LEBANON SCHOOL DISTRICT & CITY COUNCIL JOINT PARTNERSHIP TASK FORCE
MAY 20, 2021 - 6:00 PM
REMOTE VIA MICROSOFT TEAMS
LEBANONNH.GOV/LIVE

1. Call to Order

A. To participate in this meeting, please join live via Microsoft Teams or call 929-229-5356 (conference ID: 637 881 337#).
If you have trouble accessing this meeting, please email Shaun Mulholland.

2. Approval of Minutes

A. February 4, 2021

3. New Business

A. Discuss the feasibility of a partnership with the City regarding the use and future of the Seminary Hill School building where the SAU Offices are presently located.

B. The City will provide a status update on the Moulton Avenue sidewalk construction/roadway paving/Route 4 pedestrian crossing and nature trail that will connect with the Northern Rail Trail.

C. The City will provide an update on the status of the Education Coalition 2.0 regarding the legislative policy position related to use of the Statewide Education Property Tax.

D. The City will provide the Lebanon School District with its 2021/2022 Financial Outlook in advance and answer any questions at this meeting.

4. Future Agenda Items

5. Next Meeting Date: October 21, 2021

6. Other Business

7. Adjournment

Due to the current situation with the COVID-19 Pandemic, the City of Lebanon is offering its meetings via Microsoft Teams. Members of the public are encouraged to attend 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 Microsoft Teams software or by phone. Please visit LebanonNH.gov/Live for full details.

THE AGENDA, IN ITS ENTIRETY IS AVAILABLE ON THE CITY'S WEBSITE AT LEBANONNH.GOV

MINUTES
LEBANON SCHOOL DISTRICT AND CITY COUNCIL
JOINT PARTNERSHIP TASK FORCE
THURSDAY, FEBRUARY 4, 2021
6:00PM

1. Present on the TF- School Board Chairperson Wendy Hall, Mayor Timothy McNamara, Councilor Karen Liot-Hill, School Board Member Jenica Nelan, School Board Member Aaron Mills

Staff Present- Superintendent Joanne Roberts, School Business Administrator Timothy Ball, City Manager Shaun Mulholland

This meeting was conducted virtually via. Webex.

ACCEPTANCE OF MINUTES:

- Motion made by Mayor McNamara and second by Chairperson Hall to accept the minutes of October 22, 2020. Motion passed by roll call vote unanimously.

2. DISCUSSION ITEMS:

- CM Mulholland and Superintendent Roberts discussed the report from the Commission on Education Funding and the potential impacts on SWEPT (Statewide Education Property Tax) as it applies to “donor” towns.
- CM Mulholland updated the TF regarding the status of the Moulton Ave./Rt 4 Crossing/NRT trail connector project. The project is expected to begin in June.

3. FUTURE AGENDA ITEMS:

- Councilor Liot-Hill requested the TF to discuss changing Columbus Day to Indigenous Peoples Day.
- Provide a Legislative Update regarding education funding bills.
- Councilor Liot-Hill requested the TF to discuss he SRO position.

4. NEXT MEETING DATE:

- May 6th at 6 PM

5. OTHER BUSINESS:

- The TF said goodbye to Chairperson Wendy Hall as she is not a candidate for the position she presently holds on the School Board.

6. ADJOURNMENT.

Motion made by Chairperson Hall, second by Councilor Liot-Hill to adjourn. Motion passed unanimously after roll call vote.

