



CITY OF CONCORD

New Hampshire's Main Street™

DATE: May 11, 2018
TO: Honorable Mayor James Bouley and the Concord City Council
FROM: Thomas J. Aspell, Jr., City Manager *TJA*
SUBJECT: Fiscal Year 2019 Budget Transmittal Letter

Herewith, I respectfully submit to you the City of Concord Operating Budget and Capital Improvement Program for the fiscal year July 1, 2018 through June 30, 2019.

While Concord has always been a vibrant City, each year new initiatives continue the momentum to achieve even better results. The City remains in a strong financial position with new major investments. Downtown living areas are being developed and executed; the economy continues to diversify; public infrastructure is continuously improving; public spaces are receiving major building and enhancements; and the City remains committed to protecting those citizens that are the most vulnerable.

This budget continues to support and execute the City Council's main priorities of:

- Balanced Budget Issues
- Community-wide Economic Development Initiatives to Expand Tax Base
- Public Safety Work and Continued Support of Social Safety Network
- Public Information, Marketing & Communications
- Parking Master Plan/Implementation Measures
- Foster/Enhance Dialogue with Legislative Delegation
- Enhance Community Event Opportunities
- Sustainability Initiatives

FY 2018 Highlights

Through long-term planning, conservative spending and sound investments, the City has made progress on many important fronts with accomplishments during Fiscal Year 2018, including:

- Continued regional and national recognition of the Downtown Complete Streets Project from: American City & County Magazine, American Public Works Association, Institute of Traffic Engineers, New Hampshire Preservation Alliance, American Planning Association – Northern New England Chapter, New Hampshire Magazine Best of NH, New Hampshire Planners Association, American Council of Engineering Companies of New Hampshire and Able NH.
- Completion of the Loudon Road Project;
- Hired new Public Information Officer;

- Hired new City Engineer;
- Reorganized General Services;
- New General Services Deputy Director;
- New General Services Administrative Division Manager;
- New Finance Purchasing Manager;
- Parking Strategic Plan Rate Structure Adoption;
- Started Renovation of School Street Parking Garage;
- Built new Community Center to be online by June 2018;
- Implemented I-legislate agenda software for Fiscal Policy Advisory Committee;
- Installed new boiler system in City Hall campus to replace steam heat;
- Replaced Keach Park pool;
- Replaced Ambulances 4 and 5;
- Rollins Park rehab of trees, wall, facilities, pathways and playground areas;
- Replaced roof at Hall Street Wastewater Facility and recoated COMF roof;
- Started first phase of Beaver Meadow Golf Course irrigation system improvement and bunker improvements;
- Completed Police Department communications equipment replacement;
- Reconstructed tennis courts at Memorial Field;
- Implemented the third year of the Enhanced Neighborhood Street Paving Program;
- Allocated additional funding from Highway Block Grant and Street Excavation Cut Fees for additional highway improvement funds;
- Started infrastructure work around Concord High School and adjacent streets;
- Held second year of “Concord Civics Academy.”
- Initiated design work on Hooksett Turnpike and Birchdale Road Bridge replacements;
- Replaced Point of Sale software at Beaver Meadow Golf Course;
- Hired consultant for Form Based Code initiative;
- Improving terminal lobby at Concord Municipal Airport;
- City partnership with State on Governor’s Conference on Tourism;
- Invested in a business incubator feasibility study; and
- Eliminated the assessment of non-residential impact fees.

Vision for FY 2019

The City Council and City Administration continue to strategically pursue a long-term approach towards budgeting, capital and other operational projects that allow Concord to be very proactive in creating a sustainable economic climate. The Fiscal Year 2019 budget builds on the City’s strong fiscal management record, implements thoughtful programs, modernizes processes, and invests in specific initiatives to achieve a thriving, healthy and innovative City.

Fiscal Year 2019 Budget Highlights

The proposals presented in this budget continue to focus on citizen safety, economic development, improved quality of life and enhanced municipal services and infrastructure.

Public Safety

Concord remains one of the safest cities in America; however, like communities across the country, we are facing major law enforcement and public health challenges with the continuing opioid crisis and an ongoing increase in the number of requests for services related to mental health issues. Our public safety departments have performed bravely and compassionately. They have effectively built the public's trust amidst these nationally rising challenges utilizing innovative strategies, data, transparency and unwavering commitment.

The City's Police and Fire Departments continue to engage the community in many different ways. In Fiscal Year 2019 the City plans to make additional investments in public safety, including efforts to address substance abuse issues, community policing and homelessness. The Fiscal Year 2019 budget would include:

- Funds for additional training for Fire dispatch operations;
- Provides for additional paramedic refresher training;
- Increases Police dispatchers from grade 12 to 13;
- Additional Police radio tower space, rental increase;
- Fully funds the Problem Oriented Policing (POP) Program;
- Police station improvements: Renovated bathrooms, flooring and stairwells;
- Improves Police records management system to all digital, first of three phases;
- Police firearms range improvement;
- Replaces patrol rifles, phase 2 of 2;
- Continues the replacement of police vehicles;
- Replaces the Police Department's Taser inventory;
- Replaces Ambulance #7;
- Replaces four Fire Department vehicles;
- Replaces forestry unit #5;
- Installs engine exhaust systems at three fire stations;
- Fire Department hose and equipment replacement;
- Fire Alarm infrastructure replacement;
- Replaces a portion of firefighting protective clothing; and
- Thermal imaging cameras.

Parks & Recreation

A proposal for the next phase of the Parks and Recreation Department reorganization realigns our resources and allows for a more expansive vision which now includes a state of the art Multi-Generational Community Center. The new permanent part-time, part-time and contracted instructor positions at the Multi-Generational Community Center will provide exceptional support for our residents. Also, the upgraded position for the Assistant Parks and Recreation Director will help institute a succession plan for the department.

