LEBANON CITY COUNCIL
NOVEMBER 28, 2022 - 5:30 PM
COUNCIL CHAMBERS, CITY HALL OR REMOTE VIA VIRTUAL PLATFORM
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1. Meeting Access

To participate in this meeting, please join live via Microsoft Teams or call 929-229-5356 (access code: 707 863 413#). If you have trouble accessing this meeting, please email Shaun Mulholland.

2. Review of 2023 City Budget - Question & Answer Session

A. Revenues

B. Interfund Transfers

C. Debt Service

D. City of Lebanon 2023 Operating Budget found at https://lebanonnh.gov/1655

Meetings are open for in-person and remote attendance. Members of the public that wish to attend remotely may do so by going to LebanonNH.gov/Live where you will find instructions on how to enter the meeting. Members of the public will be able to participate and ask questions through the City's virtual platform or by phone. Please note: Should technical difficulties occur during the meeting that disrupts virtual or phone connection(s), the meeting will continue without remote access capabilities.

CITY OF LEBANON
PROPOSED 2023 OPERATING BUDGET

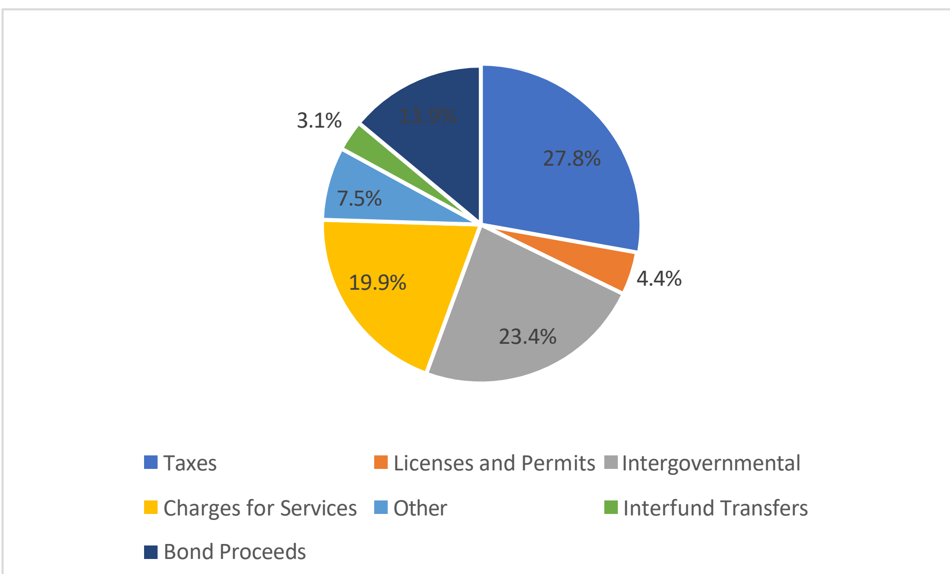
REVENUES & RATES

Revenues and Rates outlines how operational and non-operational activities and efforts are expected to be paid for.

Estimated Revenues for 2023 are $93,117.790 compared to $66,633,430 for 2022, an increase of $26,484,360. The change from the prior year is primarily attributable to an increase in Capital Improvements Fund revenues.

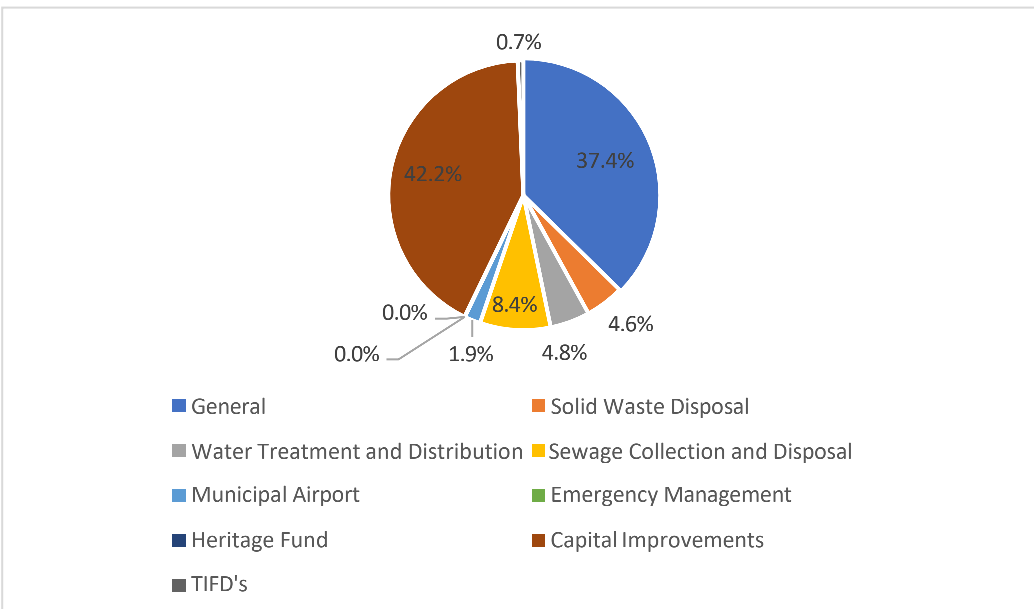
Source of Revenues	2021 Budget	2022 Budget	2023 Budget	$ Chg.
Taxes	$24,615,100	$24,900,610	$25,885,720	$985,110
Licenses and Permits	$3,143,480	$3,394,370	$4,107,680	$713,310
Intergovernmental	$3,372,940	$6,749,930	$21,762,840	$15,012,910
Charges for Services	$17,867,670	$17,554,610	$18,537,860	$983,250
Miscellaneous Sources	$1,253,110	$2,203,960	$6,952,480	$4,748,520
Interfund Transfers	$3,615,780	$2,339,040	$2,881,600	$542,560
Bond Proceeds	$6,467,141	$9,490,910	$12,989,610	$3,498,700
Total	$60,335,221	$66,633,430	$93,117,790	$26,484,360
Applied/(Realized) Fund Balance	$2,015,620	$4,125,520	$4,409,850	$284,330
Total Revenues and Fund Balance	$62,350,841	$70,758,950	$97,527,640	$26,768,690

Taxes are 27.8% of total revenues, Licenses and Permits 4.4%, Intergovernmental Revenues 23.4% Charges for Services 19.9%, Other Revenues 7.5%, Interfund Transfers 3.1%, and Bond Proceeds 13,.9%



Revenues by Fund	2021 Budget	2022 Budget	2023 Budget	$ Chg.
General	$32,976,300	$33,312,670	$34,792,240	$1,479,570
Solid Waste Disposal	$4,487,830	$4,127,230	$4,311,230	$184,000
Water Treatment and Distribution	$4,130,550	$4,210,810	$4,436,960	$226,150
Sewage Collection and Disposal	$7,368,570	$7,277,230	$7,862,020	$584,790
Municipal Airport	$1,192,790	$929,040	$1,810,620	$881,580
Emergency Management	$25,000	$25,000	$25,000	$0
Heritage Fund	$400	$400	$400	$0
Capital Improvements	$9,725,141	$16,365,340	$39,255,540	$22,890,200
TIFD's	$428,640	$385,710	$623,780	$238,070
Total	$60,335,221	$66,633,430	$93,117,790	$26,484,360
Applied/(Realized) Fund Balance	$2,015,620	$4,125,520	$4,409,850	$284,330
Total Revenues and Fund Balance	$62,350,841	$70,758,950	$97,527,640	$26,768,690

The General Fund is 37.4% of total revenues, Solid Waste Disposal Fund 4.6%, Water Treatment and Distribution Fund 4.8%, Sewage Collection and Disposal Fund 8.4%, Municipal Airport Fund 1.9%, Emergency Management Fund, Heritage Fund 0%, Capital Improvements Fund 42.2%, and TIF Districts 0.7%



The 2023 Municipal Tax Rate is estimated to be 8.84%.

FUND BALANCE:

Unassigned Fund Balance is that portion of total fund balance available for expenditure. Projected Unassigned Fund Balances are based on the best information available when the 2023 City Budget was prepared.

The purpose of the Fund Balance Policy is to provide adequate financial resources to ensure the continued orderly operation of government and the provision of services to residents and the continued stability of the tax or rate structure that can be threatened by uncertainty emanating from a number of areas including economic uncertainty, unanticipated changes in federal and state policies, imposition of federal and state mandates, unanticipated expenditures resulting from natural disasters or other unforeseen circumstances, errors in estimating expenditures and revenues, potential drain on resources from funds facing financial difficulties, and disparities in timing between revenue collections and expenditures.

Funds other than the General Fund exist primarily to ensure and demonstrate compliance with limitations on the use of existing resources or as enterprises. The General Fund, as the chief operating fund of the City, has a broader mandate which may include accumulating sufficient financial resources for contingencies. Accordingly, the Fund Balance Policy is limited to the General Fund.

- It is the objective of the City to maintain an Unassigned Fund Balance of 19.0% to 24.0% of gross current General Fund budgeted expenditures.

- The City considers a balance of less than 19.0% to be a cause for concern and, considering factors or circumstances that may require a higher than normal maximum level of Unassigned Fund Balance, a balance of more than 24.0% as excessive.

- In the event Unassigned Fund Balance is less than 19.0%, restorative steps shall be taken in the immediate subsequent fiscal years.

- In the event Unassigned Fund Balance is more than 24.0%, steps should be taken to reduce the excess balance in the immediate subsequent fiscal years, or a plan for doing so over a reasonable period should be prepared, including an explanation of how the excess fund balance will be reduced to an acceptable level. An amount more than 24.0% may be considered to reduce tax levy requirements determined in conjunction with the annual budget process, as a capital improvement funding component, for reservation to accumulate funding for future capital improvements, or for any legal purpose deemed appropriate and desirable by the City Council.

- This Policy is not intended to preclude the administrative application of Unassigned Fund Balance as a companion to the budgeted application of Unassigned Fund Balance as a mitigating utility in setting the annual Municipal Tax Rate.

Total applied Unassigned Fund Balance of $4,409,850, an increase of $284,330 from 2022, is budgeted for use in combination with estimated revenues to balance the 2023 City Budget.

Applied Fund Balance by Fund	2021 Budget	2022 Budget	2023 Budget	$ Chg.
General	2,485,000	3,578,450	3,580,000	1,550
Solid Waste Disposal	11,000	79,220	605,000	525,780
Water Treatment Distribution	(406,260)	(69,520)	0	69,520
Sewage Collection and Disposal	(239,580)	(12,900)	0	12,900
Municipal Airport	165,460	550,270	224,850	(325,420)
Total	2,015,620	4,125,520	4,409,850	284,330

- Assessing the nature and reliability of a revenue source is important for dependable and accurate budgeting and for calculating the amount to be raised through property taxation and the consequent effect on the Municipal Tax Rate. Extraordinary or anomalous revenue events which cannot be depended on in subsequent years need to be carefully considered and are best methodically addressed through Unassigned Fund Balance management.

