FINAL

LEBANON CITY COUNCIL
BUDGET WORK SESSION MINUTES
Tuesday, October 29, 2024, 5:30 p.m.
Council Chambers
Remote Via Microsoft Teams: LebanonNH.gov/Live

MEMBERS PRESENT:	Mayor Tim McNamara, Assistant Mayor Clifton Below, Karen Liot Hill, Christian Simon, , Douglas Whittlesey, and Devin Wilkie
MEMBERS ABSENT:	Erling Heistad, George Sykes, and Karen Zook
STAFF PRESENT:	City Manager Shaun Mulholland, Deputy City Manager David Brooks, Deputy Finance Director Alesia Williams

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1. **CALL TO ORDER:** Mayor McNamara called the meeting to order at 5:30 p.m.
   - City Manager Shaun Mulholland announced the meeting criteria for the public.

2. Presentation By City Manager & Deputy Finance Director
   - Overview of Proposed 2025 Annual Budget
   - Addendum – 2025 Budget Reductions to Achieve Tax Rate Increases

Included in Agenda Packet***: (All supportive documents and financial information can be found on Pages 2-28, Council agenda packet)***

City Manager Shaun Mulholland and Deputy Finance Director Aleisa Williams reviewed the City Manager's Office 2025 Budget.

3. Review Of 2025 City Budget - Question & Answer Session
   - City Manager (To include City Manager & City Council Operations, Legal, and Advance Transit)

Included in Agenda Packet***: (All supportive documents and financial information can be found on Pages 2-28, Council agenda packet)***

Available but not included in Agenda Packet:
City of Lebanon 2024 Proposed Operating Budget available at LebanonNH.gov/Budget***

City Manager Shaun Mulholland spent time reviewing, explaining, and giving examples of the Proposed 2025 Annual Budget for the City of Lebanon in order to provide the Council with information they needed in order to make the decisions they will need to make. His review included the following:

2025 BUDGET

CITY OF LEBANON, NH

Strategic Budgeting

- STRATEGIC PLAN
- SUSTAINABILITY PRINCIPLES
- BUSINESS PLANS
- PERFORMANCE MEASUREMENT
- ANALYSIS AND EVALUATION

Budget Objectives

Achieve	Achieve the City's Strategic Plan Objectives
Fund	Fund critical Capital Improvement Projects
Maintain	Maintain quality service levels to meet the public's expectations
Comply	Comply with the City's Debt Management Policy

Long Term Financial Plan

Reduce or eliminate	Reduce or eliminate the use of fund balance to offset the tax rate.
Utilize	Utilize the Unassigned Fund Balance to offset the cost of Capital Projects • Pay as you go- using cash to pay for projects/equipment • Capital Reserve Funds
Eliminate	Eliminate the use of the UFB to subsidize the cost of operating expenses