Our recent era of parks renewal will continue in Fiscal Year 2019. This budget includes funding for the new Multi-Generational Community Center including operational costs and the first portion of the debt service costs; as well as funding to undertake the reforestation and improvement of amenities at Rollins Park and to complete the reconstruction of five tennis courts at Memorial Field. Other initiatives proposed include:

- Merrimack River Greenway Project;
- Replace basketball and hockey lights at White Park;
- Install paved pathway to connect Keach Park to new community center;
- Replace tennis courts at Rolfe Park;
- Phase 2 repair of stone wall along Broadway at Rollins Park;
- Repair granite stairs, foundation and repoint brickwork at West Street Ward House;
- Install a pre-action fire suppression system at Green Street Community Center;
- Electrical improvements at City Auditorium;
- Memorial Field and Doane Diamond structural engineering of bleachers;
- Repairs to pocket parks at West Street, Fletcher Murphy and Thompson Street Play Lot;
- Beaver Meadow Golf Course pro-shop windows, doors, electrical work, and bathroom renovations; and
- Beaver Meadow phase 2 of irrigation system replacement on holes 14, 15 and 16, and fence along the 9th fairway.

Transportation Network Improvements

The investments included in the Fiscal Year 2019 Proposed Budget move toward an improved overall transportation network, while at the same time “taking care of basics,” including funding for repair and maintenance of the road system, and greater emphasis on the needs of individual neighborhoods. Projects and initiatives in this proposed budget include an increase to the Annual Neighborhood Paving Program through a .25% addition to the tax rate, bringing the annual funding in the budget to a 1.25% increase on the total tax rate since the Fiscal Year 2017 budget. This will allow the City to repave nearly 10 miles of streets this spring and an additional five miles during the coming fiscal year. Other proposed improvements in Fiscal Year 2019 are:

- Final design, permitting and right of way easements for Langley Parkway;
- North Pembroke Road Bridge replacement;
- Continuation of the phased rehabilitation of the Airport’s taxiway A and itinerant ramp;
- Terminal Area Study to identify potential redevelopment opportunities within and along the airport;
- Traffic signal improvements at North Main/Bouton/I-393;
- Concord Area Transit bus replacements; and
- Overhaul Bicentennial Square lavatories.

Water/Wastewater/Storm Water Improvements:

- Implementation of storm water drainage improvements to Abbottville/Hood outfall and Roger Street/Tenney Street outfall areas; hydraulic cleaning of storm drain from Commercial Street to Fort Eddy Road; and Portsmouth Street culvert replacement;
- Replace 6” and 8” water mains along Westbourne, Woodman and Minot Streets;
- Water Plant improvement;
- Water meter replacement program;
- Water pump station improvements;
- Hydrant and valve replacement program;
- Water system asset management software;
- Hall Street odor control;

- Hall Street plant improvements;
- Sewer main rehabilitation and construction;
- Sewer video inspection equipment; and
- Penacook treatment plant improvement.

Long Term Planning & Economic Development

This budget provides funding to continue work on the next phase of a form-based code which will significantly revise the City's Zoning Ordinance. This new code will enact common sense zoning requirements designed to ensure that new in-fill development within Downtown Concord, Penacook Village, and the Opportunity Corridor will be of a similar size and mass to existing development, as well as architecturally appropriate and complementary to the historic development patterns of these neighborhoods. The new ordinance will help ensure that development will be sustainable, livable, and beautiful; as well as reinforce and support the City's recent investments in the renovation of the streetscapes in Downtown Concord and Penacook Village.

To attract and retain a robust business climate, the City is committed to supporting existing and new economic development opportunities. Tangible efforts in this budget include:

- Continued funding for Economic Development Director position;
- Participation in national and international trade shows;
- Continued streamlining/elimination of outdated/onerous regulations;
- Community Development tracking and permitting software; and
- Funding to expand downtown arts program.

Building & Code Division Restructuring

At the onset of the Great Recession, the Code Administration office experienced significant cuts in what was envisioned to be a temporary solution to meet a tremendous fiscal challenge. Positions were left unfunded and others downgraded from full-time to part-time. Thankfully, several retired employees opted to return to the City on a part-time basis which provided great institutional continuity but was not sustainable in the long term. It has now been nearly a decade, and with the increased buzz around Concord—generated by the Main Street project—we are seeing greater redevelopment, a growing number of restaurants, and more demand for special events. This new environment, coupled with the anticipated retirements (and “re-retirements”) of several seasoned staff over the next 1-3 years, has made it evident that organizational change is, once again, needed. This budget proposes a re-organization that will provide a sustainable, enhanced level of customer service to contractors, residents, and business owners. It will also allow the City to more effectively coordinate a greater number of special events and other downtown programs.

Marketing & Communications

Communication is vital to accomplishing established goals. The successful “Report a Concern” page on the City's website, the daily use of social media, workshops associated with major capital projects and street improvements, and the numerous speaking engagements undertaken by City staff have all been positively received in recent years. Fiscal Year 2019 will continue to improve communication efforts with the full year of funding for the City's new Public Information Officer (PIO). The PIO will be integral to spreading the message of the great work done by all of our City departments, as well as serving as a resource for the public.

City Facilities

As a large property owner, the City has a responsibility to maintain and enhance its physical plant for the continued use of the public and staff. To that end, the Fiscal Year 2019 budget includes:

- Facility Needs Assessment and Renovation Plan for municipal buildings;
- Combined Operations and Maintenance Facilities (COMF) improvements;
- Library facilities and equipment improvements; and
- Cemetery Improvements.

Housing

The City continues to support the Housing First strategies, spearheaded by the Concord Coalition to End Homelessness and supported by many partners that have helped serve the city's homeless population in recent years. Funding in the amount of \$30,000 is recommended for the homeless shelter operations.