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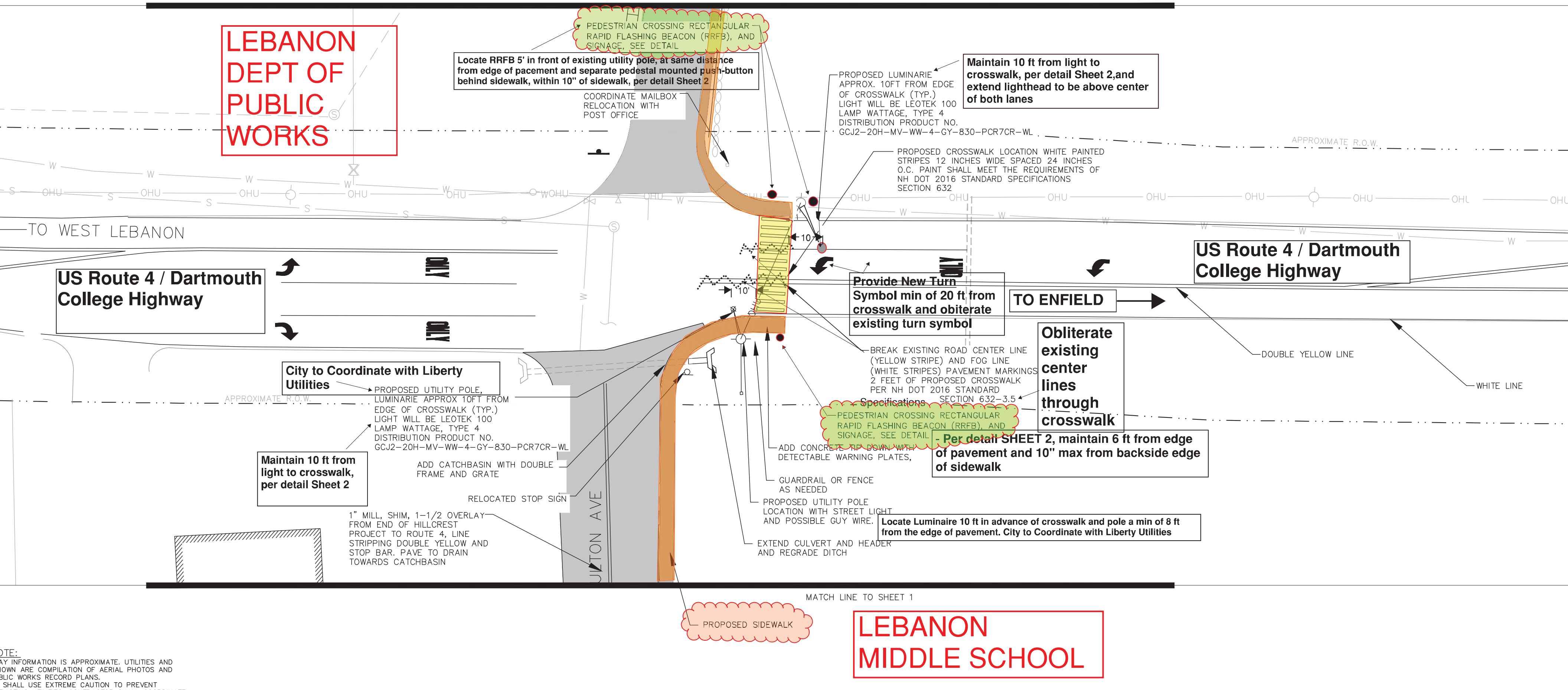
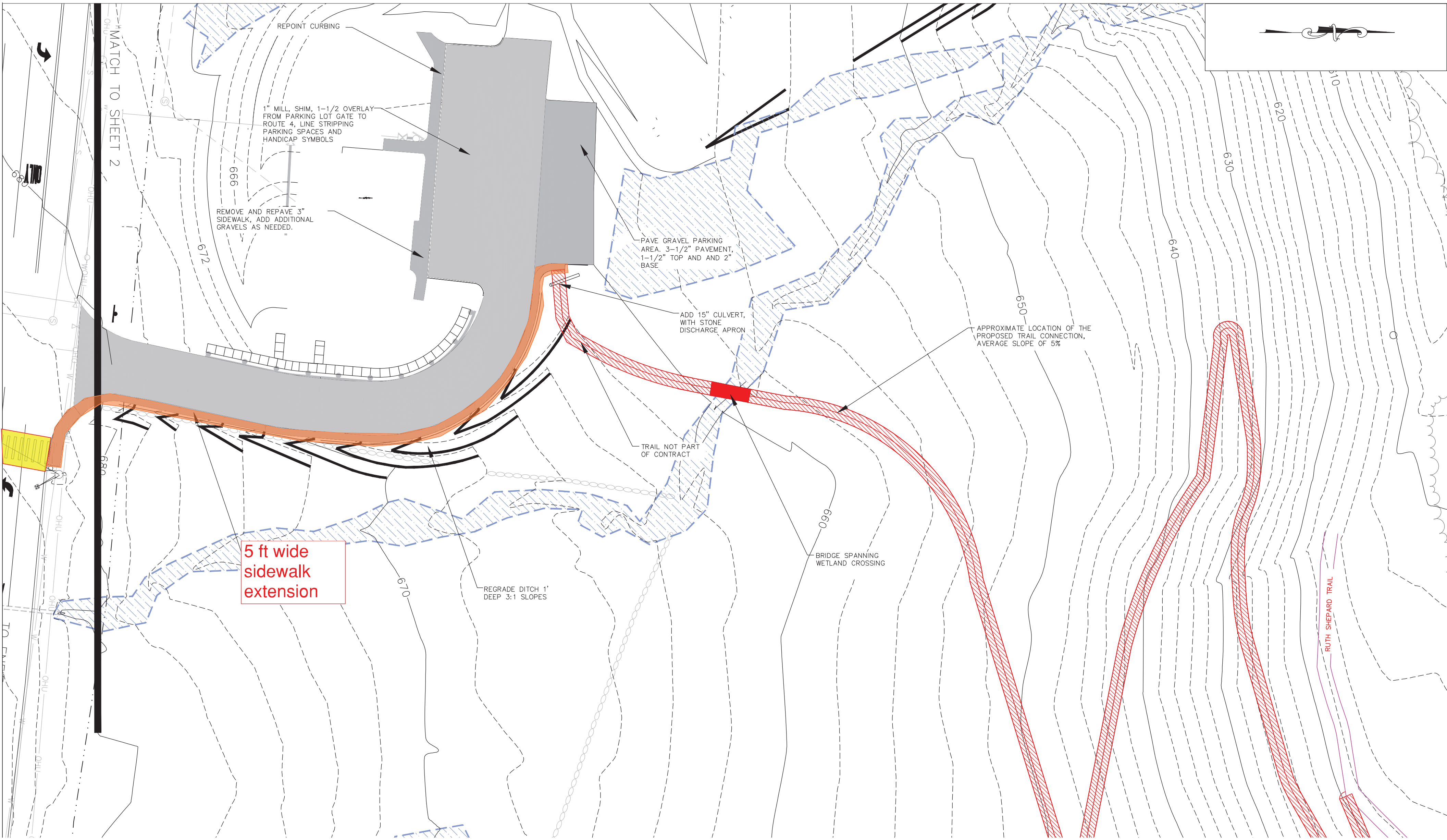
THE AGENDA, IN ITS ENTIRETY IS AVAILABLE ON THE CITY'S WEBSITE AT LEBANONNH.GOV