Opportunities

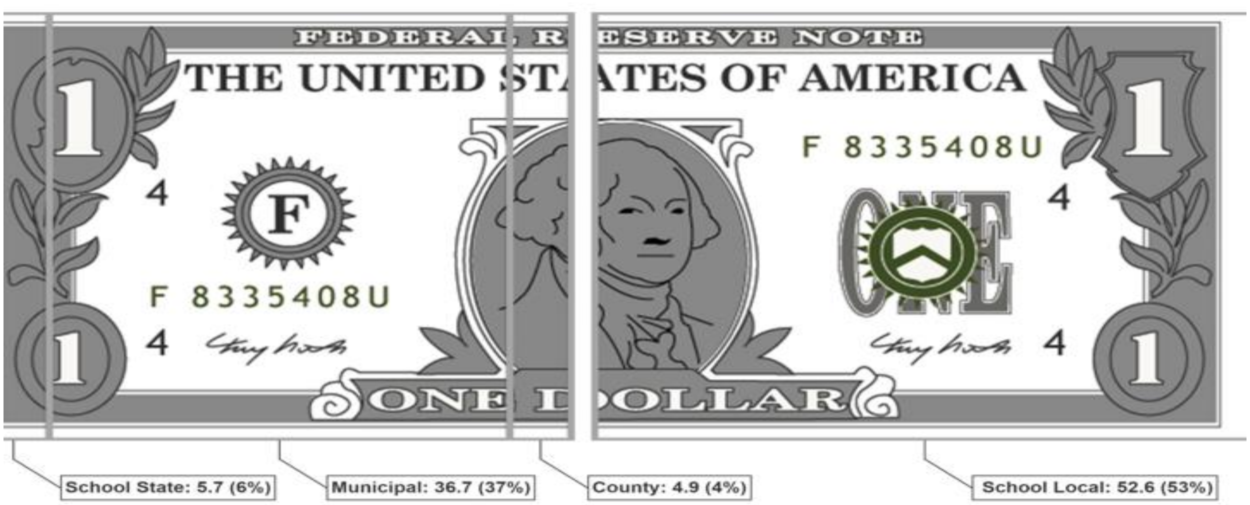
Challenges

- Housing
- Childcare
- Inflation
- Climate change
- Infrastructure deficiencies
- UFB depletion
- Debt management

Pending Challenges

Return of Airport Subsidy 2026	Revaluation of Properties 2025	Losing ground on the pavement management program.	Losing ground on sidewalk repair/maint.
Staffing needs- DPW, RAP, Police and Fire.	Growing list in the Capital Improvements Program that remain unfunded.	Landfill-PFAS and cell expansion.	Water-Distribution and Treatment System for new well.

How Your Tax Dollars Are Spent



Consumer Price Index & Tax Rate Change-New England Region

Year	CPI Jun-Jun	Tax Rate	Change in T Rate
2018	2.2%	$10.97	2.5%
2019	1.9%	$11.25	2.5%
2020	0.4%	$9.96	-11.5%
2021	4.0%	$10.06	1%
2022	7.9%	$8.62	*2.5%
2023	1.8%	$8.97	4.1%
2024	3.8%	$9.66	7.7%
TOTAL Change	**22%**		**20.3% (does not include 2020)**