Proposed Tax Rate Increase

All of the efforts undertaken in this budget are reflected in the 3.96% tax rate increase. This increase includes compensation and benefit costs, debt service costs for capital projects approved in past budgets, and an additional .25% on the tax rate specifically for the neighborhood paving program.

Fiscal Year 2019 Budget Details

New budgetary items include:

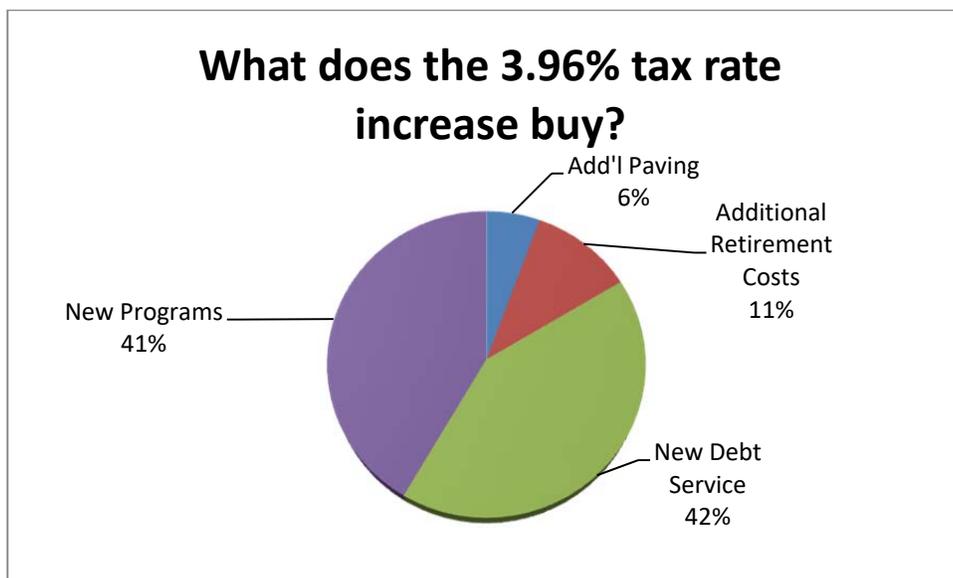
- \$1,330,000 for compensation adjustments;
- \$794,000 in additional debt service costs;
- \$638,000 for all other employee benefits;
- \$375,000 new community center operating costs;
- \$204,000 increase of retirement costs;
- \$158,000 of reduced General Fund revenues that will be realized in the Parking Fund;
- \$106,000 additional .25% for paving program;
- \$150,000 expenses transferred to General Fund to support the Parking Fund changes;
- \$103,000 Code Administration Division reorganization;
- \$40,000 increase in vehicle parts for General Services fleet;
- \$30,000 support for homeless shelter operations;
- \$25,000 improve shared custodial services at various City properties;
- \$13,000 increase in street crews uniform costs for quality high visibility uniforms;
- \$6,900 increase frequency of mowing Langley Parkway;
- \$6,000 trees for parks;
- \$5,600 iPads for Planning Board;
- \$5,000 League of New Hampshire Craftsman for Fall craft fair in Concord;
- \$4,900 to increase Police Dispatchers' labor grade;
- \$4,500 for additional space on Plausawa Hill and Crown Castle Tower rental for Police Department;
- \$4,000 increase part time hours in Collections Office;
- \$3,200 fence guard for a portion of Memorial Field; and
- \$500 temporary toilets for 4th of July fireworks celebration.

Changes in Employee Positions and Improved Operating Efficiency

The Fiscal Year 2019 budget recommends the following changes:

- \$209,900 to add one full-time Maintenance Technician, two part-time Recreation Assistant, one part-time Custodian and six part-time Community Center Attendant positions as part of the new community center staffing model;
- \$103,000 Code Administration Division reorganization;
- \$66,600 to add a Maintenance Aide for General Services funded by the Parking Fund;
- \$41,200 for three Library technicians to staff the new community center;
- \$37,700 to reallocate a Public Properties Maintenance Aide to the Downtown Services Team and funding shift from Parking Fund to General Fund;
- \$34,800 for two new Parking Enforcement Officers, 24 hour per week positions, for mobile unit staffing. Meter and ticket revenue more than offsets cost of increased staff;
- \$25,600 to add a part-time Property Room Technician;
- \$24,700 to reassign a Wastewater custodial position to Public Properties, a shared position with General Fund;
- \$17,400 for two new Parking Enforcement Officers, 12 hour per week positions, for weekend and night enforcement. Meter and ticket revenue more than offsets cost of increased staff.
- \$4,100 to upgrade Dispatch staff positions;
- \$4,000 to increase hours for Municipal Customer Service Representative in the Collections Office;
- \$3,500 to increase the part-time Arena Supervisor to full-time.

Two significant changes to this budget are the inclusion of the operating costs for the new Multi-Generational Community Center and a transfer of some costs previously borne by the Parking Fund for General Fund services. The General Fund is also foregoing more than \$150,000 of revenue previously recorded here and proposed to be recognized in the Parking Fund.



Debt Service

As compared to Fiscal Year 2018, new debt service costs for Fiscal Year 2019 are \$794,000, increasing total debt service to \$7,001,000 or 10.76% of the general fund budget. This is slightly higher than the City's Fiscal Goal E1, which limits the General Fund debt service expenditures to no more than 10% of total appropriations.