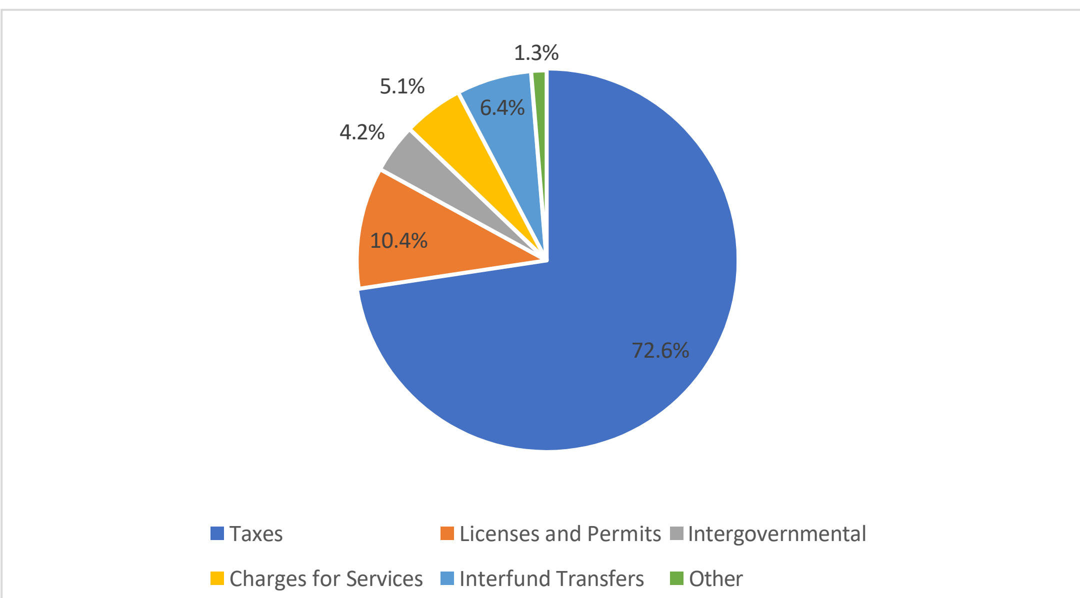
- The amount of Unassigned Fund Balance that is used or gained will depend on actual revenue and expenditure results. An increase in Unassigned Fund Balance may be expected if actual fund revenues and expenditures are greater or less than what was budgeted, respectively. Conversely, a decrease in Unassigned Fund Balance may be expected if actual fund revenues and expenditures are less or greater than what was budgeted, respectively.

GENERAL FUND

Estimated 2023 revenues are $34,792,240, an increase of $1,479,570 from 2022. As budgeted expenditures exceed estimated revenues by $3,580,000, an increase of $1,550 from 2022, Unassigned Fund Balance is planned for use in balancing the 2023 General Fund Budget.

GENERAL FUND				
Source of Revenues	2021 Budget	2022 Budget	2023 Budget	$ Chg.
Taxes	$24,186,460	$24,514,900	$25,261,940	$747,040
Licenses and Permits	$3,143,480	$3,237,400	$3,606,020	$368,620
Intergovernmental	$1,706,190	$1,451,290	$1,454,890	$3,600
Charges for Services	$1,482,140	$1,316,800	$1,786,960	$470,160
Other	$441,630	$664,415	$455,880	($208,535)
Interfund Transfers	$2,016,400	$2,127,865	$2,226,550	$98,685
Total	$32,976,300	$33,312,670	$34,792,240	$1,479,570
Applied/(Realized) Fund Balance	$2,485,000	$3,578,450	$3,580,000	$1,550
Total Revenues and Fund Balance	$35,461,300	$36,891,120	$38,372,240	$1,481,120

Taxes are 72.6% of total revenues, Licenses and Permits 10.4%, Intergovernmental Revenues 4.2% Charges for Services 5.1%, Other Revenues 1.3%, and Interfund Transfers 6.4%.



Financial Condition

General Fund - Unassigned Fund Balance history 1989 – 2025; 2021 unaudited

Year	Unassigned Fund Balance	Budgeted Expenditures	Year	Unassigned Fund Balance	Budgeted Expenditures
1989	$392,977	-	2008	$2,877,328	$22,224,148
1990	$49,255	-	2009	$3,404,816	$23,371,896
1991	($123,953)	-	2010	$4,369,689	$23,655,320
1992	$112,425	-	2011	$4,226,292	$24,458,130
1993	$354,751	-	2012	$4,920,043	$24,953,970
1994	$583,598	-	2013	$6,996,142	$25,450,451
1995	$1,526,378	-	2014	$5,681,942	$27,989,723
1996	$1,965,443	-	2015	$6,501,198	$27,166,140
1997	$2,213,586	-	2016	$8,608,221	$27,924,630
1998	$2,443,960	-	2017	$10,640,252	$29,338,760
1999	$2,014,190	-	2018	$11,676,062	$30,738,370
2000	$2,799,415	$13,071,110	2019	$12,601,277	$30,489,750
2001	$2,218,058	$14,462,230	2020	$13,457,135	$33,636,895
2002	$3,634,094	$15,068,913	*2021	$12,926,306	$35,461,300
2003	$3,707,470	$15,706,950	*unaudited		
2004	$3,811,340	$16,404,038	2022	$11,831,395	$36,891,120
2005	$4,217,802	$17,157,370	2023	$10,001,395	$38,372,240
2006	$3,648,180	$18,976,064	2024	$8,526,395	$39,523,407
2007	$3,528,060	$20,628,410	2025	$6,851,395	$40,709,109

PROPERTY TAX REVENUES:

The estimated 2023 Municipal Tax Rate is $8.84 per $1,000 of assessed real estate value, an increase of $0.22 or 2.5% from the estimated 2022 tax rate.

- Non-property tax revenues are cautiously estimated. The revenues budget is monitored as the year progresses and ultimately adjusted to reflect estimated actual revenues for the year when the tax rate is set in October by the New Hampshire Department of Revenue Administration.

The following is a short tax rate history:

		2018		2019			2020			2021			2022	
		Tax Rates	Tax Rates	$ Chg.	% Chg.	% Total Rate	Tax Rates	% Total Rate	Tax Rates	$ Chg.	% Chg.	Tax Rates	$ Chg.	% Chg.
Municipal		**$10.97**	**$11.25**	$0.28	2.6%	37.0%	**$9.96**	36.8%	**$10.06**	$0.10	1.0%	**8.62**	-$1.44	-14.3%
School: Local		**$14.39**	**$14.66**	$0.27	1.9%	48.3%	**$13.28**	49.0%	**$13.20**	-$0.08	-1%	**11.92**	-$1.28	-9.7%
School: State		**$2.35**	**$2.31**	-$0.04	-1.7%		**$1.99**	7.3%	**$2.02**	$0.03	1.5%	**1.14**	-$0.88	-43.6%
County		**$2.01**	**$2.15**	$0.14	7.0%	13.6%	**$1.86**	6.9%	**$1.70**	-$0.16	-9%	**1.36**	-$0.34	-20.0%
Total		**$29.72**	**$30.37**	$0.65	2.2%		**$27.09**		**$26.98**	-$0.11	-0.4%	**23.04**	-$3.94	-15%
Total School		$16.74	$16.97	$0.23	1.4%	55.9%	$15.27	56.4%	$15.22	$ (0.05)	-0.3%	$13.06	$ (2.16)	-14.2%

Impact of statutory exemptions on the Municipal Tax Rate:

	2018	2019	2020	2021	2022
To Be Raised By Property Taxes	$20,941,893	$21,578,951	$22,294,860	$22,914,416	$23,627,318
Net Valuation on Which the Municipal Tax Rate is Calculated	$1,908,962,821	$1,916,260,556	$2,237,505,225	$2,280,025,952	$2,737,088,398
Municipal Tax Rate	$10.97	$11.25	$9.96	$10.06	$8.62
Statutory Exemptions	$8,524,800	$8,469,000	$8,729,200	$9,941,200	$18,074,944
TIF Districts	$0	$0	$15,823,052	$14,296,284	$31,620,662
Net Valuation on Which the Municipal Tax Rate is Calculated WITHOUT Statutory Exemptions	$1,917,487,621	$1,924,729,556	$2,262,057,477	$2,304,725,724	$2,787,224,271
Municipal Tax Rate WITHOUT Statutory Exemptions	$10.92	$10.88	$9.86	$9.95	$8.48

NON-PROPERTY TAX REVENUES:

The five largest budgeted non-property tax revenue sources:

Revenue Source	Amount
Motor Vehicle/Boat Registrations	$2,700,000
Payment-In-Lieu of Taxes	$1,925,880
Administrative Overhead	$1,278,050
Fire Department Ambulance Fees	$1,194,930
Landfill Host Community Payment	$550,000
Total	$7,648,860

Motor Vehicle Registrations: $2,700,000 is anticipated to be realized from motor vehicle registrations and $60,900 from Motor Vehicle Agent Fees ($4.00 per registration for doing State portion of motor vehicle transaction). Additionally, $61,100 is expected to be collected in Motor Vehicle Transportation

Fund Fees (NH RSA 261:153 VI, adopted by the City Council March 1, 2006) in addition to $6,800 as the administrative component of collecting those fees ($5.00 fee – $0.50 retained by City). The $61,100 is conceived as offsetting the cost in property taxes of providing financial assistance to Advance Transit.

Payment-In-Lieu of Taxes Source	Amount
Lebanon Housing Authority	$40,310
Mascoma Hydro	$3,000
Rivermill Hydro	$1,720
DHMC	$1,866,540
Parkhurst	$10,000
Solar Pilot	$4,310
Total	$1,925,880

Payment-in-Lieu-of-Taxes (PILOT): The City receives statutory PILOTs from the Lebanon Housing Authority, Mascoma Hydro and Rivermill Hydro and a negotiated PILOT from Dartmouth-Hitchcock Medical Center.

The Rivermill PILOT (Rivermill Hydroelectric, Inc.) is for the Rivermill Hydro behind Rivermill complex off Mechanic Street; the Mascoma Hydro PILOT (Enel North America, Inc.) is for the generating facility across the Mascoma River from the Powerhouse Mall.

[While not a PILOT, the City also receives lease payments from Enel North America, Inc. for the Glen Road Dam and related property. A penstock – pipe – runs from the dam to the generating facility.]

The annual contribution from DHMC is calculated based on several factors spelled out by Agreement with DHMC including provision for a 2.5% annual escalator; protection from losing revenue as a result of DHMC acquiring previously taxed property and beginning to use it for exempt purposes; and receipt of an increased contribution each time DHMC expanded or constructed new improvements. All acquisitions used for exempt purposes after 2002 and all increases in square footage of exempt space after 2002 require an increase to the PILOT in annual contribution. In accordance with the Agreement both parties agreed "… that commencing January 1, 2018, they will begin discussion to renew or extend this Agreement; and in agreeing to meet they also agree to negotiate in good faith toward reaching an accord by December 31, 2020." In December 2020, there was an amendment to Article IV, Paragraph 1 of the PILOT Agreement amended by replacing it in its entirety with the following:

Term: The term of this Agreement, which began with the calendar year commencing January 1, 2001, shall be extended beginning with the calendar year commencing January 1, 2021 and shall expire on December 31, 2040, unless earlier terminated pursuant to the provisions of this Agreement The tax years subject to the terms of this Agreement commence with the tax year beginning on April 1, 2021 and end at the conclusion of the tax year beginning on April 1, 2040 The parties agree that commencing January 1, 2039, they will begin discussions to renew or extend this Agreement, and in agreeing to meet they also agree to negotiate in good faith toward reaching an accord by December 31, 2040.