3.B - The City will provide a status update on the Moulton Avenue sidewalk construction/roadway paving/Route 4 pedestrian crossing and nature trail that will connect with the Northern Rail Trail.



LEBANON DEPT OF PUBLIC WORKS
PEDESTRIAN CROSSING RECTANGULAR RAPID FLASHING BEACON (RRFB), AND SIGNAGE. SEE DETAIL
Locate RRFB 5' in front of existing utility pole, at same distance from edge of pacement and separate pedestal mounted push-button behind sidewalk, within 10" of sidewalk, per detail Sheet 2
COORDINATE MAILBOX RELOCATION WITH POST OFFICE
Maintain 10 ft from light to crosswalk, per detail Sheet 2,and extend lighthead to be above center of both lanes
PROPOSED LUMINAIRE APPROX. 10FT FROM EDGE OF CROSSWALK (TYP.) LIGHT WILL BE LEOTEK 100 LAMP WATTAGE, TYPE 4 DISTRIBUTION PRODUCT NO. GCJ2–20H–MV–WW–4–GY–830–PCR7CR–WL
PROPOSED CROSSWALK LOCATION WHITE PAINTED STRIPES 12 INCHES WIDE SPACED 24 INCHES O.C. PAINT SHALL MEET THE REQUIREMENTS OF NH DOT 2016 STANDARD SPECIFICATIONS SECTION 632
APPROXIMATE R.O.W.
TO WEST LEBANON
US Route 4 / Dartmouth College Highway
ONLY
10'
Provide New Turn Symbol min of 20 ft from crosswalk and obiterate existing turn symbol
TO ENFIELD
US Route 4 / Dartmouth College Highway
Obliterate existing center lines through crosswalk
BREAK EXISTING ROAD CENTER LINE (YELLOW STRIPE) AND FOG LINE (WHITE STRIPES) PAVEMENT MARKINGS 2 FEET OF PROPOSED CROSSWALK PER NH DOT 2016 STANDARD Specifications SECTION 632–3.5
DOUBLE YELLOW LINE
WHITE LINE
City to Coordinate with Liberty Utilities
PROPOSED UTILITY POLE, LUMINARIE APPROX 10FT FROM EDGE OF CROSSWALK (TYP.) LIGHT WILL BE LEOTEK 100 LAMP WATTAGE, TYPE 4 DISTRIBUTION PRODUCT NO. GCJ2–20H–MV–WW–4–GY–830–PCR7CR–WL
Maintain 10 ft from light to crosswalk, per detail Sheet 2
ADD CATCHBASIN WITH DOUBLE FRAME AND GRATE
RELOCATED STOP SIGN
1" MILL, SHIM, 1–1/2 OVERLAY FROM END OF HILLCREST PROJECT TO ROUTE 4, LINE STRIPPING DOUBLE YELLOW AND STOP BAR. PAVE TO DRAIN TOWARDS CATCHBASIN
FULTON AVE
PEDESTRIAN CROSSING RECTANGULAR RAPID FLASHING BEACON (RRFB), AND SIGNAGE. SEE DETAIL
- Per detail SHEET 2, maintain 6 ft from edge of pavement and 10" max from backside edge of sidewalk
ADD CONCRETE TIP DOWN WITH DETECTABLE WARNING PLATES,
GUARDRAIL OR FENCE AS NEEDED
PROPOSED UTILITY POLE LOCATION WITH STREET LIGHT AND POSSIBLE GUY WIRE.
Locate Luminaire 10 ft in advance of crosswalk and pole a min of 8 ft from the edge of pavement. City to Coordinate with Liberty Utilities
EXTEND CULVERT AND HEADER AND REGRADE DITCH
MATCH LINE TO SHEET 1
PROPOSED SIDEWALK
LEBANON MIDDLE SCHOOL