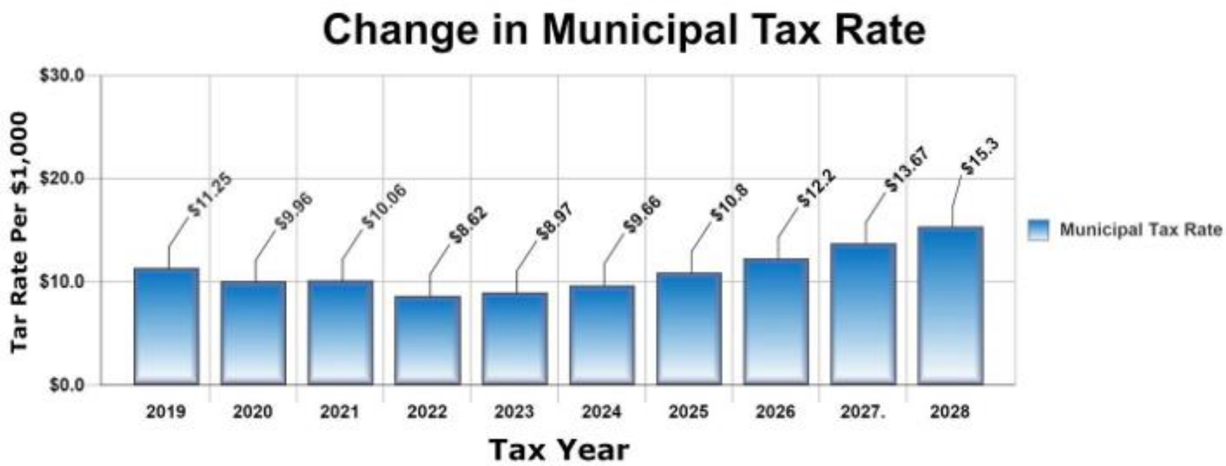
*REPRESENTS THE ACTUAL TAX RATE INCREASE ADJUSTED FOR REVALUATION

Tax Rate Factors

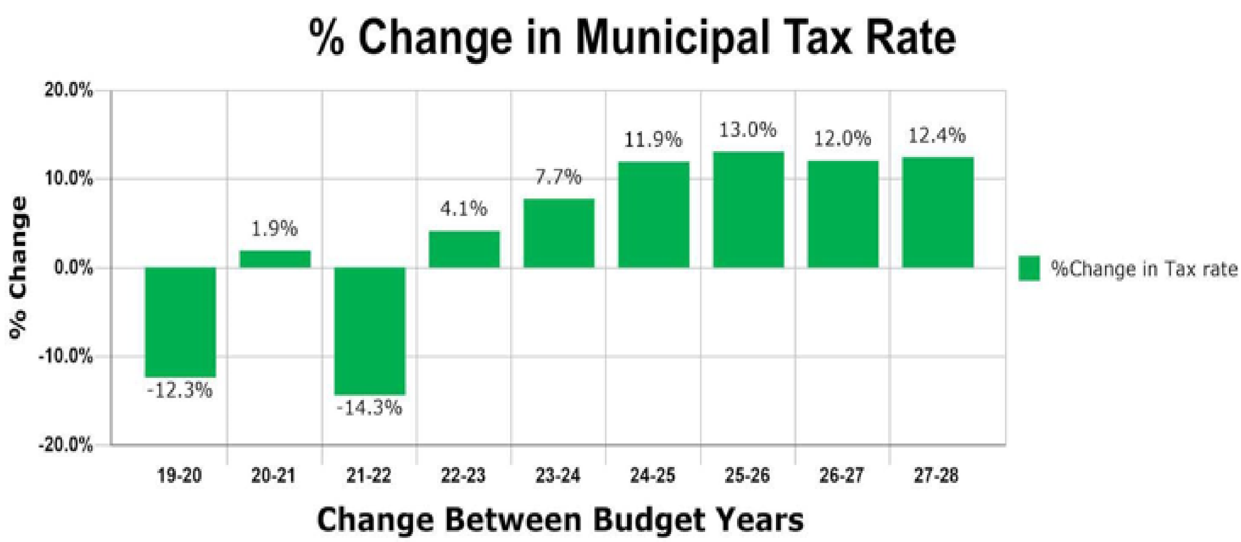
- Expenditures
- Revenues (Other than Property Taxes)
- Fund Balance Used to Reduce Tax Rate
- Assessed Valuation
- Overlay (Offsets Tax Abatements)
- War Service Tax Credits

= TAX RATE

City Manager Mulholland explained that New Hampshire has one tax rate. The value of residential property is growing faster than the value of commercial property. Thus, the residential sector takes more and more of the tax burden because of that. The burden is simply shifted from one tax payer to another, but the City does not make a single dollar more.



NOTE: The tax rate for 2025-2028 is projected based on a set of variable assumptions. The actual rate will be set in the fall of each year.



NOTE: The 2024-2025 and through 2028 are projections based upon a set of variable assumptions. The reductions between 2019-2020 and 2021-2022 are a result of the revaluation of properties. Without the revaluations the actual percentage of increase would have been approximately 2.5% each year. A revaluation of properties is scheduled for 2025 which will skew the rate.