Administrative Overhead: Is appropriated share of the prior year operating budget for the Department of Public Works administrative and general administration expenses (including full funding of the sewer and water billing and collections clerk), independent audit costs, copying, and postage expenses allocated to the Solid Waste Disposal, Water Treatment and Distribution, Sewage Collection and Disposal and Municipal Airport Funds.

Budgeted Fund	2021 Budget	2022 Budget	2023 Budget	$ Chg.	% Chg.
Solid Waste Disposal Fund	$315,490	$337,990	$350,210	$12,220	3.62%
Water Treatment and Distribution Fund	$302,070	$289,290	$318,670	$29,380	10.16%
Sewage Collection and Disposal Fund	$491,620	$491,430	$550,480	$59,050	12.02%
Municipal Airport Fund	$55,750	$59,170	$58,690	($480)	-0.81%
Total	$1,164,930	$1,177,880	$1,278,050	$100,170	8.50%

State of New Hampshire: The City receives funds from the State in the form of Highway Block Grants, Meals & Rooms Tax Distribution, State Bridge Aid, State Aid Grants and Environmental Grants.

Fire Department Ambulance Fees: Ambulance Fees were last updated in 2021. As of September 30, 2022, revenue from the collection of ambulance fees totaled $707,758.

Landfill Host Community Fees: The General Fund receives a per ton (adjusted annually based on a consumer price index) host community fee from the Solid Waste Disposal Fund, not unlike a payment-in-lieu-of-taxes, as compensation for the irreversible loss of City property that might otherwise have been capable of tax revenue generation. The City takes in municipal solid waste from 22 communities including 12 from Vermont. The 2021 rate was $15.73 per ton; actual was 35,271 tons. Non-property tax revenue to the General Fund, Host Community Fees for the past six years have been: $552,508 (2016), $566,138 (2017) $596,393 (2018),585,560 (2019), $524,080 (2020) and $554,814 (2021). The 2022 rate is $16.36/ton. As of September 30th, 26,696 tons have been processed suggesting about 35,668 tons for the year.

SOLID WASTE DISPOSAL FUND

Estimated revenues are $4,311,230 an increase of $184,000 from 2022. As budgeted, expenditures exceed estimated revenues, therefore, Unassigned Fund Balance is planned for use in balancing the 2023 Solid Waste Disposal Fund Budget.

SOLID WASTE DISPOSAL FUND				
Source of Revenues	2021 Budget	2022 Budget	2023 Budget	$ Chg.
Intergovernmental	$12,830	$11,230	$11,230	$0
Charges for Services	$4,450,000	$4,080,000	$4,265,000	$185,000
Other	$25,000	$36,000	$35,000	($1,000)
Total	$4,487,830	$4,127,230	$4,311,230	$184,000
Applied/(Realized) Fund Balance	$11,000	($80,780)	$605,000	$685,780
Total Revenues and Fund Balance	$4,498,830	$4,046,450	$4,916,230	$869,780

The grant is contingent on State appropriation.

Solid Waste Disposal Fund - Unassigned Fund Balance history 1998 – 2020; unaudited 2021:

Financial Condition

Year	Unassigned Fund Balance	Year	Unassigned Fund Balance	Year	Unassigned Fund Balance
1998	$462,927	2007	$1,187,292	2016	$3,632,027
1999	$1,052,931	2008	$912,582	2017	$4,033,775
2000	$1,156,835	2009	$872,348	2018	$2,218,100
2001	$1,132,612	2010	$1,189,660	2019	$2,688,484
2002	$1,361,447	2011	$2,064,026	2020	$2,898,244
2003	$965,797	2012	$2,603,476	2021**	$2,999,702
2004	$1,216,604	2013	$2,382,030	**unaudited	
2005	$1,288,234	2014	$2,991,939		
2006	$1,410,827	2015	$3,286,395		

NOTE: Unassigned fund balance is that portion of total fund balance available for expenditure; projected unassigned fund balances are based on the best information available when the proposed 2023 City Budget was prepared.

WATER TREATMENT AND DISTRIBUTION FUND

Estimated revenues are $4,436,960, an increase of $226,150 from 2022. As budgeted, expenditures do not exceed revenues, therefore, no Unassigned Fund Balance is planned for use in balancing the 2023 Water Treatment and Distribution Fund Budget.

WATER TREATMENT AND DISTRIBUTION FUND				
Source of Revenues	2021 Budget	2022 Budget	2023 Budget	$ Chg.
Intergovernmental	$34,500	$33,880	$33,210	($670)
Charges for Services	$3,773,000	$3,857,070	$4,086,480	$229,410
Other	$37,430	$26,500	$24,000	($2,500)
Interfund Transfers	$285,620	$293,360	$293,270	($90)
Total	$4,130,550	$4,210,810	$4,436,960	$226,150
Applied/(Realized) Fund Balance	($406,260)	($69,520)	$0	$69,520
Total Revenues and Fund Balance	$3,724,290	$4,141,290	$4,436,960	$295,670

The 2022 City Budget provides an increase of 8.0% to the water service rate effective January 1, 2023.

On May 15, 2019, (effective July 1, 2019) the City Council amended the fee structure for water and sewer service rates. The former fee structure was based on overall usage and contained a provision for a minimum use charge. The adopted fee structure includes a base charge by meter size, a volumetric tier for single-family residential properties, and removes the minimum charge.

Financial Condition

Water Treatment and Distribution Fund - Unassigned Fund Balance history 1998 – 2020; unaudited 2021:

Year	Unassigned Fund Balance	Year	Unassigned Fund Balance	Year	Unassigned Fund Balance
1998	$189,510	2007	$763,236	2016	$1,146,031
1999	$463,845	2008	$591,526	2017	$1,730,562
2000	$174,407	2009	$7,774	2018	$2,450,804
2001	$274,433	2010	($264,519)	2019	$2,611,887
2002	$702,381	2011	$272,443	2020	$3,129,632
2003	$1,288,962	2012	$638,270	2021**	$3,448,418
2004	$717,355	2013	$441,565	**unaudited	
2005	$677,438	2014	$904,007		
2006	$643,447	2015	$892,409		

SEWAGE COLLECTION AND DISPOSAL FUND

Estimated revenues are $7,862,020, an increase of $584,790 from 2022. As budgeted, expenditures do not exceed revenues, therefore, no Unassigned Fund Balance is planned for use in balancing the 2023 Sewer Collection and Disposal Fund Budget.

SEWAGE COLLECTION AND DISPOSAL FUND				
Source of Revenues	2021 Budget	2022 Budget	2023 Budget	$ Chg.
Intergovernmental	$304,420	$299,760	$365,490	$65,730
Charges for Services	$7,028,900	$6,954,970	$7,470,530	$515,560
Other	$35,250	$22,500	$26,000	$3,500
Total	$7,368,570	$7,277,230	$7,862,020	$584,790
Applied/(Realized) Fund Balance	($239,580)	($12,900)	$0	$12,900
Total Revenues and Fund Balance	$7,128,990	$7,264,330	$7,862,020	$597,690

The 2022 City Budget provides an increase of 7.2% to the sewer service rate effective January 1, 2022.

Financial Condition

Sewage Collection and Disposal Fund - Unassigned Fund Balance history 1998 – 2020; unaudited 2021:

Year	Unassigned Fund Balance	Year	Unassigned Fund Balance	Year	Unassigned Fund Balance
1998	$314,586	2007	$24,833	2016	$3,151,363
1999	$451,047	2008	($63,657)	2017	$3,155,891
2000	$453,170	2009	$128,306	2018	$3,005,766
2001	$627,705	2010	$927,063	2019	$2,457,262
2002	$390,293	2011	$1,469,864	2020	$2,484,206
2003	$433,932	2012	$1,868,356	2021**	$3,296,467
2004	$324,982	2013	$1,332,373	**unaudited	
2005	($29,043)	2014	$2,648,713		
2006	($300,318)	2015	$3,327,697		

NOTE: Unassigned Fund Balance is that portion of total fund balance available for expenditure; projected Unassigned Fund Balances are based on the best information available when the proposed 2023 City Budget was prepared.

MUNICIPAL AIRPORT FUND

Estimated revenues are $1,810,620, an increase of $881,580 from 2022. As budgeted, expenditures exceed estimated revenues by $556,160. Unassigned Fund Balance is planned for use in balancing the 2023 Municipal Airport Fund Budget.

MUNICIPAL AIRPORT FUND

Source of Revenues	2021 Budget	2022 Budget	2023 Budget	$ Chg.
Intergovernmental	$0	$0	$687,150	$0
Charges for Services	$969,030	$927,840	$1,121,670	$193,830
Other	($1,200)	$1,200	$1,800	$600
Interfund Transfers	$224,960	$0	$0	$0
Total	$1,192,790	$929,040	$1,810,620	$881,580
Applied/(Realized) Fund Balance	$165,460	$550,270	$224,850	($325,420)
Total Revenues and Fund Balance	$1,358,250	$1,479,310	$2,035,470	$556,160

The General Fund provides resources to address the actual Municipal Airport Fund deficit from two years preceding the budgeted year based on operating results from actual audited expenditures, revenues, and encumbrances (purchase orders outstanding), and other adjustments, affecting the Municipal Airport Fund's Unassigned Fund Balance.

Financial Condition

Municipal Airport Fund - Unassigned Fund Balance history 1998 – 2020; unaudited 2021:

Year	Unassigned Fund Balance	Year	Unassigned Fund Balance	Year	Unassigned Fund Balance
1998	$44,008	2007	($779,775)	2016	($576,965)
1999	($10,709)	2008	($1,226,451)	2017	($584,225)
2000	($140,110)	2009	($716,815)	2018	($630,622)
2001	($267,716)	2010	($468,418)	2019	($611,594)
2002	($385,609)	2011	($414,065)	2020	$371,114
2003	($36,152)	2012	($385,189)	2021**	$358,500
2004	($32,670)	2013	($209,534)	**unaudited	
2005	($80,106)	2014	($150,219)		
2006	($265,497)	2015	($347,134)		

NOTE: Unassigned Fund Balance is that portion of total fund balance available for expenditure; projected Unassigned Fund Balances are based on the best information available when the proposed 2023 City Budget was prepared.

EMERGENCY MANAGEMENT FUND

Estimated revenues are $25,000, unchanged from 2022. Budgeted expenditures are the same as estimated revenues. Unassigned Fund balance is not affected by the budget.

EMERGENCY MANAGEMENT FUND				
Source of Revenues	2021 Budget	2022 Budget	2023 Budget	$ Chg.
Interfund Transfers	$25,000	$25,000	$25,000	$0
Total	$25,000	$25,000	$25,000	$0
Applied/(Realized) Fund Balance	$0	$0	$0	$0
Total Revenues and Fund Balance	$25,000	$25,000	$25,000	$0

Financial Condition

Emergency Management Fund - Unassigned Fund Balance history 2006 – 2019; projected 2020 – 2023:

Year	Unassigned Fund Balance	Year	Unassigned Fund Balance	Year	Unassigned Fund Balance
1998	-	2007	$9,289	2016	$56,496
1999	-	2008	$12,744	2017	$64,625
2000	-	2009	$14,781	2018	$70,479
2001	-	2010	$22,410	2019	$92,110
2002	-	2011	$23,828	2020	$61,479
2003	-	2012	$33,023	2021**	$82,535
2004	-	2013	$38,306	*unaudited	
2005	-	2014	$42,344		
2006	$8,289	2015	$45,411		

NOTE: Unassigned fund balance is that portion of total fund balance available for expenditure; projected unassigned fund balances are based on the best information available when the proposed 2023 City Budget was prepared.