MATCH TO SHEET 2
REPOINT CURBING
1" MILL, SHIM, 1-1/2 OVERLAY FROM PARKING LOT GATE TO ROUTE 4, LINE STRIPPING PARKING SPACES AND HANDICAP SYMBOLS
REMOVE AND REPAVE 3" SIDEWALK, ADD ADDITIONAL GRAVELS AS NEEDED.
PAVE GRAVEL PARKING AREA. 3-1/2" PAVEMENT, 1-1/2" TOP AND AND 2" BASE
ADD 15" CULVERT, WITH STONE DISCHARGE APRON
APPROXIMATE LOCATION OF THE PROPOSED TRAIL CONNECTION, AVERAGE SLOPE OF 5%
TRAIL NOT PART OF CONTRACT
BRIDGE SPANNING WETLAND CROSSING
REGRADE DITCH 1' DEEP 3:1 SLOPES
5 ft wide sidewalk extension
RUTH SHEPARD TRAIL
666
672
680
670
660
650
640
630
620
610

Moulton Ave/Rte 4 Middle School Crosswalk and Trail

MAP FOR REFERENCE ONLY
NOT A LEGAL DOCUMENT

City of Lebanon, NH makes no claims and no warranties, expressed or implied, concerning the validity or accuracy of the GIS data presented on this map.

Geometry updated 10/23/2018
Data updated 11/18/2018

Print map scale is approximate. Critical layout or measurement activities should not be done using this resource.

3.D - The City will provide the School Board with its 2021/2022 Financial Outlook in advance and answer any questions at this meeting.

CITY OF LEBANON

FINANCE DEPARTMENT

51 North Park Street
Lebanon, NH 03766

Phone: (603) 448-0682
email: Finance@LebanonNH.gov

To: Mayor and City Council

From: Finance Department

Date: May 5, 2021

Re: Financial Outlook

While the COVID-19 pandemic continues to present cause for financial concern in FY 2021, the City appears to have come through FY 2020 with positive results of operations (unaudited), and we continue to monitor financial trends to insure that future outcomes will provide similar results. The FY 2022 budget process began with the update of the Annual Outcomes & Work Plan last week and culminates with the public hearing on the budget in mid-December. The Finance Department has gathered data to provide our projections and financial outlook for fiscal years 2022 through 2024.

The next several weeks will include key elements that will help shape the City's financial path, including completion of the audit of the City's FY 2020 financial statements, and construction of the 2022 Capital Improvement Plan (CIP FY 2022 – FY 2027) scheduled for completion in August.

FINANCIAL OUTLOOK 2022 – 2024

As has been the case with recent reports pertaining to the City's financial outlook, much of the information being presented has been formulated without consideration for the addition or reclassification of personnel, the expansion of existing services, activities or programs, or new initiatives. The Finance Department continues to gather information from departments and gain an understanding of past and future trends and assumptions as a basis for providing prudent financial guidance.