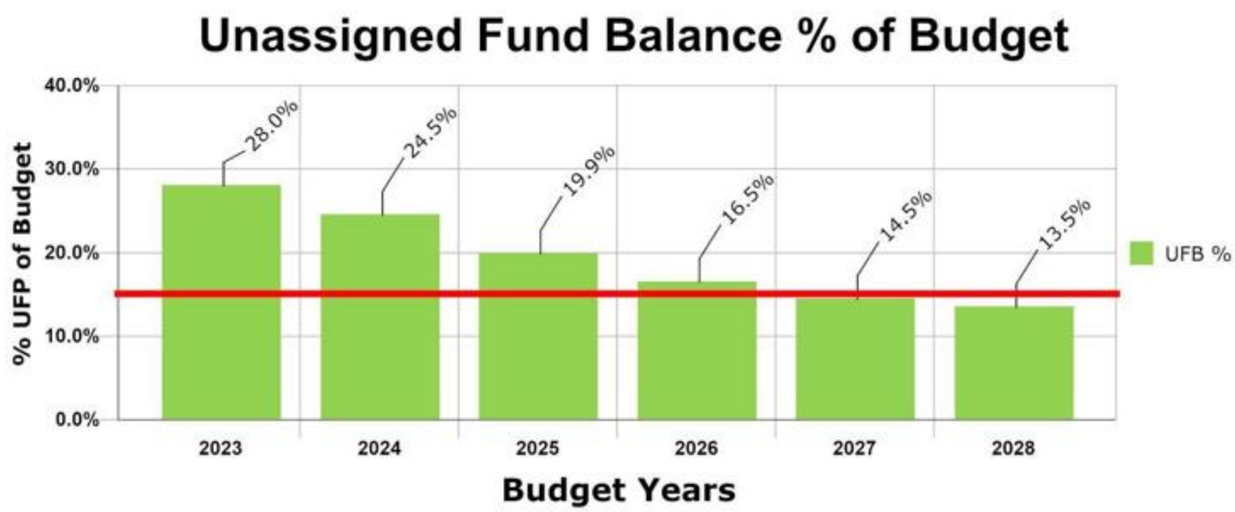
Unassigned Fund Balance Policy

MAINTAIN A RANGE BETWEEN 15% TO 19% OF CURRENT GENERAL FUND EXPENDITURE BUDGET

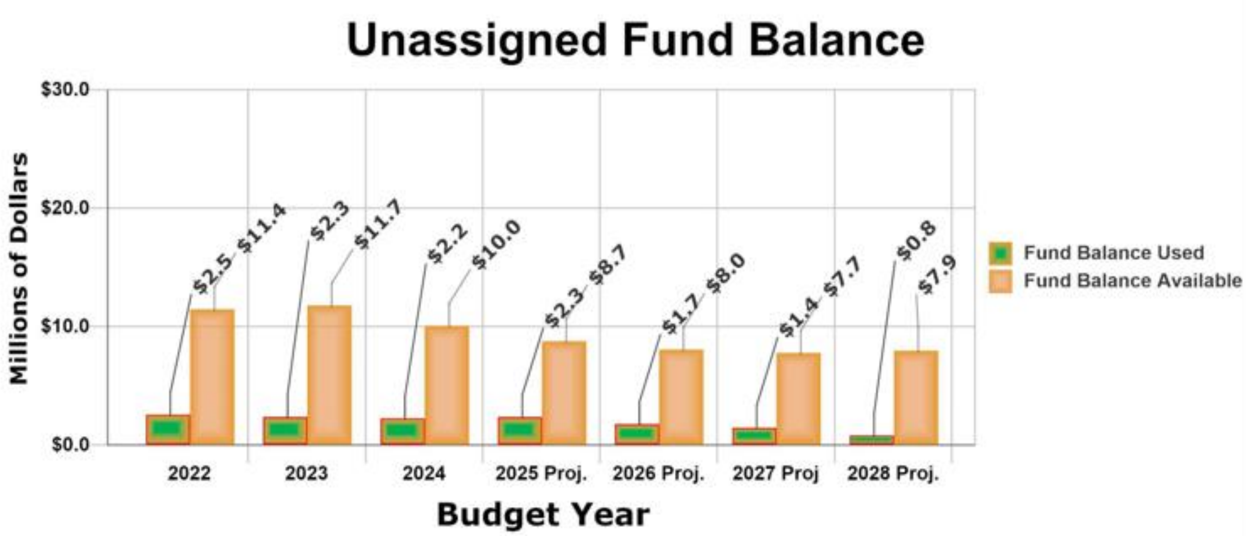
STANDARD DEVELOPED BY THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

ALLOWS FOR ADEQUATE CASH FLOW BETWEEN TAX BILLINGS

SERVES AS A CASH RESERVE FOR EMERGENCIES



NOTE: The red line represents the present minimum standard of 15% of Unassigned Fund Balance as a % of the budget. The % beyond 2023 is projected based upon a set of variables.



In Summary

- The 2025 Total budget is **20.7% lower** than the 2024 Budget due to smaller CIP.
- The 2025 total projected revenues increase by **19.5%**.
- The **2025** General Fund Budget is up by **10.7%.**
- **11.9%** projected increase in the 2025 tax rate.
- **8%** increase in Water rates and **6%** increase in Sewer rates.