HERITAGE FUND

Estimated revenues are $400, unchanged from 2021. Budgeted expenditures are the same as estimated revenues. Unassigned Fund balance is not affected by the budget.

HERITAGE FUND				
Source of Revenues	2021 Budget	2022 Budget	2023 Budget	$ Chg.
Interfund Transfers	$400	$400	$400	$0
Total	$400	$400	$400	$0
Applied/(Realized) Fund Balance	$0	$0	$0	$0
Total Revenues and Fund Balance	$400	$400	$400	$0

Financial Condition

Year	Unassigned Fund Balance	Year	Unassigned Fund Balance
2007	$871	2016	$4,604
2008	$4,596	2017	$7,455
2009	$6,496	2018	$7,063
2010	$6,496	2019	$5,460
2011	$5,927	2020	$5,760
2012	$5,887	2021**	$6,160
2013	$4,763	**unaudited	
2014	$4,706		
2015	$4,706		

CAPITAL IMPROVEMENTS FUND

Estimated revenues are $39,255,540, an increase of $22,890,200 from 2022.

CAPITAL IMPROVEMENTS FUND				
Source of Financing	2021 Budget	2022 Budget	2023 Budget	$ Chg.
Intergovernmental (Grants)	$1,110,000	$5,255,250	$19,210,870	$13,955,620
Other (Contributions)	$920,000	$707,730	$4,768,360	$4,060,630
Interfund Transfers (Existing Funds)	$1,228,000	$911,450	$2,286,700	$1,375,250
Bond Proceeds (Debt Issuance)	$6,467,141	$9,490,910	$12,989,610	$3,498,700
Total	$9,725,141	$16,365,340	$39,255,540	$22,890,200
Applied (Realized) Fund Balance	$0	$0	$0	$0
Total Revenues and Fund Balance	$9,725,141	$16,365,340	$39,255,540	$22,890,200

SAG (STATE AID GRANT)

The following are SAG grant revenues that the City currently receives.

SAG Grant #	Title	Fiscal Years to Receive	Total Amount
C-769	Wastewater Treatment Facility Upgrade	2009-2028	$526,264
C-844	CSO Contracts #1,#2,#3 & Design for #4	2014-2042	$851,373
C-874	WWTF Phase 2 Upgrade & Energy Evaluation Improvements	2018-2037	$3,237,632
C-899	CSO & Utility Improvements Phase 9	2020-2039	$563,028
C-903	CSO10: Dana & Craft Avenue Area	2020-2039	$746,817
C-924	CSO11-Phase 1	2020-2039	$626,649
C-928	Etna Road-NH Rt120 Sewer Replacement	2020-2043	$1,980,632

TAX INCREMENT FINANCE DISTRICT (TIFD)

DOWNTOWN LEBANON TIFD				
Source of Revenues	2021	2022	2023	$ Chg.
Taxes	$428,630	$385,700	$623,770	$0
Total	$428,630	$385,700	$623,770	$0
Applied/(Realized) Fund Balance	$0	$0	$0	$0
Total Revenues and Fund Balance	$428,630	$385,700	$623,770	$0

AIRPORT TECH PARK TIFD				
Source of Revenues	2021	2022	2023	$ Chg.
Taxes	$10	$10	$10	$0
Total	$10	$10	$10	$0
Applied/(Realized) Fund Balance	$0	$0	$0	$0
Total Revenues and Fund Balance	$10	$10	$10	$0

Financial Condition

DOWNTOWN LEBANON TIFD	
Year	Spendable Fund Balance
2020	$429,270
2021 unaudited	$527,464

AIRPORT TECH PARK TIFD	
Year	Spendable Fund Balance
2020	$13.00
2021 unaudited	$26.00

INTERFUND TRANSFERS

Budgets are adopted by the City Council on a fund basis. A fund segregates resources (revenues) and requirements (expenditures) that are legally restricted to specific uses. The City has six budgeted operating funds and a capital fund where the acquisition or construction of major, expensive and long-lived capital facilities are budgeted.

Interfund Transfers consist of transferring resources between funds of a nonreciprocal character. Unlike regular expenditure exchange transactions where goods are provided or services rendered (by a third-party external to the City), transactions are confined between internal funds.

The 2023 Interfund Transfers Budget is $5,602,470, an increase of $603,395 from 2022.

Function		2021 Budget	2022 Budget	2023 Budget	$ Chg.	%Chg.
Interfund Transfers	Total	$5,897,380	$4,999,075	$5,602,470	$603,395	12.1%
Budgeted Fund						
General		$2,305,980	$1,830,290	$1,096,900	($733,390)	-40.1%
Solid Waste Disposal		$1,800,490	$1,455,040	$2,169,450	$714,410	49.1%
Water Treatment and Distribution		$557,070	$571,340	$602,210	$30,870	5.4%
Sewage Collection and Disposal		$875,190	$672,860	$1,010,680	$337,820	50.2%
Municipal Airport		$60,750	$181,225	$443,630	$262,405	144.8%
Downtown TIFD		$297,900	$288,320	$279,600	($8,720)	
	Total	$5,897,380	$4,999,075	$5,602,470	$603,395	12.1%
Activity						
Transfers to General Fund		$2,016,400	$2,127,865	$2,226,550	$98,685	4.6%
Transfers to Enterprise Funds		$510,580	$293,360	$298,820	$5,460	1.9%
Transfers to Special Revenue Funds		$25,400	$25,400	$25,400	$0	0.0%
Transfers to Capital Improvements Fund		$1,480,000	$981,450	$1,251,700	$270,250	18.3%
Transfers to Capital Reserve Funds		$1,865,000	$1,571,000	$1,800,000	$229,000	14.6%
	Total	$5,897,380	$4,999,075	$5,602,470	$603,395	12.1%

Transfers to General Fund

The 2023 Transfers to General Fund Budget is $1,861,670, an increase of $100,270 from 2022.

Program		2021 Budget	2022 Budget	2023 Budget	$ Chg.	%Chg.
Administrative Overhead		$1,164,930	$1,207,940	$1,308,330	$100,390	8.3%
Compensate for Use of Bond Proceeds		$3,570	$3,460	$3,340	($120)	-3.5%
Host Community Fees		$550,000	$550,000	$550,000	$0	0.0%
	Total	$1,718,500	$1,761,400	$1,861,670	$100,270	5.7%

Administrative Overhead: The Solid Waste Disposal, Water Treatment and Distribution, Sewage Collection and Disposal, and Municipal Airport Funds, are annually assessed an administrative overhead charge. Administrative overhead is an allocation of a prorated share of Department of Public Works administrative expenses, general administration expenses (including full funding of the sewer and water billing collections clerk), independent audit costs, copying and postage expenses. Administrative Overhead is revenue to the General Fund.

Budgeted Fund		2021 Budget	2022 Budget	2023 Budget	$ Chg.	%Chg.
Solid Waste Disposal Fund		$315,490	$337,990	$350,210	$12,220	3.6%
Water Treatment and Distrbution Fund		$302,070	$289,290	$317,670	$28,380	9.8%
Sewage Collection and Disposal Fund		$491,620	$521,490	$583,360	$61,870	11.9%
Municipal Airport Fund		$55,750	$59,170	$57,090	($2,080)	-3.5%
	Total	$1,164,930	$1,207,940	$1,308,330	$100,390	8.3%

Compensation for Use of Bond Proceeds: The Sewage Collection and Disposal Fund provides $3,340 as compensation for the use of bond proceeds (2009 CSO and 2010 CSO) to fund the 2013 Storm Recovery West Lebanon Sewer Interceptor capital improvement project as authorized by the City Council.

Budgeted Fund		2021 Budget	2022 Budget	2023 Budget	$ Chg.	%Chg.
Sewage Collection and Disposal Fund	Total	$3,570	$3,460	$3,340	($120)	-3.5%

Landfill Host Community Fees: The General Fund receives a per ton (adjusted annually based on a consumer price index) host community fee from the Solid Waste Disposal Fund, not unlike a payment-in-lieu-of-taxes, as compensation for the irreversible loss of City property that might otherwise have been capable of tax revenue generation. The City takes in municipal solid waste from 22 communities including 12 from Vermont. The 2021 rate was $15.73 per ton; actual was 35,271 tons. Non-property tax revenue to the General Fund, Host Community Fees for the past six years have been: $552,508 (2016), $566,138 (2017) $596,393 (2018),585,560 (2019), $524,080 (2020) and $554,814 (2021). The 2022 rate is $16.36/ton. As of September 30th, 26,696 tons have been processed suggesting about 35,668 tons for the year. The 2023 Solid Waste Disposal Fund transfer to the General Fund for Host Community Fees expenditure budget is $550,000.

Budgeted Fund		2021 Budget	2022 Budget	2023 Budget	$ Chg.	%Chg.
Solid Waste Disposal Fund	Total	$550,000	$550,000	$550,000	$0	0.0%

Downtown TIFD transfer: The Downtown TIFD budget transfers monies to the General Fund to cover for Downtown Tunnel Capital Project bond payment. The bond payment for 2022 is $288,320.

Budgeted Fund	2021 Budget	2022 Budget	2023 Budget	$ Chg.	%Chg.
Downtown TIFD	$297,900	$288,320	$279,600	($8,720)	-3.0%

Transfers to Enterprise Funds

<u>The 2023 Transfers to Enterprise Funds is $326,730, an increase of $7,970 from 2022.</u> This is due to not having the subsidy transferred to the Airport for 2023.

Budgeted Fund		2021 Budget	2022 Budget	2023 Budget	$ Chg.	%Chg.
from General Fund to Water Fund		$260,620	$268,440	$276,500	$8,060	3%
from General Fund to Municipal Airport Fund		$224,980	$0	$0	$0	0%
from Sewage Collection and Disposal Fund to Water Fund		$25,000	$24,920	$24,830	-$90	-0.4%
	Total	$510,600	$293,360	$301,330	$7,970	2.7%

<u>Water Treatment and Distribution Fund:</u> The General Fund transfers to the Water Treatment and Distribution Fund each year for municipal fire protection (in the form of hydrant maintenance, 3.0% increase each year) For 2023, the amount is $276,500 an increase of $8,060 from 2022.

<u>Transfers to Municipal Airport Fund</u>: The General Fund provides resources to address the actual Municipal Airport Fund deficit from two-years preceding the budgeted year based on audited Municipal Airport Fund's spendable fund balance. There will be zero monies transferred for 2022 and 2023, the 2021 subsidy was $224,960. See Addendum for background information on the development of the Municipal Airport Fund subsidy including a review of past and projected subsidies.

<u>Sewage Collection and Disposal Fund</u>: The Sewage Collection and Disposal Fund provides $24,830 ($22,320 and $2,510) for transfer to the Water Treatment and Distribution Fund to cover 50% of debt service costs related to the Water Meter Radio Read Conversion project completed in 2012. [The total loan through the State Revolving Fund program was $1,294,062; federal financial assistance of $647,031 in principal forgiveness was provided from the American Recovery and Reinvestment Act of 2009 through the State.] Additionally, the Sewage Collection and Disposal Fund provides $2,510 to Water Treatment and Distribution Fund as compensation for use of bond proceeds (2009 CSO and 2010 CSO) to fund the 2013 Storm Recovery West Lebanon Sewer Interceptor Improvement project as authorized by the City Council.