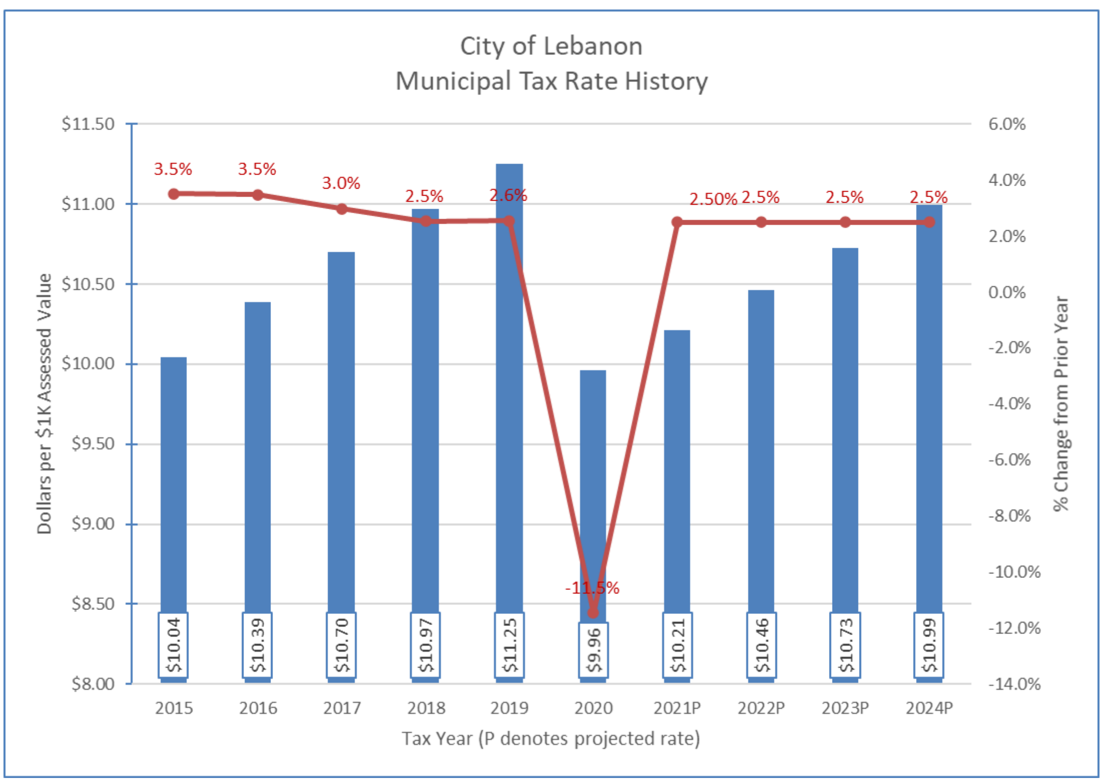
While future debt service requirements will continue to be the focal point and a key component that will impact the City's tax rate, as well as water and sewer service rates over the next three budget years, impending completion of the expansive Combined Sewer Overflow Separation and Utility Replacement Project (CSO) by the end of late 2021 will allow the City to begin shifting its attention to other capital needs. The Finance Department will continue to evaluate strategies to effectively manage project funding, to minimize the rate impact of future debt service, and continue to employ a system of debt issuance that limits new debt issuance equal to the level of currently expiring debt (viewed over the fixed six-year capital improvement plan period 2021-2026).

With the Combined Sewer Overflow Separation and Utility Replacement project (CSO) rapidly approaching conclusion (currently estimated at November 2021), we can forecast future debt service requirements with more clarity. Approximately $15.5 million dollars in State Revolving Fund Loans will begin repayment in FY 2021, while another $1.9 million is slated to begin repayment in 2022. Combined with approximately $3 million in required matching funds (general obligation debt related to CSO which will be issued in 2021 and begin repayment in 2022), a total of $20.4 million dollars will have been added to the City's debt service total during fiscal years 2021 and 2022.

As was proposed in our financial outlook report from May 2020, the City's reserves were sufficient to cover the approximately $1.3 million dollar increase in general fund debt service in fiscal year 2021. After a leveling off in fiscal year 2022 (as compared to 2021), there is estimated to be another significant increase in general fund debt service in 2023. Reserves also appear to be sufficient to help reduce the impact of this increase (estimated at $661,134).

ESTIMATED TAX RATES

The current estimated tax rate for 2021 is $10.21 which is an increase of $0.25 or 2.5% from 2020. We are moving forward with previous tax rate projections which suggested a 2.5% inflation in the rate for fiscal years 2022-2024. The chart below presents a brief history of the City's municipal tax rate and the year-over-year percent change, including projections through 2024.