General Fund Budget Change

$40,930,390
2024

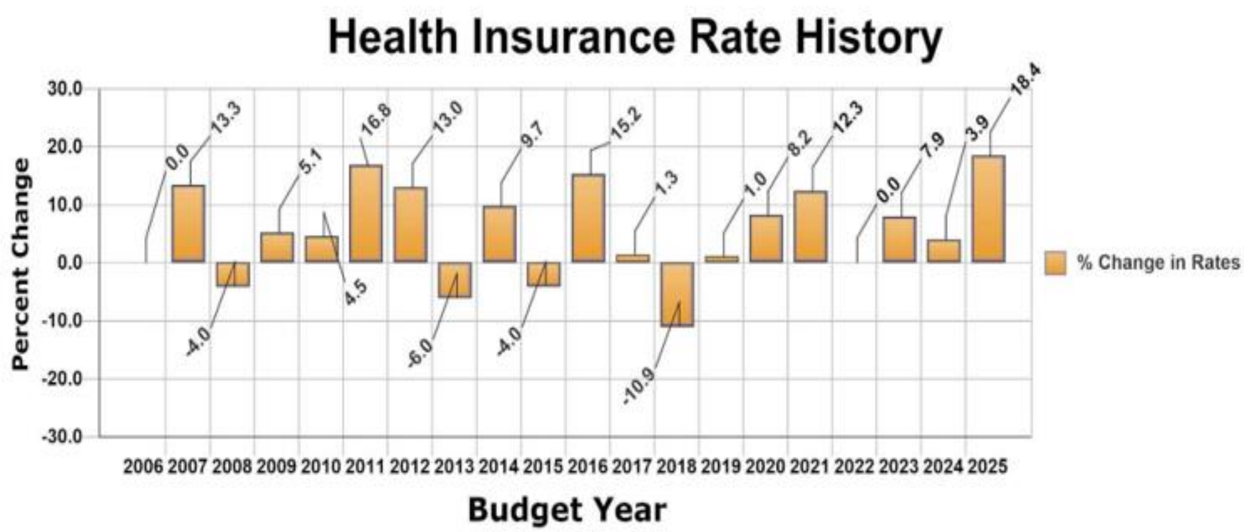
2025
$45,294,150 10.7% Increase

2025 General Fund Budgetary Impacts (Without CIP)

- The 2025 Budget represents a cost increase of **10.7%** equal to **$4,363,760.**
- The total impact of cost increase drivers as listed on subsequent slide is equal to **$3,740,995.**

Cost Increase Drivers

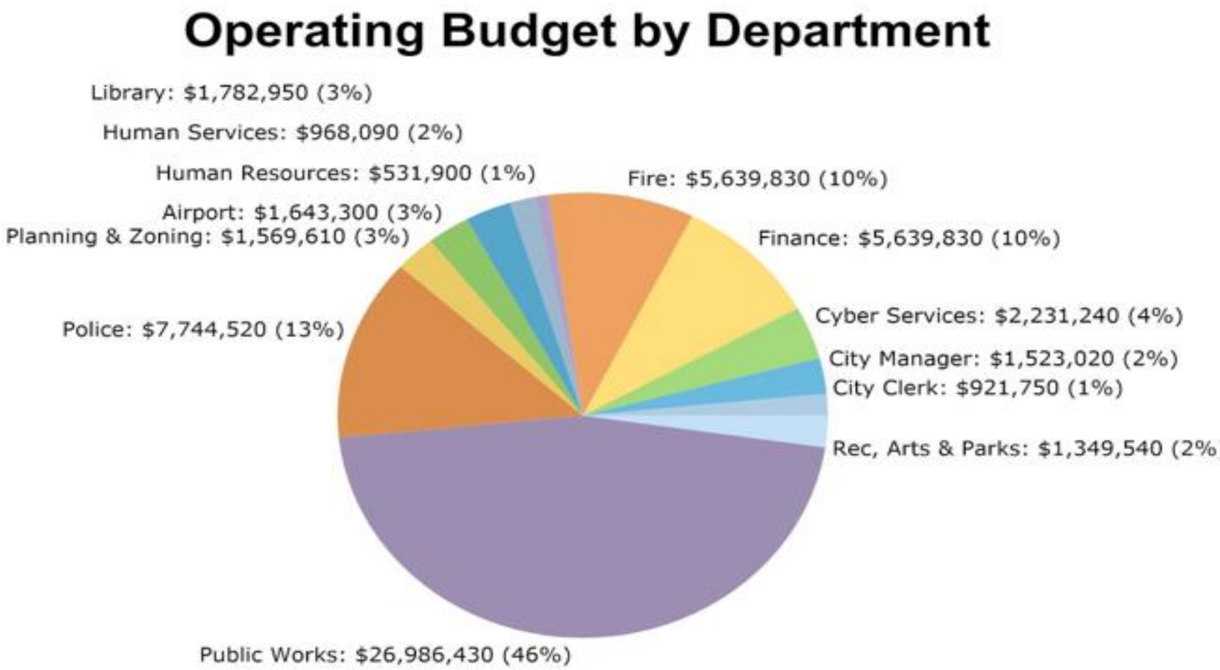
- Wages- $1,326,140 (3% GWI & 3% Merit/Step)
- Health 18.4%/Dental 5% insurance cost increase $545,180
- Retirement/WC/UC/FICA/Medicare increase $188,030
- DPW Vehicle Leases $215,050
- 1 Additional FF/Paramedic $142,215
- Debt Service $1,324,380