Future payments to the Water Treatment and Distribution Fund from the Sewage Collection and Disposal Fund for 50% of debt service costs related to the Water Meter Radio Read Conversion project are as follows:

	2021	2022	2023	2024	2025
	$22,320	$22,320	$22,320	$22,320	$22,320
2026	2027	2028	2029	2030	2031
$22,320	$22,320	$22,310	$22,320	$22,320	$22,320

Future payments to the Water Treatment and Distribution Fund from the Sewage Collection and Disposal Fund for the use of bond proceeds:

		2021	2022	2023	2024	
		$2,680	$2,600	$2,510	$2,420	
2025	2026	2027	2028	2029	2030	2031
$2,330	$2,250	$2,160	$2,080	$1,990	$1,900	$1,380

Transfers to Special Revenues Fund

The 2023 Transfers to Special Revenues Fund Budget is $25,400. Special Revenue Funds include the Emergency Management Fund and the Heritage Fund.

Budgeted Fund		2021 Budget	2022 Budget	2023 Budget	$ Chg.	%Chg.
General Fund to Emergency Management Fund		$25,000	$25,000	$25,000	$0	0.0%
General Fund to Heritage Fund		$400	$400	$400	$0	0.0%
	Total	$25,400	$25,400	$25,400	$0	0%

Transfers to Emergency Management Fund: The General Fund provides resources to the Emergency Management Fund (related equipment and supplies), which is that Fund's only source of financing. The 2023 transfer is $25,000, unchanged from 2022.

Transfers to Heritage Fund: The Heritage Fund is the Heritage Commission's only source of financing. It supports public engagement/outreach efforts and events as well as the Historic Landmark Designation Program and has been used to fund match requirements for grant proposals. The 2023 transfer is $400, unchanged from 2022.

Transfers to Capital Improvements Fund

The 2023 Transfers to Capital Improvements Fund Budget is $1,251,700.

Budgeted Fund		2021 Budget	2022 Budget	2023 Budget	$ Chg.	%Chg.
General		$1,040,000	$691,450	$0	($691,450)	-100.0%
Solid Waste Disposal Fund		$440,000	$200,000	$899,700	$699,700	349.9%
Water Treatment and Distribution		$0	$0	$0	$0	0.0%
Sewage Collection and Disposal		$0	$0	$0	$0	0.0%
Municipal Airport Fund		$0	$90,000	$352,000	$262,000	291.1%
	Total	$1,480,000	$981,450	$1,251,700	$270,250	27.5%

Project		2021 Budget	2022 Budget	2023 Budget
DPW (20 Spencer Street) cleanup		$700,000	$140,000	$0
DPW Vehicles/Equipment			$396,700	$0
Mechanic Street Sidewalk Improvements		$0	$134,750	$0
Landfill Equipment		$0	$0	$255,000
Landfill Gas & Collection		$290,000	$100,000	$144,700
Mount Support Special Assessment		$250,000	$0	$0
Lebanon Complete Streets/Multi-Model Plan		$25,000	$20,000	$0
Glenwood Cemetery-Columbarium		$65,000	$0	$0
Landfill PFAS Preliminary Study CIP		$50,000	$0	$0
Landfill Phase 3-4 Design & Permitting		$100,000	$100,000	$500,000
Runway Safety 18-36		$0	$90,000	$352,000
	Total	$1,480,000	$981,450	$1,251,700

Transfers to Capital Reserve Funds

Capital Reserve Funds are a statutory way for the City to set aside resources to finance all or part of the cost of capital improvements. The maintenance of Capital Reserve Funds is integral to supporting related expenditures in the capital budget. Without Capital Reserve Funds as a funding source, expenditures would have to be paid for through the issuance of long-term debt, capital leasing or operating transfers. The first two would be inflated by interest expense and likely affect rates (tax or service rates) over a ten to twenty-year period; the latter would have an immediate and full rate impact. Capital Reserve Funds are a pay-as-you-go form of financing; debt pay-as-you-use. Cities may establish reserve funds (RSA 34:1-a Non-Capital Reserve Funds Authorized) for the "…maintenance and operation of a specific public facility or type of facility, a specific item or type of equipment, or for any other distinctly stated, specific public purpose that is not foreign to its institution nor incompatible with the objects of its organization. Such funds shall be subject to all provisions and limitations of this chapter [RSA Chapter 34] as are applicable to capital reserve funds." The policy choice between the alternatives requires an analysis of the relevant benefits and costs associated with each.

On June 20, 2018, the City Council recognizing that in order "To ensure a strong foundation for the financing and completion of capital projects, an important component of capital improvement planning is long-term financial planning for future infrastructure improvements and acquisitions including saving-up for projects where pay-go financing will be used," adopted a Capital Reserve Policy "To achieve and maintain capital reserve fund capacity and capability as a pay-go financing supplement or alternative to debt issuance."

Advantages of Pay-As-You-Go Financing –

- Minimizes premature commitment of funds that should be reserved for operating expenditures or other purposes.

- Savings in interest and other issuance costs. Paying for capital assets with cash rather than financing with debt means that no interest cost is incurred along with the avoidance of various fees and expenses associated with issuing debt.

- Preservation of financial flexibility. Because this method of financing does not create a long-term obligation, greater flexibility is afforded in deciding how much revenue to commit each year to funding capital improvements.

- Protection of borrowing capacity. Relying on cash, in whole or part, to pay for capital improvements helps retain capacity to issue debt in future years.

Disadvantages of Pay-As-You-Go Financing –

- Insufficient funding for capital needs. Relying only on available cash may result in deferring necessary rehabilitation and renewal. This is because capital needs typically far exceed the amount of available cash in any one-year. Failure to undertake the improvements when necessary may result in higher-than-budgeted maintenance costs, interruptions in services and higher costs once the project is undertaken.

- Discourages intergenerational equity. An important principle in public finance is the equity principle; that is, those benefitting from a project should pay for it. Capital projects tend to have long useful lives, benefitting taxpayers over many years. Therefore, it is reasonable that the cost of these projects should be spread over the life of the assets and not borne by any one group of taxpayers.

- Unevenness in capital expenditures. Capital projects typically require large expenditure outlays over an extended time period. Paying for these assets with cash often produces unevenness in capital expenditures from year-to-year, depending on the magnitude of the project that must be acquired. Such variations could lead to substantial yearly variations in tax and other rates if complete pay-go financing is applied.

The 2023 Transfers to Capital Reserve Funds Budget is $1,800,000, an increase of $229,000 from 2022.

Program		2021 Budget	2022 Budget	2023 Budget	$ Chg.	%Chg.
Fire Department Equipment and Vehicles		$275,000	$325,000	$325,000	$0	0.0%
Department of Public Works Equipment and Vehicles		$350,000	$450,000	$450,000	$0	0.0%
Recreation and Parks Department Equipment and Vehicles		$20,000	$20,000	$20,000	$0	0.0%
Landfill Equipment		$100,000	$0	$0	$0	0.0%
Landfill Closeout/Long-Term Monitoring and Maintenance		$350,000	$295,000	$295,000	$0	0.0%
Landfill Extended Long-Term Monitoring and Maintenance		$40,000	$40,000	$40,000	$0	0.0%
Water Treatment and Distribution Improvements and Equipment		$250,000	$250,000	$250,000	$0	0.0%
Sewage Collection and Disposal Improvements and Equipment		$350,000	$121,000	$400,000	$279,000	230.6%
Accrued Benefits Liability Capital Trust Fund		$120,000	$70,000	$20,000	($50,000)	-71.4%
Dana House		$10,000	$0	$0	$0	0.0%
	Total	$1,865,000	$1,571,000	$1,800,000	$229,000	14.6%

2023 Capital Reserve Funds transfers from the General Fund are $795,000, a decrease of $50,000 from 2022. The change from the prior year is attributable to an $50,000 decrease to the Accrued Benefits Liability Capital Reserve Fund.

Program		2021 Budget	2022 Budget	2023 Budget	$ Chg.	%Chg.
Fire Department Equipment and Vehicles		$ 275,000	$ 325,000	$ 325,000	$ -	0.0%
Department of Public Works Equipment and Vehicles		$ 350,000	$ 450,000	$ 450,000	$ -	0.0%
Recreation and Parks Department Equipment and Vehicles		$ 20,000	$ 20,000	$ 20,000	$ -	0.0%
Dana House		$ 10,000	$ -	$ -	$ -	0.0%
Accrued Benefits Liability Capital Reserve Fund		$ 100,000	$ 50,000	$ -	$ (50,000)	-100.0%
	Total	$ 755,000	$ 845,000	$ 795,000	$ (50,000)	-5.9%

The Fire Department Equipment and Vehicles Capital Reserve Fund was established to aggregate resources for the acquisition of, and effecting capital repairs and maintenance to, Fire Department related equipment and vehicles. The balance as of 9/30/2022 is $622,095.

The DPW Equipment and Vehicles Capital Reserve Fund was established to aggregate resources for future capital needs related to Department of Public Works equipment and vehicle acquisition. The fund was established on December 15, 2010. The balance as of 9/30/2022 is $220,756.

The Recreation and Parks Department Equipment and Vehicles Capital Reserve Fund was established to aggregate resources to acquire, effect major repairs, maintenance and/or upgrades of related equipment and vehicles. The purpose of the fund was expanded to include related infrastructure and facility improvements fund renamed Recreation and Parks Improvements and Equipment Capital Reserve Fund. The fund was established on December 17, 2014; the purpose of the fund was expanded on December 16, 2015. The balance as of 9/30/2022 is $118,370.

The Parking Facilities Repairs and Maintenance Capital Reserve Fund was established to aggregate resources to effect repairs, maintenance and/or upgrades of infrastructure and facilities including the acquisition, installation and maintenance of related appurtenances for a City-owned parking lot at 4 Suzor Court (Tax Map 78, Lot 35) Lebanon. The City Manager was authorized to execute lease agreements for use of the parking lot by Geokon, Inc. The initial lease term was three-years at $7,000 per year. With the sale of Suzor Court to Geokon, Inc. in 2018 the lease payments ended. The fund was established on December 16, 2015. The balance as of 9/30/2022 is $27,755.

The Police Department Equipment, Vehicles and Improvements Capital Reserve Fund was established to aggregate resources to effect acquisitions, and capital repairs, maintenance and/or upgrades of Police Department related equipment, vehicles and facilities. The City Manager was named agent of the City to carry out the purpose of the fund. The fund was established on December 20, 2017. The balance as of 9/30/2022 is $90,303.

The Property Acquisition Capital Reserve Fund was established on 12/19/2018 to aggregate resources to acquire real estate or interests in real estate including property attached thereto as deemed in the City's interest. The inaugural deposit was for $50,000. On July 10, 2019, the Lebanon City Council retitled the fund to the "Library Facilities Capital Improvement Fund" and designated its purpose to acquire property, construct new facilities, and/or renovate existing library facilities. The balance as of 9/30/2021 is $50,099.