What does this debt service buy for the community? Some of the notable projects included in the Fiscal Year 2019 debt service costs are:

	<u>2019 Debt Service Amount</u>
New Multi-Generational Community Center	\$324,000
Municipal complex steam heat conversion projects	\$103,000
New ERP software	\$85,000
Fire Department vehicle replacements	\$77,000
Police Department communication center improvements	\$76,000
General Services vehicle replacements	\$69,000
Keach pool	\$54,000
Stormwater improvement project	\$43,000
Hooksett Turnpike and Birchdale Road bridge replacement	\$40,000
Memorial Field tennis courts	\$31,000
Beaver Meadow Golf Course irrigation system	\$17,000

In addition to the Fiscal Year 2019 General Fund debt service increase, the City also has \$4.8 million in General Fund authorized bond appropriations that have not been issued yet. This amount includes \$2.8 million for the new community center and does not include the balance of the conservation bond approved in 2004 for property acquisition.

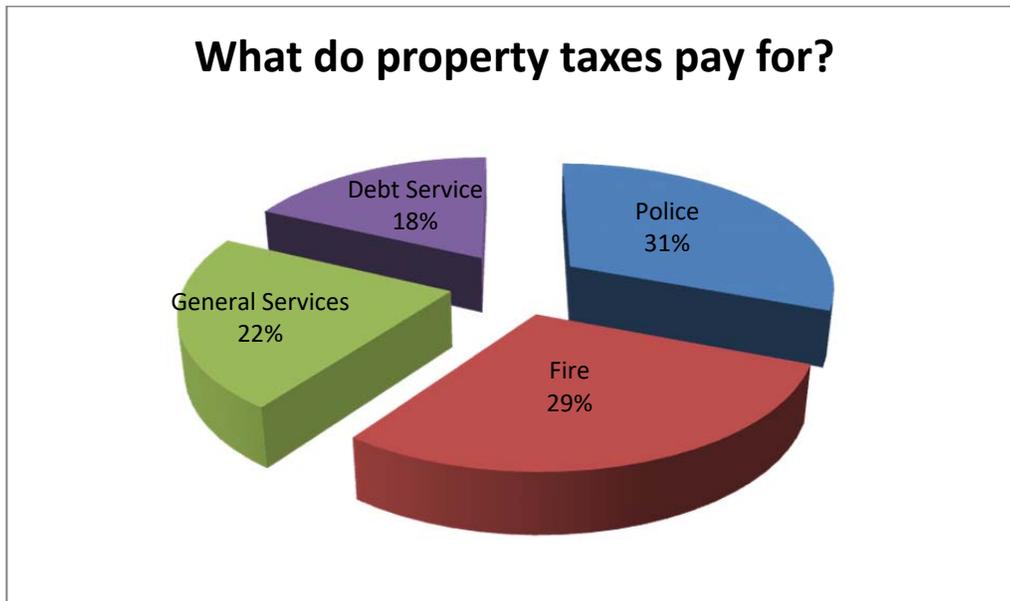
A Balanced Budget

This is the tenth year in a row of proposing a balanced budget to the Concord City Council without using Unassigned Fund Balance. A truly balanced budget continues to improve the City's overall fiscal health. The strongest indication is the 2017 Fiscal Year End Unassigned Fund Balance of \$11 million dollars, or 19.6% of operating expenditures, which is ahead of the City Council's revised goal of 18.5%.

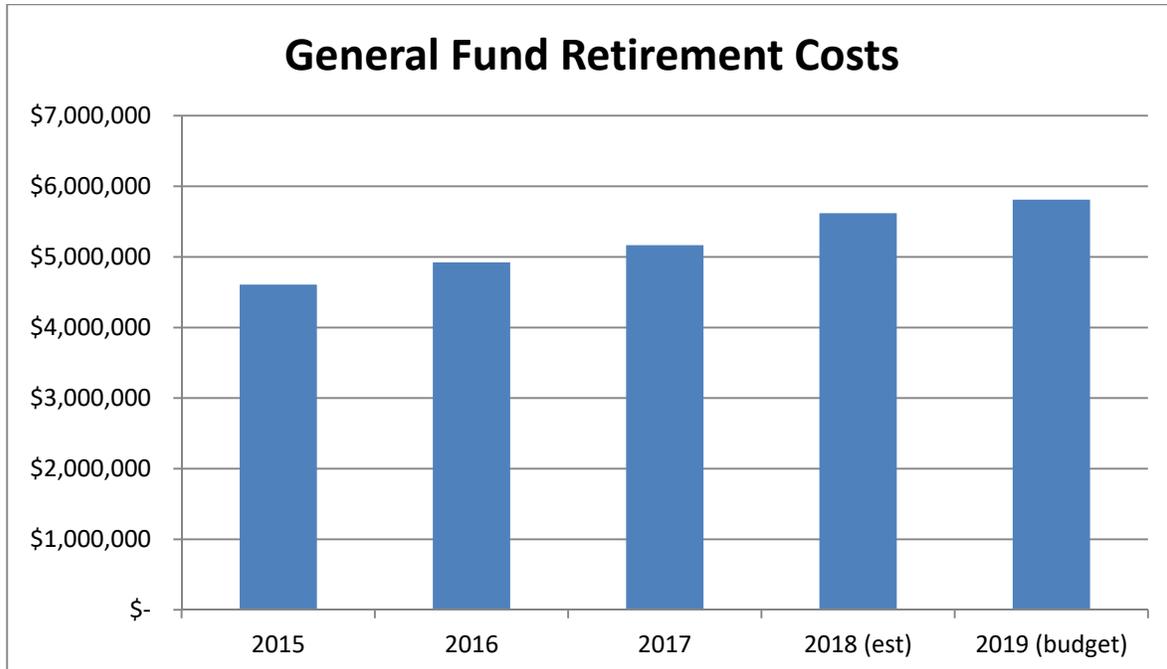
The City's financial policies continue to pay dividends in the form of a very high bond rating. Standard and Poor's affirmed the City's AA+ rating in January 2018, citing "very strong management conditions, very strong budget flexibility, and very strong liquidity."

