</b>	\$ <b>1,204,683</b>	\$ <b>2,503,091</b>

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 is not adjusted for any additional use of fund balance.** The Town's estimated property valuation decreased in 2023 as a result of Commercial/Industrial devaluation to the tax base. The estimated total valuation decreased from approximately \$5.04 billion to \$4.97 billion, or approximately 1.43%. With these revised estimated valuation numbers, the 2023 tax rate is estimated to be \$4.16 compared to the budgeted amount of \$4.11, which is an increase of 1.2%. If we compare the actual tax rate from 2022 (\$3.86) compared to the estimated rate for 2023 (\$4.16), it represents an increase of 30 cents. During our budget deliberations we were expecting an increase of 25 cents.

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. Some of these positions have gone unfilled for significant periods of time due to the tight labor market conditions. We have also seen significant unanticipated revenues in Motor Vehicle registrations, Interest income, State and Federal 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, an increase in interest earnings on invested cash reserves as a result of the Federal Reserve’s continued interest rate hikes, higher revenues at the Solid Waste department as a result of an increase in trash volumes from commercial users, an increase in other revenues due to cash back income from the Town’s new credit card purchasing program and certain energy initiatives, and an increase in billboard rental income. These favorable changes in revenues were partially offset by anticipated declines in auto registrations, current use taxes, and building permits. The pace of vehicle registrations has slowed in recent weeks and is expected to decline further in future months as a result of the increase in interest rates, which has impacted the affordability of both new and used vehicles. Current Use taxes and building permit revenue continue to slow also as a result of higher interest rates, which has made the financial viability of new development projects much more challenging.

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 we have revised several revenue accounts to project where we 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 FY2023-24. The chart below is a summary of the other expected increases and (decreases):

	Project Feb/March	Revised Est	Increase (Decrease)
Interest	700,000	1,000,000	300,000
Auto Registrations	5,625,000	5,425,000	(200,000)
Solid Waste – Dump Fees	320,000	400,000	80,000
Current Use Taxes	125,000	50,000	(75,000)
Other Income	5,000	45,000	40,000
Building Permits	200,000	175,000	(25,000)
Highway Block Grant	592,000	601,988	9,988
Rental Income	7,500	10,500	3,000
Room & Meals – TBD *	2,370,000	2,370,000	(0)
Railroad Tax	2,200	1,805	(395)
<b>Totals</b>	<b>9,946,700</b>	<b>10,079,293</b>	<b>132,593</b>

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 2023 fund balance. As you can see, despite the unexpected increase in fund balance for the past two fiscal years, we remain on track with the Town Council’s goal of reducing the overall level of unreserved fund balance.

<b>Fiscal Year</b>	<b>2022/23 est</b>	<b>2022/23 actual</b>	<b>2023/24</b>	<b>2024/25 *</b>
Unreserved Fund balance BOY	8,979,537	8,979,537	10,586,458	8,201,958
Revenue Surplus and Unexpended Appropriations		2,956,921		
Reductions:				
Reduce taxes	(984,500)	(984,500)	(984,500)	(984,500)
Offset Capital Projects **	(365,500)	(365,500)	(1,400,000)	(2,140,000)
<b>Total Reduction To Fund Unreserved Balance</b>	<b>(1,350,000)</b>	<b>(1,350,000)</b>	<b>(2,384,500)</b>	<b>(3,124,500)</b>
Unreserved Fund Balance (Estimated) EOY	7,629,537	10,586,458	8,201,958	5,077,458
Percentage Of Unreserved Fund balance	7.55%	10.48%	8.12%	5.03%

\* Estimated beginning fund balance

\*\* For instance additional paving, Town Gas Pumps, Public Safety Complex

# MS 434 / 2023 Tax rate discussion

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Presented to the  
Merrimack Town Council  
September 28, 2023

# FY 2023-24 Revenue Estimates

	Project Feb/ March	Revised Est	Increase (Decrease)
Interest	700,000	1,000,000	300,000
Auto Registrations	5,625,000	5,425,000	(200,000)
Solid Waste – Dump Fees	320,000	400,000	80,000
Current Use Taxes	125,000	50,000	(75,000)
Other Income	5,000	45,000	40,000
Building Permits	200,000	175,000	(25,000)
Highway Block Grant	592,000	601,988	9,988
Rental Income	7,500	10,500	3,000
Room & Meals – TBD *	2,370,000	2,370,000	(0)
Railroad Tax	2,200	1,805	(395)
Totals	9,946,700	10,079,293	132,593

\* Still pending NHDRA input

# Undesignated Fund Balance Estimates

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## Year End 6/30/2023 Review

Undesignated Fund balance as of 6/30/22	8,979,537
Fund Balance increase due to excess revenues	1,173,075
Fund Balance increase due to unexpended appropriations	1,783,846
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Fund balance as of 6/30/23	10,586,458
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Projected Fund balance June 30, 2024	8,201,958

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# Level of Undesignated Fund Balance Estimates

Fiscal Year	2022/23 est	2022/23 actual	2023/24	2024/25 *
Unreserved Fund balance BOY	8,979,537	8,979,537	10,586,458	8,201,958
Revenue Surplus and Unexpended Appropriations	2,956,921			
Reductions:				
Reduce taxes	(984,500)	(984,500)	(984,500)	(984,500)
Offset Capital Projects **	(365,500)	(365,500)	(1,400,000)	(2,140,000)
Total Reduction To Fund Unreserved Balance	(1,350,000)	(1,350,000)	(2,384,500)	(3,124,500)
Unreserved Fund Balance (Estimated) EOY	7,629,537	10,586,458	8,201,958	5,077,458
Percentage Of Unreserved Fund balance	7.55%	10.48%	8.12%	5.03%

\* Estimated beginning fund balance  
 \*\* For instance additional paving, Highway Garage fuel pumps, Public Safety Complex

# 2023 Municipal Tax Rate Estimate

	<u>2023</u>
Appropriations	41,770,184
Estimated revenues (as revised)	(19,892,787)
Bond Proceeds	-
Tax overlay	350,000
General Fund surplus:	
Property tax relief	(2,384,500)
Veterans exemptions	837,080
Property tax levy	20,679,977
Valuation for state property tax rate	4,966,661.459
Municipal property tax rate	\$ 4.16

# Questions/Comments

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