The Dana House Capital Reserve Fund was established on 12/19/2019 to aggregate resources to provide source of funds for renovating existing facility and/or for use as matching funds for grant applications. The City Manager was named agent of the City to carry out the purpose of the fund. The inaugural deposit was $50,000. The balance as of 9/30/2022 is $24,653.

General Fund Benefits Liability Capital Reserve Fund was established in 2020 to provide for the payment of accrued time owed to employees upon separation or retirement and that the City Manager shall be the agent of the City to carry out the purpose of this Fund as established by the City Council on December 28, 2019. The balance as of 9/30/2022 is $279,134.

2023 Capital Reserve Fund transfers from the Solid Waste Disposal Fund are $340,000, no changes from 2022. The change from the prior year results in decreasing the Landfill Closeout/Long-Term Monitoring and Maintenance and Host Community Fee which is based on processed tonnage, and a decrease in landfill equipment due to the leasing of equipment.

Program		2021 Budget	2022 Budget	2023 Budget	$ Chg.	%Chg.
Landfill Equipment		$100,000	$0	$0	$0	#DIV/0!
Landfill Closeout/Long-Term Monitoring and Maintenance		$350,000	$295,000	$295,000	$0	0.0%
Landfill Extended Long-Term Monitoring and Maintenance		$40,000	$40,000	$40,000	$0	0.0%
Accrued Benefits Liability Capital Reserve Fund		$5,000	$5,000	$5,000	$0	0.0%
	Total	$495,000	$340,000	$340,000	$0	0.0%

The Lebanon Regional Solid Waste Facility consists of a closed unlined municipal solid waste (MSW) landfill, closed construction and demolition debris landfill (C&D), and a lined MSW landfill. In addition to processing City municipal solid waste (MSW), MSW is accepted from 12 Vermont and 10 New Hampshire communities.

The Landfill Equipment Capital Reserve Fund was established to aggregate resources for future capital needs related to landfill equipment and vehicle acquisition, repairs and maintenance. The balance as of 9/30/2022 is $486,630.

The Landfill Extended Long-Term Monitoring and Maintenance Entire Facility Capital Reserve Fund was established to aggregate resources to ensure that additions are made as needed for anticipated long-term monitoring and maintenance encompassing the entire landfill site including the unsecured (unlined), construction and demolition debris and secured (lined) landfills. Established as a City initiative, the expenditure of these funds does not require the knowledge and consent of the New Hampshire Department of Environmental Services. The balance as of 9/30/2022 is $755,038.

Landfill Closeout/Long-Term Monitoring and Maintenance Secured (Lined) Facility Capital Reserve Fund - Owners of municipal solid-waste landfills are required to provide financial assurance that they will meet their legal obligation to close, monitor, and properly maintain (for a 30-year period) landfill sites once no longer in active use.

This fund is mandated by the State and established to aggregate resources on an annual basis sufficient to ensure that monthly additions are made with payments based on a per ton rate – determined annually by the City's engineers – applied to processed tonnage. Moneys set aside contemporaneously and cumulatively shall be used only for the purpose for which the Capital Reserve Fund was established which shall not be changed without the knowledge and consent of the New Hampshire Department of Environmental Services. The balance as of 9/30/2021 is $8,765,837.

The Landfill Improvements Capital Reserve Fund was established to aggregate resources for future capital needs related to landfill infrastructure and facilities improvements, repairs and maintenance. The balance as of 9/30/2022 is $309,037.

The Landfill Accrued Benefits Liability Capital Reserve Fund was established in 2020 to provide for the payment of accrued time owed to employees upon separation or retirement. The City Manager was named the agent of the City to carry out the purpose of this Fund as established by the City Council on December 28, 2019. The balance as of 9/30/2022 is $52,199.

2023 Capital Reserve Fund transfers from the Water Treatment and Distribution Fund is $255,000, no change from 2022.

Program		2020 Budget	2021 Budget	2023 Budget	$ Chg.	%Chg.
Water Treatment and Distribution Improvements and Equipment		$250,000	$250,000	$250,000	$0	0.0%
Accrued Benefits Liability Capital Reserve Fund		$5,000	$5,000	$5,000	$0	0.0%
	Total	$255,000	$255,000	$255,000	$0	0.0%

The Water Treatment and Distribution Improvements and Equipment Capital Reserve Fund was established to aggregate resources for future capital needs related to water treatment and distribution facilities, equipment (including vehicles) and infrastructure development, improvement and acquisition (including maintenance and repairs). The balance as of 9/30/2022 is $1,036,868.

The Water Accrued Benefits Liability Capital Reserve Fund was established in 2020 to provide for the payment of accrued time owed to employees upon separation or retirement. The City Manager was named the agent of the City to carry out the purpose of this Fund as established by the City Council on December 28, 2019. The balance as of 9/30/2022 is $41,954.

2023 Capital Reserve Fund transfers from the Sewage Collection and Disposal Fund is $405,000, an increase of $279,000,

Program		2021 Budget	2022 Budget	2023 Budget	$ Chg.	%Chg.
Sewage Collection and Disposal Improvements and Equipment		$350,000	$121,000	$400,000	$279,000	230.6%
Accrued Benefits Liability Capital Reserve Fund		$5,000	$5,000	$5,000	$0	0.0%
	Total	$355,000	$126,000	$405,000	$279,000	221.4%

The Sewage Collection and Disposal Improvements and Equipment Capital Reserve Fund was established to aggregate resources for future capital needs related to sewage collection and disposal facilities, equipment and infrastructure development, improvement and acquisition. The fund was established December 18, 2007. The balance as of 9/30/2022 is $730,685.

The Sewer Accrued Benefits Liability Capital Reserve Fund was established in 2020 to provide for the payment of accrued time owed to employees upon separation or retirement. The City Manager was named the agent of the City to carry out the purpose of this Fund as established by the City Council on December 28, 2019. The balance as of 9/30/2022 is $59,028.

2023 Capital Reserve Fund transfers from the Airport Fund is $5,000, no change from 2022.

Program	2021 Budget	2022 Budget	2023 Budget	$ Chg.	%Chg.
Accrued Benefits Liability Capital Reserve Fund	$5,000	$5,000	$5,000	$0	100.0%

The Airport Accrued Benefits Liability Capital Reserve Fund was established in 2020 to provide for the payment of accrued time owed to employees upon separation or retirement. The City Manager was named the agent of the City to carry out the purpose of this Fund as established by the City Council on December 28, 2019. The balance as of 9/30/2022 is $25,262.

Addendum

Municipal Airport Fund Subsidy Provided by General Fund -- City money is pooled for investment and cash management purposes. Records are maintained identifying ownership of cash by fund. Cash inflows and outflows associated with pooled cash are accounted for in the General Fund. The normal interfund relationship – that is, cash inflows of other funds exceeding cash outflows – is the General Fund owing money to other City funds and other City funds correspondingly owed money by the General Fund. Prior to December of 2008, the continued and growing Municipal Airport Fund deficit (both cash position and spendable fund balance) impacted the General Fund as the net effect was an interfund loan being created whose repayment appeared problematic thus resulting in an overstatement of General Fund spendable fund balance.

The extent to which the Municipal Airport Fund's spendable fund balance deficit increased, thus increasing the amount the General Fund reserved as a Municipal Airport Fund receivable, had the potential of effectively requiring that the municipal property tax be raised to maintain the General Fund spendable fund balance target. Put differently, the amount incrementally reserved are funds that could otherwise could have gone to either restore, or maintain, the General Fund spendable fund balance, or used to mitigate property taxes. Policy considerations were being preempted by otherwise proper accounting procedure.

This was remedied by City Council action which amended Chapter 8: Airport Operations of the Code of the City of Lebanon. On December 3, 2008, the City Council deleted Section 8-3 thereby providing the option henceforth of transferring funds to the Municipal Airport Fund. Prior to amendment, Section 8-3 required the Lebanon Airport to be self-supporting on revenue generated from commercial activities. This also cleared the way for succinctly identifying the Municipal Airport's impact on property taxes.

The intent regarding the nature of the 2009 transfer, and subsequent transfers, delineated below, is the technical, but important, distinction that future transfers are not loans, or advances, but rather subsidies, or contributions, to the Municipal Airport Fund. A loan or advance would not address the fund deficit issue as proceeds to the Municipal Airport Fund would be classified as a liability (an obligation) and not as revenue (a resource). With commencement of the annual appropriation to the Municipal Airport Fund, as long as deficit conditions continue, the reservation of funds in the General Fund will cease, and future transfer impact on the municipal tax rate will be recognized on a contemporaneous basis.

With respect to action in connection with adopting future budgets, the plan and methodology is to annually budget moneys sufficient to address the actual Municipal Airport Fund deficit from two-years preceding the budgeted year, based on operating results from actual audited expenditures, revenues and encumbrances (purchase orders outstanding) and other adjustments that may affect the Municipal Airport Fund's spendable fund balance.

- While the subsidy calculation is contemporaneous, the numbers on which it is based are not. It was felt important that the calculation be based on objective, independently verified information. The calculation is therefore based on the most recently available audited (cumulative) fund balance; NOT the result of a single year's activity. For example, the 2021 budgeted subsidy was based on the 2019 audit; the 2022 budgeted subsidy was based on the 2020 audit.

- Activity means the net result of the difference between *actual* revenues, less *actual* expenditures. Fund balance increases when *actual* revenues exceed expenditures and decreases when *actual* revenues are less than *actual* expenditures.

- Three years are involved with each calculation -- an audit year, a current year and a budget year (the year for which the subsidy is being calculated). In the instance of calculating the 2023 subsidy: 2021 is the audit year, 2022 is the current year and 2023 is the budget year. The Municipal Airport Fund deficit is "adjusted" for the "current year" subsidy transfer, otherwise the "budget year" subsidy transfer calculation would include the transfer and be overstated; there may be rounding anomalies.

Through 2022, $3,662,146 has been transferred as a subsidy from the General Fund to the Municipal Airport Fund.

Year	Subsidy	Est. Tax Rate Impact*
2009	$779,776	$0.44
2010	$446,680	$0.24
2011	$270,140	$0.15
2012	$198,480	$0.11
2013	$215,590	$0.12
2014	$169,600	$0.09
2015	$39,940	$0.02
2016	$110,290	$0.06
2017	$236,850	$0.13
2018	$340,120	$0.18
2019	$244,110	$0.13
2020	$385,610	$0.17
2021	$224,960	$0.10
2022	$0	$0.00
Total subsidy to date	$3,662,146	
PROJECTED		
2023	$0	$0.00

**Estimated MUNICIPAL Tax Rate Impact per $1,000 of assessed value.*

Passenger Facility Charge Fees -- With congressional approval, commercial airports controlled by public agencies began imposing passenger facility charge (PFC) fees -- collected via airline tickets--on June 1, 1992, at up to $3.00 per passenger enplanement ($12.00 per round trip). Congress raised the cap to $4.50 (up to $18.00 per round trip) effective April 1, 2001. PFC fees are federally authorized but levied by local airport operators, which set the amounts. PFC fees can fund only federally approved capital improvements that enhance safety, security, or capacity; reduce noise; or increase air carrier competition.