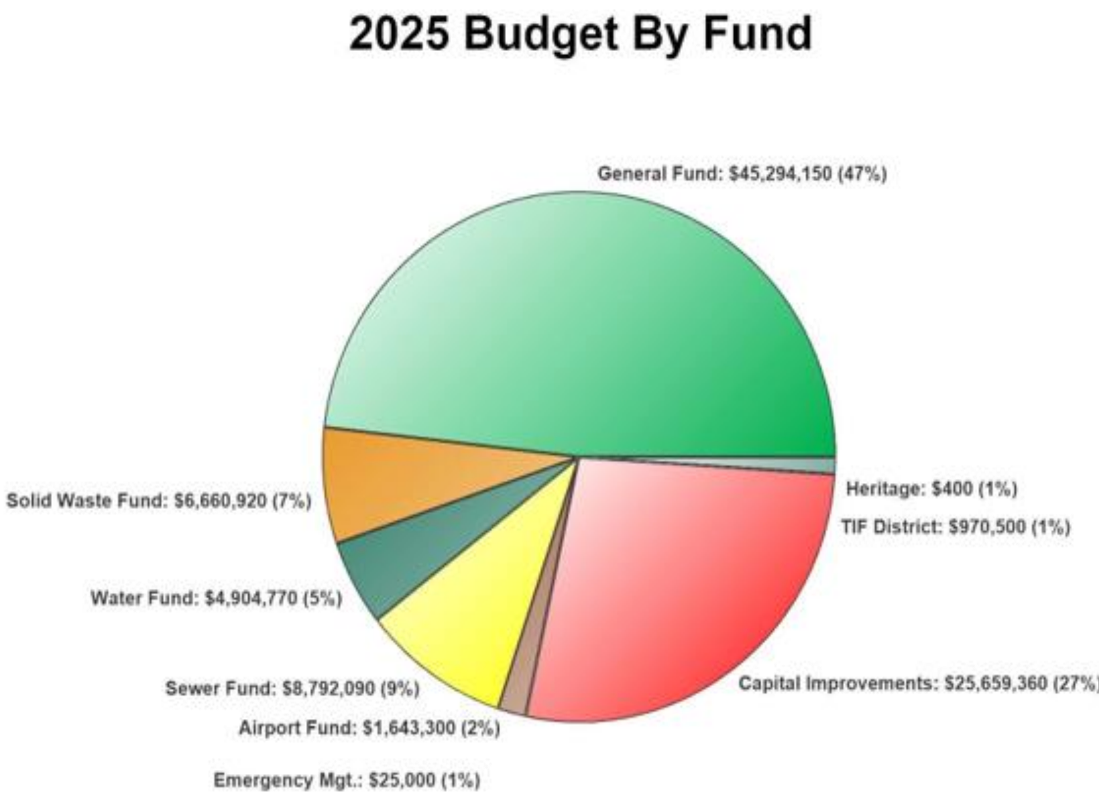


Budget Overview All Funds

2024 Budget
- 7.7% increase in Tax Rate
- 7.2% increase in Water Rates
- 5.2% increase in Sewer Rates
- Total Budget **$118,560,940**
- Without capital $62,211,290