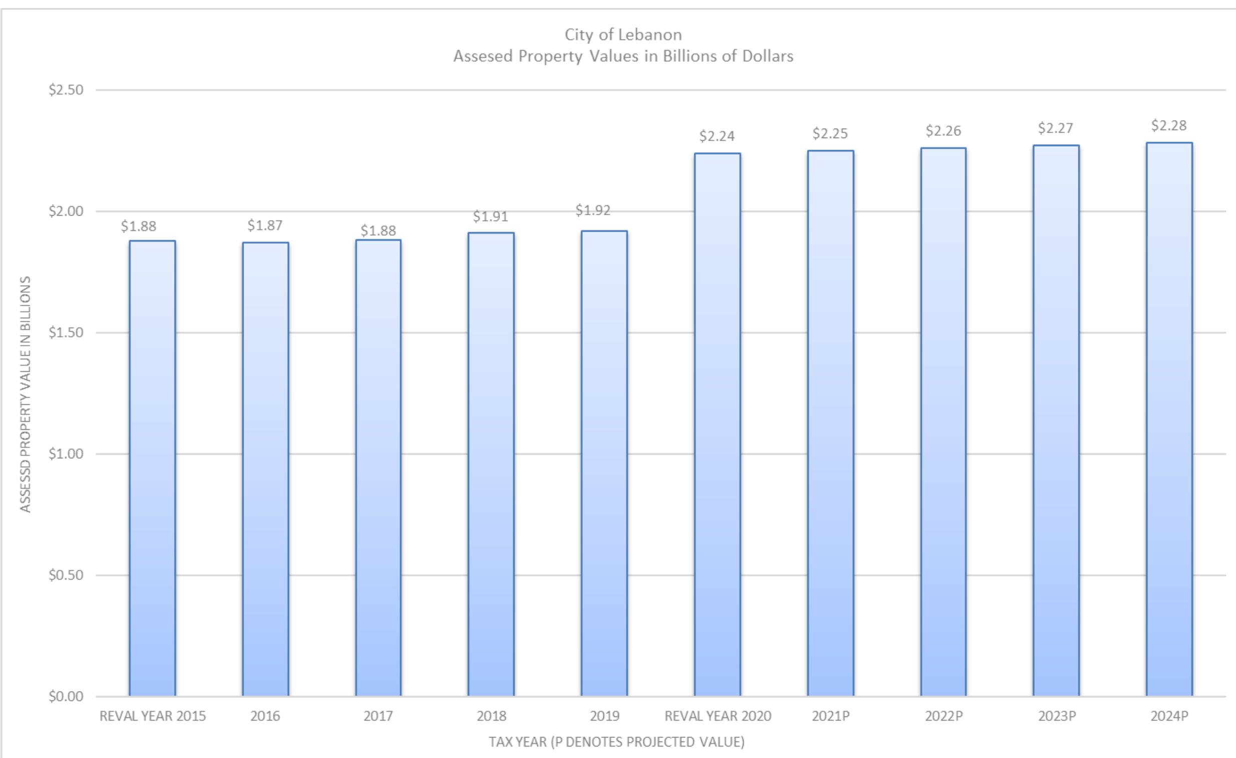


With respect to the 2.5% inflation rate being projected for 2022 through 2024, we noted that the average year-over change in the municipal tax rate for the ten years prior to 2020 (2010, 2015 and 2020 were revaluation years and were not included in this average) has been 2.4%. The table below is an example of the impact that can be expected on a home valued at $250,000 based on the above estimated tax rates.

Tax Rate for $250,000 Home				
Tax Year (1)	Tax Rate (2)	% Inc/(Dec)	Annual Tax Bill	Inc/(Dec) over Prior Year
2019	$11.25	2.55%	$2,812.50	$70.00
2020	$9.96	-11.47%	$2,490.00	($322.50)
2021	$10.21	2.50%	$2,552.25	$62.25
2022	$10.46	2.50%	$2,616.06	$63.81
2023	$10.73	2.50%	$2,681.46	$65.40
2024	$10.99	2.50%	$2,748.49	$67.04
(1) Actual rate for 2020, estimated rates for 2021 - 2024.				
(2) Municipal tax rate only. Total tax rate includes education and county components				

BUDGETARY CONSIDERATIONS

One of the important components of the annual tax rate setting process is the change in assessed property values. The City completed a revaluation process in 2020 and this was the primary factor causing the tax rate to be reduced by 11.47% from 2019. We are currently assuming a .5% increase in assessed values annually for tax years 2021-2024. The following chart presents a brief history of assessed property values and indicates projected new growth.



The City's General Fund operating and capital budgets, in total, comprise the spending plan that dictates the City's municipal tax rate component. The following are cost drivers that are estimated to have impact on the FY 2022 operating budget proposal that will be submitted by the City Manager at the end of October 2021.

- Multi-year contract with each of the City's four bargaining units took effect on January 1, 2019, and each of those contracts contains provisions for a general wage increase (GWI) ranging from a minimum of 1.5% to a maximum of 3.0% based on the Consumer Price Index-Northeast Region Urban Customers (CPI-U) for the 12 months ended June 30th. In June 2019 that index produced a GWI of 1.6%, for 2020 that index produced a GWI of 1.5%. While the final GWI rate cannot yet be determined for 2021, the following table presents the trend in the CPI-U rate since last June.

2020

June	July	Aug	Sept	Oct	Nov	Dec
.8%	1.1%	1.1%	1.2%	1.1%	1.1%	1.4%

2021

Jan	Feb	March
1.1%	1.2%	2.1%

- Health insurance premiums -The Finance Department will be in communication with its healthcare administrator (Health Trust) to facilitate the rate assumptions that will be used to develop the FY 2022 budget. Final rates for FY 2022 will not be available to the City until October 2021.