The amount of PFC fees received is a function of annual passenger enplanements. For example, 10,000 passenger enplanements per year translates into PFC fees of $45,000 and the amount remitted to the airport is $43,900. As enplanements increase, so do the amount of PFC fees received and that are consequently available to be applied toward contemporaneous funding of the cumulative local share of appropriated projects (Federal Aviation Administration authorized to impose and collect amounts by project). The larger the project the larger the local share financed by PFC fees and, depending on project activity, the longer timeframe for collecting the charges. If PFC fees are not available, or not available in their entirety, the City would need to look to alternative financing such as debt issuance or budget transfers with the resultant debt service (principal and interest) payments and transfers supported by the Municipal Airport Fund.

Federal Grant Obligations -- When accepting funds from FAA-administered airport financial assistance programs, the City must agree to certain Airport Sponsor Assurances. These obligations require the City to maintain and operate the Lebanon Municipal Airport safely and efficiently and in accordance with specified conditions. The duration of these obligations depends on the type of recipient, the useful life of the facility being developed, and other conditions stipulated in the assurances – in return the City receives 90% grant funding from the FAA (subject to change).

Essential Air Service (EAS) -- is a federal program enacted to guarantee that small communities in the United States, which, prior to deregulation, were served by certificated airlines, maintained commercial service. Its aim is to maintain a minimal level of scheduled air service to these communities that otherwise would not be profitable. This came in response to the Airline Deregulation Act, passed in 1978, which gave U.S. airlines almost total freedom to determine which markets to serve domestically and what fares to charge for that service.

The United States Department of Transportation subsidizes airlines to serve rural communities across the country that otherwise would not receive any scheduled air service. The decision as to what degree of subsidized service a community requires is made based on identifying a specific hub for the community and from there determining the number of trips, seats, and type of aircraft that are necessary to reach that hub.

Should the loss of essential air service subsidy occur at some point in the future, commercial flights may cease with the result being that passenger facility charge fees and airport revenues would be substantially reduced. This would require continued compliance with Airport Sponsor assurances and possibly the shifting of City funding (local share) of Airport capital projects to long-term debt (not unlike the funding of most City capital improvements) and, depending on the financial status of the Municipal Airport Fund, to General Fund subsidy and absorption in the municipal tax rate. Debt service for Airport capital improvements (hangars) is currently being retired from Airport-generated revenue.

State Budget -- The vagaries of the State budget process introduce uncertainty as to what may be reasonably expected in terms of grant assistance from the New Hampshire Department of Transportation – Bureau of Aeronautics. Shortfalls are shifted to the local share of an improvement – i.e. passenger facility charge fees – just as state elimination or decrease in other revenues (e.g. revenue sharing and water pollution control grants) have negatively impacted all municipal budgets.

DEBT SERVICE

PROPOSED 2023 CITY BUDGET SECTION 5 – DEBT SERVICE

Debt Service is the cost of long-term financing of capital investments through the issuance of debt. Debt service is comprised of principal and interest payments.

The issuance of long-term debt is the primary means for the City to pay for costly capital improvements. Because of the high cost of acquiring or replacing capital assets the City, like most municipalities, is not able to accumulate enough cash from current receipts to pay for necessary improvements. Issuing debt permits the City to acquire assets as needed rather than wait until a sufficient amount of cash has been accumulated.

Depending on the nature of capital assets acquired or constructed (whether for general improvements, solid waste disposal, water treatment and distribution, sewage collection and disposal or airport infrastructure), and how those assets are to be paid for (through property taxation or user fees), debt service responsibility is assigned to an appropriate City operating fund where those costs are budgeted. This is internal to the City as all debt issued by the City is "general obligation debt," which means the "full faith and credit" of the City is pledged to repayment.

Looking into the future with reasonable accuracy is inherently difficult; there are many and varying uncertainties. Things change, priorities shift, unforeseen events happen. In the context of debt service budgeting, some things are certain: debt that has been issued carries long-term obligations in the form of repayment and associated costs; debt that has been authorized but not yet issued will likely be issued at some point thus triggering a stream of costs into the future.

In an effort to identify future debt associated expenses, or debt service, projections have been made taking into account debt issued through 2022, debt that may be authorized to be issued by the City Council that has not yet been issued through 2022, debt authorized by the City Council in connection with the 2023 City Budget and debt that may be authorized for issuance for each of the planning years of the six-year 2023 – 2028 Capital Improvement Program.

The City's reserves are strong, but challenges remain in the effective management of the City's unreserved fund balance and reduction of future debt. Funding the combined sewer separation overflow and utility replacement project has placed significant costs on the City affecting both the Municipal Tax Rate and water/sewer service rates. Resultant debt service increases between 2022 and 2025 will restrict the City's ability to spend on large-scale capital projects through this time period.

Overview of Debt Issuance

The issuance of debt by municipalities in New Hampshire is governed by State law (RSA Chapter 33, Municipal Finance Act). The "full faith and credit" of the City is pledged to debt repayment. All of the City's funds support related debt service. Debt service payments are not contingent on a fund having money appropriated for that purpose. According to RSA 33:2 "The amount of each payment of principal and interest on all loans shall, without vote of the municipality or county, be annually assessed and collected." Debt service payments are budgeted the year following the issuance of general obligation debt. The start of debt service payments depends on when the related debt was issued; not when the work was completed.

It is important to have a clear understanding of the nature of projects intended to be financed through the issuance of debt. The capital improvement plan is a management tool that assists with establishing priorities to balance capital needs with available funding; matching projects with appropriate funding alternatives; and ensuring that debt financed projects do not exceed statutorily permitted levels of debt issuance. Development of a comprehensive six-year capital improvement plan is an essential first step in preparing to issue debt.

Debt cannot be issued to finance current maintenance and operations. Debt may be issued on a short-term basis to meet operating expenses in anticipation of receiving future moneys (for example, tax, bond and grant anticipation notes). The issuance of short-term notes permits the smoothing out of cash flows thereby enabling the uninterrupted provision of essential services prior to receipt of major tax or other revenue inflows. Bond anticipation notes are issued to meet interim financing needs of construction projects and provide funding for a project until permanent financing can be arranged.

The issuance of bonds or tax anticipation notes by a City must be authorized by a resolution of the City Council passed by at least 2/3 of all members.

Debt Management Policy

On September 15, 2021, the City Council approved a debt management policy for the general fund, water fund and solid waste funds. The policy was intended to include the sewer fund after the sewer infrastructure needs assessment was completed.

The policy set a ceiling for the amount of funds that could be incurred by debt based upon the baseline of debt principal that existed in 2021. That baseline would be adjusted annually based upon the Consumer Price Index for the Northeast Region. The CPI period was based on an end date of June 30^{th} every year with a twelve month look back. This allows the debt limit to be adjusted by the increase/decrease in the CPI. The retirement of debt principal year over year as well as the increase in the debt ceiling due to adjustments based on the CPI is what allows for additional principal debt capacity for capital projects. The CPI increases/decreases and debt principal retirement is aggregated over the six year period of the CPI. This is viewed on a rolling basis as the six year period moves forward. The present calculations indicate a debt capacity relative to debt service in the General Fund of approximately $32 million over the six year period.

The debt management policy is further detailed in City Council Policy *CC-107 Debt Management Policy.* The policy contains a number of exceptions and other applicable provisions that guide capital spending and the incurring of debt.

Sources of Financing

<u>New Hampshire Municipal Bond Bank (NHMBB)</u>

The NHMBB provides cost effective and competitive access to low cost capital and a streamlined borrowing process without the expense of the City having to arrange financing. Borrowing through NHMBB also eliminates the need to obtain bond insurance, eliminates the need to have a bond rating, and does not require the services of a financial advisor and trustee/paying agent; all cost savings to the City.

Cash flow requirements for construction projects expected to be financed through the issuance of debt is prepared by the City Engineer. Bond proceeds are spent down as work progresses. Debt service payments commence the year following issuance.

New Hampshire State Revolving Fund (SRF)

An alternative source of long-term financing actively used by the City is the New Hampshire State Revolving Fund which has Clean Water (CWSRF) and Drinking Water (DWSRF) components.

- The CWSRF provides funding to municipalities to improve and replace collection systems and wastewater treatment plants with the goal of protecting public health and improving water quality. Financial assistance is available for the planning, design, and construction of projects, including combined sewer overflow mitigation, new wastewater treatment facilities, upgrades of existing wastewater facilities, infiltration/inflow correction, wastewater collection systems, and stormwater remediation.

- The DWSRF provides assistance in the form of low interest loans to public water systems to finance the cost of drinking water infrastructure. Public water systems eligible for this program include all community public water systems and non-transient non-profit public water systems. In addition, funds are used to promote proactive drinking water measures such as source water protection, operator certification, small system technical assistance/capacity development, and program administration.

Eligible project costs incurred by the City are reimbursed during construction. Loan proceeds, including interim construction financing, an administrative fee, and interest assessment are paid to the SRF over a predetermined period of time up to twenty-years. Because of the SRF's nature, loan repayment commencement can be more than one year after project work has begun.

The budgeting of SRF loan repayments commence the year following project completion. This tends to push repayment further out than would otherwise occur with the issuance of general obligation debt. Utilizing SRF financing also obviates complicated and cumbersome IRS requirements relative to the spending of bond proceeds.

Capital Reserve Funds

Capital Reserve Funds are a statutory way to provide for the periodic setting aside of moneys as pay-as-you-go financing in place of, or as a supplement to, issuing long-term debt (pay-as-you-use financing). The effect of contemporaneously setting aside resources for deposit to Capital Reserve Funds is immediate on rates; payment of debt service moderates the impact over time.

The 2023 Debt Service Budget is $9,944,900, an increase of $68,050 from 2022. The change from the prior year is due to attributable ongoing debt retirements and new general obligation debt. The Debt Service Budget is 10.2% of the 2023 City Budget.

	2021	2022	2023	$ Chg.	% Chg.	2024
General Obligation Debt:						
Principal Long-Term Bonds	$4,631,880	$4,650,180	$4,750,900	$100,720	2.17%	$5,647,420
Interest Long-Term Bonds	$1,840,270	$1,756,300	$1,750,540	($5,760)	-0.33%	$2,129,500
Notes Payable						
Principal State Revolving Fund	$2,359,980	$2,526,750	$2,568,760	$42,010	1.66%	$2,675,990
Interest State Revolving Fund	$925,700	$943,620	$874,700	($68,920)	-7.30%	$862,620
Total	$9,757,830	$9,876,850	$9,944,900	$68,050	0.69%	$11,315,530
Supporting Fund/Primary Means of Financing:						
General/Property Taxes	$4,997,940	$4,837,900	$4,803,300	($34,600)	-0.72%	$5,646,650
Solid Waste Disposal/User Fees	$342,200	$317,030	$296,600	($20,430)	-6.44%	$551,280
Water Treatment and Distribution/User Fees	$1,435,510	$1,662,170	$1,672,190	$10,020	0.60%	$1,829,110
Sew age Collection and Disposal/User Fees	$2,895,190	$2,975,930	$2,955,870	($20,060)	-0.67%	$3,078,760
Municipal Airport/User Fees	$86,990	$83,820	$216,940	$133,120	158.82%	$209,730
Total	$9,757,830	$9,876,850	$9,944,900	$68,050	0.69%	$11,315,530

The Debt Service Budget for the City is increased 17.5% or $1.74 million to $11.684 million from 2023 to 2025: 63.1% or $1,098,530 of the increase will be supported by the General Fund (primarily property taxes); the Solid Waste Disposal Fund (landfill fees) is projected to decrease by 2.7% or ($46,900), the Water Treatment and Distribution Fund (water service fees) is projected to increase by 23.2% or $403,750, the Sewage Collection and Disposal Fund (sewer service fees) is projected to increase by 17.4% or $303,620 and a decrease of 1.1% or ($18,970) by the Municipal Airport Fund (airport service fees) over the period.