2025 Budget
- 11.9% increase in Tax Rate
- 8% increase in Water Rates
- 6% increase in Sewer Rates
- Total Budget **$93,973,590**
- Without capital $68,314,230 (**7.3%** increase)


Operating Budget by Department
Library: $1,782,950 (3%)
Human Services: $968,090 (2%)
Human Resources: $531,900 (1%)
Airport: $1,643,300 (3%)
Planning & Zoning: $1,569,610 (3%)
Police: $7,744,520 (13%)
Fire: $5,639,830 (10%)
Finance: $5,639,830 (10%)
Cyber Services: $2,231,240 (4%)
City Manager: $1,523,020 (2%)
City Clerk: $921,750 (1%)
Rec, Arts & Parks: $1,349,540 (2%
Public Works: $26,986,430 (46%)


2025 Budget By Fund
General Fund: $45,294,150 (47%)
Heritage: $400 (1%)
TIF District: $970,500 (1%)
Solid Waste Fund: $6,660,920 (7%)
Water Fund: $4,904,770 (5%)
Sewer Fund: $8,792,090 (9%)
Airport Fund: $1,643,300 (2%)
Emergency Mgt.: $25,000 (1%)
Capital Improvements: $25,659,360 (27%)

City Revenue Impacts Vary by Source

- Property Tax
- MV Registration Fees
- Rooms & Meals Tax
- Development Fees
- Utility Users Tax, Franchise Payments
- Recreation and Fee Programs

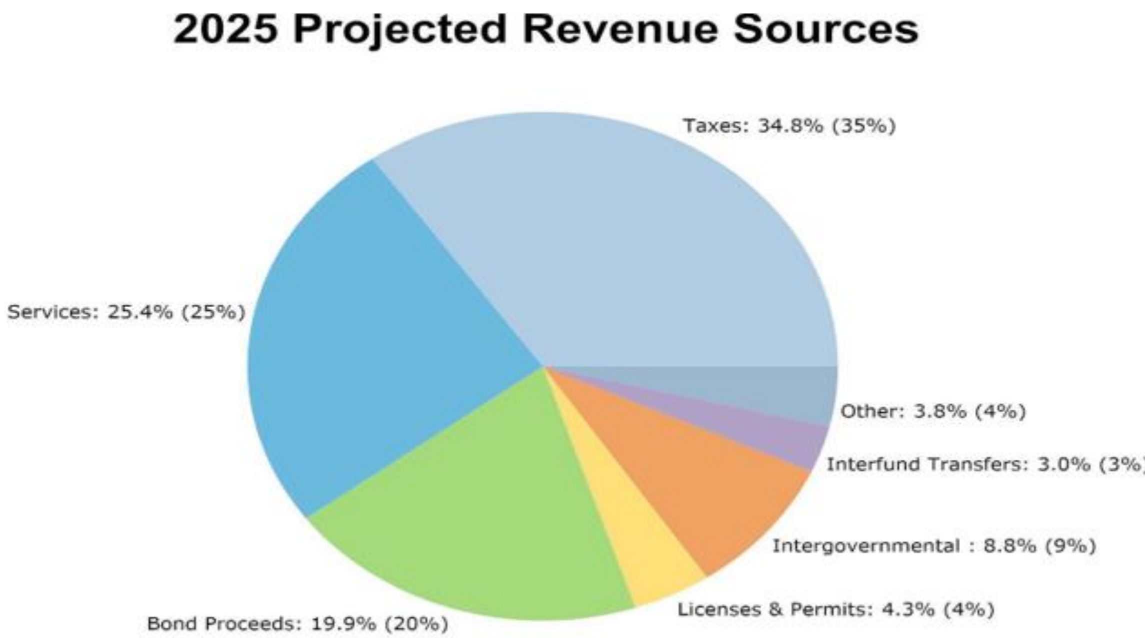
State Revenue Impacts

- State budget year increased risk of reduced funding
- Municipal Bridge Aid & Highway Block Grant funding
- Grants relative to Housing
- Rooms & Meals Tax Distribution

Revenue Projections

- Taxes- 12.26% Increase
- Licenses & Permits – 3.27% Increase
- Intergovernmental- 16.98% Decrease
- Charges for Services- 24.15% Increase
- Miscellaneous Sources- 84.66% Decrease
- Interfund Transfers- 23.22% Decrease
- Bond Proceeds- 32.44% Decrease

City Manager Mulholland explained that the Intergovernmental sources include interfund transfers, intergovernmental grants, nominally federal grants that pass through from the State, and in some cases State grants. The Miscellaneous line includes fees for certain things such as dog licenses and from the our enterprise funds.