The Fiscal Year 2019 Total Budget Picture

The total Fiscal Year 2019 General Fund Operating budget is \$65,074,862. The amount to raise in taxation, excluding overlay and veterans credits, is \$41,485,010. This amount essentially supports Police, Fire and General Services operations (less associated revenues), plus debt service, totaling \$39,094,080.

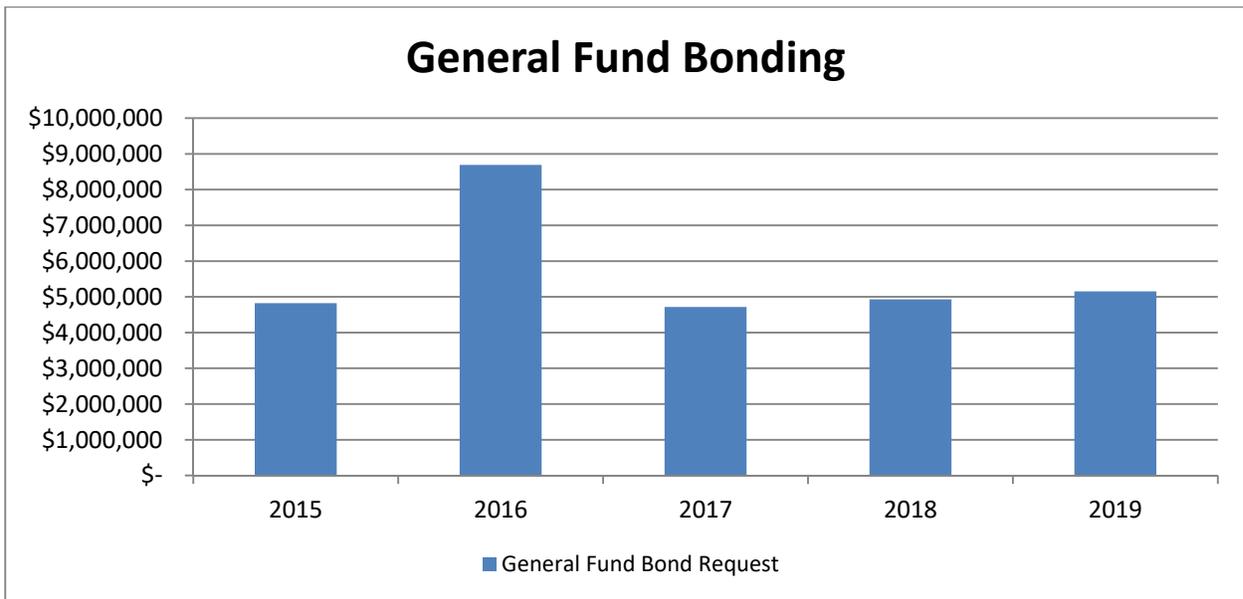


Due to State funding changes in the Retirement System, the City’s retirement expense has grown considerably in the past few years and now consumes 8.9% of the overall General Fund budget and just over \$5.8 million for Fiscal Year 2019.



The Fiscal Year 2019 Capital Improvement Program (CIP) moves Concord residents’ priorities from thought to action. Concord is a city that will expand opportunity for all, create a dynamic economy, improve quality of life, and will be sustainable. The General Fund 2019 CIP budget presents total bonding needs of \$5.2 million.

The graph below illustrates bond projections from Fiscal Years 2015 through 2019.



Despite the one time Highway Block Grant additional funding in Fiscal Year 2018, declines in support from the State of New Hampshire, the continued uncertainty surrounding federal aid and the President’s proposed cuts to programs that support Concord’s most vulnerable places increased pressures on municipalities.

Our commitment to disciplined financial practices has enabled us to continue to provide critical, quality services to our residents. We need to continue to advocate for greater investment by our partners at the state and federal levels to ensure continued prosperity for our City.

Sustainability

The City maintains a diversified approach to energy pricing strategy, while limiting risk to ensure price certainty and best take advantage of market opportunities. We take into consideration varying contract terms and will secure longer terms if a better yield is provided. At the same time, the City considers characters of service including Renewable Portfolio Standard compliance, Green-e clean energy certification and renewable energy credits.

While the City regularly enters into gasoline, diesel, natural gas and electricity contracts that extend more than 12 months, we also work to secure supply that is environmentally friendly. The City evaluates its segmented electricity accounts to optimize pricing considerations. Currently the City has contracts in place for 100% renewable electricity through a term ending in December 2020.

Fiscal Challenges

Concord remains in a better financial position than most other communities in New Hampshire, the State government, and the nation. However, significant challenges still remain, which include:

- Unfunded post-employment liabilities (OPEB);
- Benefit costs associated with an underfunded State retirement system;
- Increasing health insurance costs;

- Ongoing capital needs primarily in:
 - Public buildings and properties
 - Neighborhood streets
 - Water
 - Wastewater
 - Storm water systems
 - Golf Course
 - Arena
- Funding the General Fund for expenses that were charged to the Parking Fund in prior years, and collecting revenues in the Parking Fund that were previously reported to the General Fund.
 - Loss of GF Revenue due to parking
 - Increased expenses due to parking
- Funding the new Multi-Generational Community Center operations and debt service.
 - \$332,700 Operations and maintenance costs for the full fiscal year
 - \$324,000 First year debt service costs on portion bonded
 - Remaining debt service costs on amount currently authorized and unissued

Fiscal Resources

Although fiscal resources continue to be scarce, some non-tax revenue sources are showing signs of improvement. Motor vehicle registrations are expected to be ahead of budget by \$511,000 or 8% for Fiscal Year 2018 and are budgeted to be ahead by \$321,000 or 5% for Fiscal Year 2019. Ambulance service charges are expected to be ahead by \$150,000 or 9.3% for fiscal year 2018 and are budgeted to be ahead by \$150,000 or 9.3% for Fiscal Year 2019. Meals and Rooms revenue is projected to be flat for both Fiscal Years 2018 and 2019.