Supporting Fund/Primary Means of Financing:	2022	2023	$ Chg.	% Chg.	2024	2025	Difference from 2025 to 2023	%
General/Property Taxes	$4,837,900	$4,803,300	($34,600)	-0.72%	$5,646,650	$5,901,830	$1,098,530	63.1%
Solid Waste Disposal/User Fees	$317,030	$296,600	($20,430)	-6.44%	$551,280	$249,700	($46,900)	-2.7%
Water Treatment and Distribution/User Fees	$1,662,170	$1,672,190	$10,020	0.60%	$1,829,110	$2,075,940	$403,750	23.2%
Sew age Collection and Disposal/User Fees	$2,975,930	$2,955,870	($20,060)	-0.67%	$3,078,760	$3,259,490	$303,620	17.4%
Municipal Airport/User Fees	$83,820	$216,940	$133,120	158.82%	$209,730	$197,970	($18,970)	-1.1%
Total	$9,876,850	$9,944,900	$68,050	0.69%	$11,315,530	$11,684,930	$1,740,030	100%

Related to capital asset acquisition and construction, the increase (actual and projected) in debt service costs has been an important factor in water and sewer service rate increases. These costs have been largely influenced by the Combined Sewer Overflow Separation and Utility Replacement project, (ongoing since 2000) and substantive improvements to the wastewater treatment facility. The object is to balance recognition of future potential financial obligations of the Water Treatment and Distribution Fund and Sewage Collection and Disposal Fund and the ramifications those obligations may have on future service rates and on the fiscal integrity and soundness of those funds by adopting meaningful interim rate adjustments.

The following table shows debt service budgets for 2022 (adopted), 2023 (proposed) and 2024 and 2025 (projected).

	2021	2022	2023	$ Chg.	% Chg.	2024	2025
General Obligation Debt:							
Principal Long-Term Bonds	$4,631,880	$4,650,180	$4,750,900	$100,720	2.17%	$5,647,420	$5,500,690
Interest Long-Term Bonds	$1,840,270	$1,756,300	$1,750,540	($5,760)	-0.33%	$2,129,500	$2,544,460
Principal State Revolving Fund	$2,359,980	$2,526,750	$2,568,760	$42,010	1.66%	$2,675,990	$2,680,870
Interest State Revolving Fund	$925,700	$943,620	$874,700	($68,920)	-7.30%	$862,620	$958,910
Total	$9,757,830	$9,876,850	$9,944,900	$68,050	0.69%	$11,315,530	$11,684,930
Supporting Fund/Primary Means of Financing:							
General/Property Taxes	$4,997,940	$4,837,900	$4,803,300	($34,600)	-0.72%	$5,646,650	$5,901,830
Solid Waste Disposal/User Fees	$342,200	$317,030	$296,600	($20,430)	-6.44%	$551,280	$249,700
Water Treatment and Distribution/User Fees	$1,435,510	$1,662,170	$1,672,190	$10,020	0.60%	$1,829,110	$2,075,940
Sewage Collection and Disposal/User Fees	$2,895,190	$2,975,930	$2,955,870	($20,060)	-0.67%	$3,078,760	$3,259,490
Municipal Airport/User Fees	$86,990	$83,820	$216,940	$133,120	158.82%	$209,730	$197,970
Total	$9,757,830	$9,876,850	$9,944,900	$68,050	0.69%	$11,315,530	$11,684,930

The following tables provide limited historical context and projected debt service budgets for 2020-2029, and dollar and percentage prior year comparisons by total for all years. The historical context goes back to 2015; the projection includes debt that has been issued as of 2022, assumes debt that has been authorized to be issued by the City Council that has not yet been issued through 2023 will be issued, and further that debt that may be authorized for issuance in connection with the 2023 budget and for each of the planning years (2023 – 2028) of the six-year 2023 – 2028 Capital Improvement Program will be issued.

	2020	2021	2022	2023	2024
Principal Long-Term Bonds	$3,955,030	$4,631,880	$ 4,650,180	$4,750,900	$5,647,420
Interest Long-Term Bonds	$1,524,300	$1,840,270	$ 1,756,300	$1,750,540	$2,129,500
Principal State Revolving Fund Notes	$1,642,060	$2,359,980	$ 2,526,750	$2,568,760	$2,675,990
Interest State Revolving Fund Notes	$624,430	$925,700	$ 943,620	$874,700	$862,620
Total	$7,745,820	$9,757,830	$9,876,850	$9,944,900	$11,315,530
General Fund (Property Taxes)	$3,799,480	$4,997,940	$ 4,837,900	$4,803,300	$5,646,650
Solid Waste Disposal Fund (Landfill Service Rates)	$354,000	$342,200	$ 317,030	$296,600	$551,280
Water Treatment and Distribution Fund (Water Service Rates)	$975,140	$1,435,510	$ 1,662,170	$1,672,190	$1,829,110
Sewage Collection and Disposal Fund (Sewer Service Rates)	$2,527,110	$2,895,190	$ 2,975,930	$2,955,870	$3,078,760
Municipal Airport Fund (Airport Service	$90,090	$86,990	$83,820	$216,940	$209,730
Total	$7,745,820	$9,757,830	$9,876,850	$9,944,900	$11,315,530

	2025	2026	2027	2028	2029
Principal Long-Term Bonds	$5,500,690	$5,461,010	$5,276,460	$4,891,090	$5,543,250
Interest Long-Term Bonds	$2,544,460	$2,693,190	$2,552,670	$2,400,680	$3,024,470
Principal State Revolving Fund Notes	$2,680,870	$2,685,900	$2,691,100	$2,696,460	$2,623,160
Interest State Revolving Fund Notes	$958,910	$944,820	$874,690	$808,970	$743,010
Total	$11,684,930	$11,784,920	$11,394,920	$10,797,200	$11,933,890
General Fund (Property Taxes)	$5,901,830	$5,953,330	$5,746,740	$5,364,650	$6,781,970
Solid Waste Disposal Fund (Landfill Service Rates)	$249,700	$268,440	$263,080	$257,720	$260,600
Water Treatment and Distribution Fund (Water Service Rates)	$2,075,940	$2,121,300	$2,040,990	$1,927,710	$1,851,280
Sewage Collection and Disposal Fund (Sewer Service Rates)	$3,259,490	$3,250,420	$3,199,220	$3,133,460	$2,929,760
Municipal Airport Fund (Airport Service	$197,970	$191,430	$144,890	$113,660	$110,280
Total	$11,684,930	$11,784,920	$11,394,920	$10,797,200	$11,933,890

General Fund

The 2023 Debt Service Budget supported by the General Fund (property taxes) is $4,803,300, a decrease of $34,600 from 2022.

Activity	2021	2022	2023	$ Chg.	% Chg.
Principal Long-Term Bonds	$ 3,030,140	$ 2,956,860	$ 2,931,190	$ (25,670)	-0.9%
Interest Long-Term Bonds	$ 1,211,040	$ 1,117,180	$ 1,083,190	$ (33,990)	-3.0%
Principal State Revolving Funds Notes	$ 528,200	$ 558,260	$ 597,760	$ 39,500	7.1%
Interest State Revolving Fund Notes	$ 228,560	$ 205,600	$ 191,160	$ (14,440)	-7.0%
	$ 4,997,940	**$ 4,837,900**	**$ 4,803,300**	**$ (34,600)**	**-0.7%**

The change from the prior year is attributable to ongoing debt retirements, however, new debt projected to be issued in 2023 with payments beginning in 2024 will increase payments by approximately $843,350. See chart on previous page.

Solid Waste Disposal Fund

The 2023 Debt Service Budget supported by the Solid Waste Disposal Fund (landfill rates) is $296,600, a decrease of $20,430 from 2022.

Activity	2021	2022	2023	$ Chg.	% Chg.
Principal Long-Term Bonds	$ 295,000	$ 295,000	$ 295,000	$ -	0.0%
Interest Long-Term Bonds	$ 47,200	$ 22,030	$ 1,600	$ (20,430)	-92.7%
	$ 342,200	**$ 317,030**	**$ 296,600**	**$ (20,430)**	**-6.4%**

The change from the prior year is attributable to ongoing debt retirements, however, new debt projected to be issued in 2023 with payments beginning in 2024 will increase payments by approximately $254,680. See chart on previous page.

Water Treatment and Distribution Fund

The 2023 Debt Service Budget supported by the Water Treatment and Distribution Fund (water service rates) is $1,672,190, an increase of $10,020 from 2022.

Activity	2021	2022	2023	$ Chg.	% Chg.
Principal Long-Term Bonds	$ 554,000	$ 580,290	$ 609,790	$ 29,500	5.1%
Interest Long-Term Bonds	$ 257,090	$ 263,390	$ 258,880	$ (4,510)	-1.7%
Principal State Revolving Funds Notes	$ 437,800	$ 551,970	$ 558,610	$ 6,640	1.2%
Interest State Revolving Fund Notes	$ 186,620	$ 266,520	$ 244,910	$ (21,610)	-8.1%
	$ 1,435,510	**$ 1,662,170**	**$ 1,672,190**	**$ 10,020**	**0.6%**

The change from the prior year is attributable to a small reduction of principal payments, however, new debt projected to be issued in 2023 with payments beginning in 2024 will increase payments by approximately $156,920. See chart on previous page.

Sewage Collection and Disposal Fund

The 2023 Debt Service Budget supported by the Sewage Collection and Disposal Fund (sewer service rates) is $2,955,870, a decrease of $20,060 from 2022.

The change from the prior year is attributable to a small reduction of principal payments, however, new debt projected to be issued in 2023 with payments beginning in 2024 will increase payments by approximately $122,890. See chart on previous page.

Activity	2021	2022	2023	$ Chg.	% Chg.
Principal Long-Term Bonds	$ 686,160	$ 751,450	$ 782,050	$ 30,600	4.1%
Interest Long-Term Bonds	$ 304,520	$ 336,460	$ 322,800	$ (13,660)	-4.1%
Principal State Revolving Funds Notes	$ 1,393,990	$ 1,416,520	$ 1,412,400	$ (4,120)	-0.3%
Interest State Revolving Fund Notes	$ 510,520	$ 471,500	$ 438,620	$ (32,880)	-7.0%
	$ 2,895,190	**$ 2,975,930**	**$ 2,955,870**	**$ (20,060)**	**-0.7%**

Municipal Airport Fund

The 2023 Debt Service Budget supported by the Municipal Airport Fund (airport service rates) is $216,940, an increase of $133,120 from 2022.

Activity	2021	2022	2023	$ Chg.	% Chg.
Principal Long-Term Bonds	$ 66,580	$ 66,580	$ 132,870	$ 66,290	99.6%
Interest Long-Term Bonds	$ 20,410	$ 17,240	$ 84,070	$ 66,830	387.6%
	$ 86,990	**$ 83,820**	**$ 216,940**	**$ 133,120**	**158.8%**

The change from the prior year is attributable to new debt issued in 2022 with payments staring in 2023.