City Manager Mulholland stated that the budget numbers do not include that an additional $477,000 would need to be cut to get down to the 7% figure. Approximately $465,000 would have to be cut to get down to 7.38% figure. In order to get to the projected tax rate increases, those amounts have to be cut in addition to the 10% cut of $500,000. These would be very dramatic impacts on services that people are not accustomed to.

B. Addendum – 2025 Budget Reductions to Achieve Tax Rate Increases
Note: ***Please refer to pages 29-79 of the City Council agenda packet for the detailed 2025 Budget Reductions and the impacts of these reductions (i.e., Service/Personnel Impacts; Short/Long Term Impacts; Alternatives) that would be needed to achieve the desired outcomes in the tax rate increases.***

Summary:

To achieve a tax rate increase of 10%, we would need to reduce the proposed budget by approximately $500,000.

To achieve a tax rate increase of 7%, we would need to reduce the budget by approximately $1,275,000. The budget reductions articulated in this packet equate to $797,990 of which we have identified as follows:

- $203,930 from Public Works
- $49,690 from Human Services
- $117,430 from City Clerk
- $145,100 from Recreation, Arts, and Parks
- $146,850 from Library
- $134,990 from Police
- Additional $477,010

Subsequent to the process we went through to determine the reductions necessary to meeting amounts necessary to achieve a 7% tax rate increase new information which impacted these numbers was received. This results in an additional $477,010 in budget reductions that would be necessary to achieve the 7% amounts. The impact of this additional amount has not been determined yet.

The same situation impacts the amounts necessary to achieve the 3.8% tax rate increase as indicated below with an additional $465,390 in budget reductions that would be necessary. Where those reductions would be made has not yet been determined.

To achieve a tax rate increase of 3.8%, we would need to reduce the budget by approximately $2,130,000. Originally, this was $1,650,000, in addition to the above reductions we identified the following:

- $30,000 from Advance Transit
- $228,770 from Public Works
- $32,700 from Outside Agencies
- $80,690 from Planning and Development
- $100,990 from Recreation, Arts, and Parks
- $160,430 from Library
- $75,000 from Fire
- $158,040 from Police
- Additional $465,390

To achieve a tax rate increase of 3.8%, we need to reduce the budget by approximately $**1,650,000**, which would include the above reductions in addition to:

- $30,000 from **Regional Association** Division of City Manager

Presentations

City Manager:

Deputy City Manager David Brooks presented the City Manager's Office 2025 Budget (*found on Pages 76-77 of the overall Budget Book*). For 2025, the proposed budget is approximately $80,000, or a 5.5% increase. The largest portion of that increase is $50,000 in the legal services budget. The Office is proposing the creation of a new Director of Public Engagement and Communication position. This position will help to emphasize proactive communication for ongoing and overlapping City projects to enhance public awareness of anticipated impacts. The Office is interested in using this position for renewed efforts to engage the public and ensure that accurate and timely information is made available by the City as broadly as possible. This is not another full-time position, but instead transferring additional responsibilities to an existing position.

Assistant Mayor Below asked about the Outside Duplication line item. Deputy City Manager David Brooks stated that the Outside Duplication line is for the Lebanon Times articles. These cost approximately $4,000-$5,000 each.

Assistant Mayor Below asked about the Other Purchase Services line item. Deputy City Manager David Brooks explained that this reflect funding for a public health council to initiate an assessment which is already underway. There will also be an encumbrance for a GIS technology assessment that will need to be reflected under this line item. Assistant Mayor Below asked what is envisioned for projects under this line item next year. City Manager Mulholland stated that staff is trying to determine what to do for the APWA, which is the Public Works accredidation process. This is normally a three year cycle, but likely should be expedited. This will help to make the Department more efficient while following national standards.

3. ADJOURNMENT:

The meeting was adjourned at 6:34 PM.

Respectfully submitted,
Kristan Patenaude
Recording Secretary