There have been two increases in the Federal Funds rate during Fiscal Year 2018. The Federal Reserve Bank anticipates raising rates two more times in calendar year 2018. Even with these increases, the rates continue to be at very low levels. Investment income is expected to increase to \$582,500 in Fiscal Year 2019, up from a budget of \$225,000 in Fiscal Year 2018. This higher amount is still considerably less than the \$1.5 million dollar range that this revenue item was in the early 2000's.

It is anticipated that long-term energy costs will continue to increase as the economy improves. The City anticipates continued increases in electricity rates in the long term; contract pricing for electricity for Fiscal Year 2019 will result in a rate increase of 9.2-9.7% depending on the class of account. The General fund increase in electricity budget is 11% or \$90,500 and includes the \$45,000 increase for the opening of the new Multi-Generational Community Center. Contract pricing for natural gas for Fiscal Year 2019 will result in a rate increase of 4.3-4.9% depending on the class of account. The General Fund change in the natural gas budget is a reduction of \$20,300 and includes an increase at the new community center of \$22,700 and decreased budgets for the City Hall Campus, COMF and Fire Central Station.

General Fund Highlights

The following table is a summary of Fiscal Year 2019 General Fund Budget proposed Appropriations, Revenues and Tax Rate – compared to the adopted Fiscal Year 2018 budget. For Fiscal Year 2019, General Fund gross appropriation increases by \$3,265,025 or 5.3% of spending.

**General Fund Budget Comparison Summary
Fiscal Year 2018 Adopted Budget to
Fiscal Year 2019 Manager's Recommended Budget**

Revenues				
Description	FY 2018	FY 2019	Difference	%
All Other Revenues	\$22,780,391	\$24,157,252	\$1,376,861	6.0%
Property Taxes	\$39,029,446	\$40,917,610	\$1,888,164	4.8%
Total Sources	\$61,809,837	\$65,074,862	\$3,265,025	5.3%

Appropriations				
Description	FY 2018	FY 2019	Difference	%
All Expenses	\$61,809,837	\$65,074,862	\$3,265,025	5.3%
Total Use of Funds	\$61,809,837	\$65,074,862	\$3,265,025	5.3%

This budget reflects a \$25 million real growth increase to the \$4.0552 billion City tax base used in calculating property tax revenue. This increase is net of abatements and elderly/blind exemptions. Market value change is not included in the target tax rate calculation.

Use of General Fund Surplus

For the tenth year in a row, this budget does not include the use of any General Fund surplus to offset the tax rate.

State Funding Impacts

The ability to maintain a stable tax rate in the City is challenged regularly due to continued reductions in funds and the downshifting of obligations by the State of New Hampshire. Including the Fiscal Year 2019 Budget, if State revenues to the City and New Hampshire State Retirement rates had remained stable since 2009, the City would have recognized an additional \$8.9 million in revenue and \$15.4 million less in retirement costs.

Tax Increment Finance (TIF) Districts

Currently, the City has three tax increment finance districts: the North End Opportunity Corridor TIF (NEOCTIF), the Sears Block TIF (SBTIF), and the Penacook Village TIF (PVTIF). Since 1998, the City has invested a combined \$31,945,100 to support infrastructure improvements in these three districts. This investment has yielded total new development valued at \$89.7 million. The NEOCTIF and SBTIF have exceeded expectations. The PVTIF, enacted in 2010, is performing well, despite limited development activity, and is well positioned to support the impending redevelopment of the remaining Allied Leather Tannery site.

Continuing in Fiscal Year 2019, the SBTIF will support debt service payments and operating expenses for infrastructure improvement directly financed by the District, as well as provide financial contributions to the General Fund and Parking Fund for debt service reimbursements associated with the Storrs Street

Parking Garage / Capital Commons Redevelopment Project constructed during 2005-2007. Specifically, the SBTIF will make a contribution for debt service of \$469,700 to the General Fund in Fiscal Year 2019. Of this total, \$225,700 will reimburse the General Fund for debt service payments incurred for the Storrs Street Parking Garage / Capital Commons Project. These reimbursements will continue through Fiscal Year 2027. The remaining \$184,800 represents debt service payments associated with the \$2.5 million bond, which was issued to support the Complete Streets Project. In addition, the SBTIF will also contribute \$37,600 to the General Fund to support the Downtown Services Team Senior Maintenance Aide for maintenance of that portion of the Complete Streets Project within the SBTIF District. Lastly, \$21,700 will be contributed to the General Fund for the District's ongoing administrative support.

Relative to the Parking Fund, the SBTIF will transfer a total of \$223,900 in Fiscal Year 2019. Of this total, \$215,800 shall support debt payments to be incurred by the Parking Fund in Fiscal Year 2019 for the Capital Commons Parking Garage. These debt service contributions will continue through Fiscal Year 2027. The remaining \$8,200 to be transferred from the SBTIF to the Parking Fund represents financial support for snow removal at the New Hampshire Employment Security building parking lot.

Lastly, in accordance with standard practice implemented in Fiscal Year 2005, this budget includes the release of a significant portion of the captured tax revenues generated by new incremental development which has been constructed in the NEOCTIF District since it was enacted in 1998. Sixty-six percent (66%) of the total new incremental assessed value within the District, equating to \$971,100 of tax revenues associated with \$33.7 million in captured assessed value, shall be released in Fiscal Year 2019.