- Retirement rates will increase substantially for all employee groups beginning in July 2021. When compared to amounts budgeted for pension benefits in FY 2021, these rate increases could result in the need for over $200,000 in additional appropriations in FY 2022 (when compared to FY 2021, and not considering approved 2022 wage increases). The following chart shows the approved NHRS rate increases:

	Rates		
Employee Group	7/1/19-6/30-21	7/1/21-6/30/23	% Increase
Employees	11.17%	14.06%	25.9%
Police	28.43%	33.88%	19.2%
Fire	30.09%	32.99%	9.6%

- As shown in the following table, debt service requirements will slightly decrease in the general fund in 2022 ($134,448 decrease when compared to 2021), before increasing an estimated $661,134 in 2023. As was mentioned earlier in this memo, the City's general fund reserves can potentially serve as an offset to the increase being forecasted in 2023, mirroring what was done to offset the large debt service increase experienced from 2020 to 2021.

General Fund									
FY	2020	2021	Inc. / (Dec.)	2021	2022	Inc. / (Dec.)	2022	2023	Inc. / (Dec.)
Principal	$ 2,754,440	$ 3,558,782	$ 804,342	$ 3,558,782	$ 3,530,273	$ (28,509)	$ 3,530,273	$ 3,983,035	$ 452,762
Interest	$ 1,044,604	$ 1,441,487	$ 396,883	$ 1,441,487	$ 1,324,178	$ (117,309)	$ 1,324,178	$ 1,523,831	$ 199,653
Total Gen Fund	$ 3,799,044	$ 5,000,269	$ 1,201,225	$ 5,000,269	$ 4,854,451	$ (145,818)	$ 4,854,451	$ 5,506,866	$ 652,415
Less: TIF Funded		$ (297,903)	$ (297,903)	$ (297,903)	$ (286,533)	$ 11,370	$ (286,533)	$ (277,814)	$ 8,719
Net Gen Fund	$ 3,799,044	$ 4,702,366	$ 903,322	$ 4,702,366	$ 4,567,918	$ (134,448)	$ 4,567,918	$ 5,229,052	$ 661,134
Tax Impact	$ 1.70	$ 2.10	$ 0.40	$ 2.10	$ 2.04	$ (0.06)	$ 2.04	$ 2.34	$ 0.30

Not included in 2022’s budget is the “one time” cost of the new financial software package of $400,000.

Also, there will not be an Airport subsidy due to the general fund in 2022 and 2023 due to the Airport Coronavirus Response Grant Program (ACRGP) reimbursement that the Airport received.

CONTINUING THE PROPOSED 2020 FINANCIAL PLAN

Having updated the data considered in submitting our proposed plan from May 2020, we suggest continuing to carry out that plan. Specifically, utilizing the City’s general fund reserves to offset any future increases in debt service, and moving forward with the rate proposals for both the Water and Sewer funds. Debt service inflation will continue to be a prime consideration in future budgets; however, the focus will shift from completion of the CSO project to the City’s significant other capital needs. Estimated new debt service to be issued in 2021 and 2022, across all funds, is shown in the table below:

PROJECT COMPLETION IN FY 2021 (REPAYMENT BEGINS IN FY 2022)						
Description	All Funds	General	Water	Sewer	Landfill	Airport
Combined Sewer Overflow Separation and Utility Replacement						
State Revolving Fund	$ 1,856,000	$ 742,400	$ 556,800	$ 556,800	$ -	$ -
General Obligation	$ 3,000,000	$ 1,200,000	$ 900,000	$ 900,000	$ -	$ -
Total CSO	$ 4,856,000	$ 1,942,400	$ 1,456,800	$ 1,456,800	$ -	$ -
Total to be Issued 2021, Repayment Begins 2022	$ 4,856,000	$ 1,942,400	$ 1,456,800	$ 1,456,800	$ -	$ -

PROJECT COMPLETION IN FY 2021 (REPAYMENT BEGINS IN FY 2022)						
Description	All Funds	General	Water	Sewer	Landfill	Airport
City Hall Renovations	$ 158,331	$ 158,331	$ -	$ -	$ -	$ -
DPW Fleet Mobile Lift	$ 76,000	$ 76,000	$ -	$ -	$ -	$ -
Lebanon Sewer System Rehabilitation	$ 945,000	$ -	$ -	$ 945,000	$ -	$ -
Total to be Issued 2021, Repayment Begins 2022	$ 1,179,331	$ 234,331	$ -	$ 945,000	$ -	$ -