Enterprise Funds

Parking Fund

The proposed Fiscal Year 2019 Budget begins implementation of the Parking Strategic Plan, as reviewed by the City Council this past fall and partially enacted by Ordinances adopted on December 11, 2017. Among other things, these Ordinances established new parking rates, hours of enforcement, time limits for metered parking, implemented changes to certain citations, and overhauled the on-street residential permit parking program for certain streets in the UNH Law School neighborhood. These changes will take effect on July 1, 2018. The financial implications of these changes have been incorporated into the proposed Fiscal Year 2019 budget.

Per the recommendations of the Strategic Parking Plan, the proposed budget also modifies the relationship between the General Fund and Parking Fund. Specifically, the Fiscal Year 2019 Budget discontinues transferring funds from the Parking Fund to the General Fund for snow removal in the amount of \$58,200, as well as retaining all non-meter parking citation revenues in the amount of \$100,000. In addition, the proposed budget modifies the cost share between the Parking Fund and the General Fund concerning support of certain General Fund staff positions within the Police Department, resulting in a net new cost of \$37,800 to the General Fund in Fiscal Year 2019. Lastly, starting in Fiscal Year 2019, the General Fund will begin making a pro-rata contribution in lieu of rent to the Parking Fund for debt service and operating costs for parking facilities used by the General Fund. Such facilities include the Police Department Parking Lot, City Auditorium Parking Lot, Library Parking Lot, and the State Street Parking Garage. The total amount of these contributions in Fiscal Year 2019 will be \$40,700. Combined, these changes result in net new costs of \$236,700 to the General Fund in Fiscal Year 2019.

The proposed Fiscal Year 2019 Budget implements a partial reorganization of maintenance responsibilities for our parking facilities. Specifically, the General Services Department's Downtown Services Team will now be responsible for daily custodial operations for the City's three garages and nine surface lots. They will also be responsible for landscaping at all twelve facilities, as well as other maintenance activities at the surface lots. To support this effort, a new Maintenance Aid will be added to the Downtown Services Team, supported by the Parking Fund, at a cost of \$66,600. Funds have also been provided for minor tools, equipment, and supplies to support these operations. In addition, the Parking Fund, through CIP #403, will purchase a second utility vehicle at a cost of \$70,000 to support the Downtown Services Team. The General Fund and Parking Fund will work cooperatively to support the Downtown Services Team, including all parking related properties and facilities. The Parking Fund's portion of this support is \$98,900. This figure excludes debt service payments for the Parking Fund supported utility vehicle, which will commence in Fiscal Year 2020.

The General Services Department Public Properties Division will continue to be responsible for certain property management related activities, such as repairs to electrical, mechanical, and plumbing systems.

Other maintenance activities, such as repair of meters and kiosks, snow removal, and certain contracted services for the parking garages, will continue to be managed by the Parking Division of the Police Department. As initiated during Fiscal Year 2018, the City Manager's Office will continue to manage all major capital improvements for parking facilities. A new internal policy has been prepared codifying these respective roles and responsibilities.

Beyond these changes, the proposed Fiscal Year 2019 Budget also expands funding for contracted services associated with the maintenance of the three parking garages by \$126,800 over Fiscal Year 2018 levels. Such services include pressure washing, catch basin cleaning, annual painting of pavement markings, expanded sweeping, and window washing. Expanded funding will ensure these critically important economic development assets are properly maintained in order to maximize their longevity, as well as improve the cleanliness and quality of these facilities for our patrons.

The proposed Fiscal Year 2019 Budget also includes \$40,000 for the first phase of meter expansion, as recommended by the Strategic Parking Plan, and will add 50 meters on sections of South Main Street, Concord Street, and Dixon Avenue.

The budget also includes funding for four new Parking Enforcement Officers; two part-time officers (12 hours / week, each) to support expanded enforcement during evenings and Saturdays, as well as two part-time officers (24 hours / week, each) for a dedicated mobile unit to, in part, support neighborhood parking enforcement.

The Capital Improvement Program also funds various recommendations of the Strategic Parking Plan, including new surveillance systems in the State Street and Storrs Street garages, limited concrete repairs in the State Street Garage, and pigeon control measures for the Storrs Street Parking Lot beneath the Loudon Road overpass.

In keeping with past practice, the Parking Fund will continue to transfer \$97,550 to the General Fund for overhead and technology support.

With these changes, revenues for the Parking Fund are projected to increase significantly from \$1.9 million, Fiscal Year 2018 estimate, to \$2.6 million in Fiscal Year 2019; an increase of \$649,000. Expenditures will also increase from \$2.1 million, FY2018 estimate, to \$2.5 million in Fiscal Year 2019,

an increase of \$441,000. The working capital balance for the Parking Fund is projected to increase from - \$12,000 to \$32,200 in Fiscal Year 2019.

Finally, it should be noted that the Fiscal Year 2018 - 2024 Parking Fund Pro Forma incorporates the recommendations of the Strategic Parking Plan for Fiscal Year 2019, as well as future out years (Fiscal Year 2020 – 2024). Out year recommendations, such as Phase 2 of meter expansion in Fiscal Year 2020, and rate increases in Fiscal Year 2023, will be reviewed as part of future budget adoption processes in those respective fiscal years.

Golf Fund

This fund anticipates a loss of \$78,000 for Fiscal Year 2018. Expenses are projected to be under budget by \$18,000, barring any additional unexpected repairs. Revenues are projected to be under budget by \$114,500 based on anticipated memberships, greens fee play, cart rentals, driving range, pro shop sales, concession income and advertising revenues. Fiscal Year 2018 has been a difficult year for revenues and the golf portion of the City's business is extremely weather dependent. Golf simulator revenue has been a bright spot for the golf course again for Fiscal Year 2018 with anticipated revenue of \$63,000, and is expected to be just shy of budget. The spring 2018 golf season began at the same time as 2017, opening on April 12. The weather was not extremely positive the first couple of weeks, but has improved, and we are hoping for a strong spring for greens fee play and memberships.

Wastewater and Water Funds

For Fiscal Year 2019, the contribution to the overhead in the General Fund increases by \$41,600 for Water and increases by \$54,800 for Wastewater. Additionally, right-of-way maintenance contributions from the Water and Wastewater Funds increase to \$215,000 and \$135,000, respectively. Fiscal Year 2018 remained solid for both utility funds and is expected to end the year better than their budgeted losses.

The Fiscal Year 2019 anticipated rate increase for Water is 3% and for Wastewater is 4%. The City is completing the rate study with Weston and Sampson engineers and will be presented in the spring or early summer. Once completed, Administration will develop a future rate recommendation change for City Council consideration. The main driving factor in increasing rates is the need for necessary capital investments in the out years. Regular rate increases will be required in future years in order to maintain the solvency of these funds at or near the target working capital levels.

Solid Waste Fund

This is the ninth year of the Pay-As-You-Throw (PAYT) program. The contract with Casella Resource Solutions for both collection and disposal of municipal solid waste and recycling will again increase expenses in Fiscal Year 2019. Due to increases last year in the purple bag prices and containerized dumpster revenues, a lump sum infusion of the distribution of the Solid Waste Cooperative, and funds received through a Purchase Card rebate program, this fund is projected to remain solvent beyond Fiscal Year 2024. When the PAYT program was first instituted, the stated goal was to manage the program in such a way as to not require an increase in bag costs for a period of five years. This goal was achieved in Fiscal Year 2016 and extended by City Council action for one more year. The first bag price increase was only instituted for Fiscal Year 2017, a full six years into the program. The Fiscal Year 2019 budget projection includes the full realization of the PAYT price increases that were effective July 1, 2016. Again, it is anticipated that the Solid Waste Fund will remain solvent beyond Fiscal Year 2024.

Fiscal Year 2019 Budget Preparation

A presentation was made to the Fiscal Policy Advisory Committee (FPAC) in March 2018. FPAC again recommended that the City Manager bring a responsible budget to the City Council that is in keeping with the Council's priorities and goals and cognizant of the continued downshifting of costs from the State.

Below are the major changes that helped to balance the budget:

- \$400,000 Funding from Recreation Reserve;
- \$331,000 Increase in investment income;
- \$321,000 Increase in motor vehicle registration revenue;
- \$150,000 Increase in ambulance service charges;
- \$119,200 Police Department attrition;
- \$100,000 Increase in funding from Economic Development Reserve;
- \$79,200 Human Services special programs reduction (due to decreased demand);
- \$40,400 Savings in transfer to Solid Waste;
- \$39,900 General Services attrition; and
- \$8,200 Reductions from all other departments.

Closing Notes on Fiscal Year 2018

Fiscal Year 2018 experienced significant storm related expenses with 27 weather related events that resulted in plowing, salting and sanding; of which virtually all required some level of overtime funding. As of this writing, the General Services Snow and Ice Control budget is overspent by \$65,800, with an additional \$100,000 expected to be spent on salt to fill the sheds and be ready for the beginning of the Fiscal Year 2019 winter storm season. Other budgetary items that are putting pressure on the Fiscal Year 2018 budget are:

- \$403,500 in severance payouts, across all funds, through 30 retirements or resignations. This is \$271,800 more than budgeted.
- \$335,300 for auto repair parts and supplies, at 97% spent as of April 30 with two remaining months of the fiscal year;
- \$46,500 in additional costs for expert witnesses and legal consulting to settle abatement and other cases.

Citywide wage and benefit lines are trending right on budget at 83% as of April 30, 2018. Most other revenue and expense lines are trending on par with budget. Based on all these factors, and generally conservative budget management, it is expected that at the close of the fiscal year, overall operational results will closely meet or exceed expectations. The notable exception is the Golf Fund.

Conclusion

The economy is improving in the country, state and in Concord. New construction and improved economic activities are beginning to take hold, and in Fiscal Year 2019 the City is estimating \$25 million in taxable real growth, which is the same that was estimated for the Fiscal Year 2018 budget. As such, this recommended budget reflects moderate growth estimates that will enable us to maintain existing levels of service and provide for the operations and maintenance of the new community center. This budget also allocates significant financial resources between the Parking and General Funds to help in resolving the Parking Fund reorganization plan within this constrained financial environment, this budget

provides for significant progress in areas important in sustaining and improving the quality of life in Concord.

The Fiscal Year 2019 Budget makes strategic investments in public safety, efforts to support the most vulnerable, Concord's seniors and children, sustainability, infrastructure, technology, and organizational efficiency.

The City of Concord has established a history of achieving balanced budgets through difficult and improving economic periods. City management places a high priority on adhering to comprehensive financial policies and long-range planning strategies, as well as continuing to exercise strong fiscal discipline. These practices ensure the City's ability to preserve budgetary balance, maintain essential services and address future budget challenges.

The commitment the City Council has made to fiscal responsibility for the last decade plus is yielding tangible results. At the same time, City services are more efficient, effective and responsive to the needs of Concord's residents than ever before.

The Fiscal Year 2019 budget affirms a commitment to progress, opportunity and innovation by investing in Concord's neighborhoods while maintaining our strong record of financial management. The budget plan is balanced, sustainable and accelerates progress across public policy areas.

Concord is a growing city, with an evolving population that needs new and expanded city services.

Thank you

I wish to recognize the employees that helped bring the many parts of this endeavor together into one document for the City Council and this great community. All department heads and their immediate staff have provided creative leadership in shaping their budgets and various alternatives.

I recommend this budget to the City Council.