PROJECT COMPLETION IN FY 2022 (REPAYMENT BEGINS IN FY 2023)						
Description	All Funds	General	Water	Sewer	Landfill	Airport
Combined Sewer Overflow Separation and Utility Replacement						
State Revolving Fund	$ 300,675	$ 120,275	$ 90,200	$ 90,200	$ -	$ -
General Obligation	$ -	$ -	$ -	$ -	$ -	$ -
Total CSO	$ 300,675	$ 120,275	$ 90,200	$ 90,200	$ -	$ -
Airport TIF District Infrastructure Improvements	$ 1,929,700	$ -	$ -	$ -	$ -	$ 1,929,700
Lebanon Library Renovation	$ 1,420,210	$ 1,420,210	$ -	$ -	$ -	$ -
Kimball Street Infrastructure Improvements - Road, SW, Curb-Drain	$ 1,720,000	$ 688,000	$ 516,000	$ 516,000	$ -	$ -
Spencer Street Improvements	$ 1,000,000	$ 1,000,000	$ -		$ -	$ -
Huber Sludge Dewatering Press	$ 275,000	$ -	$ -	$ 275,000	$ -	$ -
Mill Rd Slope Stabilization	$ 450,000	$ -	$ -	$ 450,000	$ -	$ -
Fire Station #2 Replacement	$ 5,665,000	$ 5,665,000	$ -	$ -	$ -	$ -
Trues Brook Road Bridge Replacement #066-059	$ 887,947	$ 887,947	$ -	$ -	$ -	$ -
Mack Avenue Infrastructure Improvements - Road, SW, Curb-Drain	$ 100,100	$ 40,040	$ 30,030	$ 30,030	$ -	$ -
Septage Receiving Facility - WWTP Upgrade	$ 50,000	$ -	$ -	$ 50,000	$ -	$ -
Valley Cemetery - Maintenance Building Replacement	$ 405,000	$ 405,000	$ -	$ -	$ -	$ -
Parks Storage & Maintenance Building	$ 120,000	$ 120,000	$ -	$ -	$ -	$ -
Landfill Gas to Energy Project	$ 1,500,000	$ -	$ -	$ -	$ 1,500,000	$ -
Total to be Issued 2022, Repayment Begins 2023	$ 15,823,632	$ 10,346,472	$ 636,230	$ 1,411,230	$ 1,500,000	$ 1,929,700
Total Authorized and Unissued Debt as of 12/31/2020	$ 21,858,963	$ 12,523,203	$ 2,093,030	$ 3,813,030	$ 1,500,000	$ 1,929,700

Our prior plan assumed rate increases of 8% in the Water Treatment and Distribution Fund (Water Fund) and 7.2% in the Sewage Collection and Disposal Fund (Sewer Fund) through fiscal year 2023, and 3% in the Water Fund and 2.5% in the Sewer Fund in fiscal years 2024 through 2026. The tables below represent our projections for both funds through 2026, maintaining these inflationary revenue assumptions, and using the expenditure assumptions listed therein:

Water Fund						
Description	2021	2022	2023	2024	2025	2026
Expenditures						
Operations	1,729,980	1,773,230	1,817,560	1,862,999	1,909,574	1,957,314
Debt Service	1,437,240	1,717,774	1,732,961	1,717,377	1,695,218	1,622,784
Admin Overhead and Other	557,070	578,111	584,274	590,559	596,970	603,510
Total Projected Expenditures	3,724,290	4,069,115	4,134,795	4,170,935	4,201,763	4,183,607
Projected Revenues	4,130,550	4,254,467	4,382,100	4,513,564	4,558,699	4,604,286
Projected Net Revenue (Expense)	406,260	185,352	247,306	342,628	356,937	420,679
Assumptions:						
2.5% Inflation in operational expenditures						
Debt Service as currently projected						
2% inflation in administrative overhead						
3% inflation in annual revenues 2022-2024						
1% inflation in annual revenues 2025-2026						

Sewer Fund						
Description	2021	2022	2023	2024	2025	2026
Expenditures						
Operations	3,356,830	3,457,535	3,561,261	3,668,099	3,778,142	3,891,486
Debt Service	2,896,970	2,986,535	3,042,946	3,049,590	2,985,560	3,617,751
Admin Overhead and Other	875,190	885,022	895,051	905,281	915,715	926,358
Total Projected Expenditures	7,128,990	7,329,092	7,499,258	7,622,970	7,679,417	8,435,595
Projected Revenues	7,368,570	7,810,684	8,279,325	8,776,085	8,995,487	9,220,374
Projected Net Revenue (Expense)	239,580	481,592	780,067	1,153,115	1,316,070	784,779
Assumptions:						
3% Inflation in operational expenditures						
Debt Service as currently projected						
2% inflation in administrative overhead						
6% inflation in annual revenues 2022-2024						
2.5% inflation in annual revenues 2025-2026						

In our previous report, we had projected that the Water Fund would be in a potential deficit position in years 2021-2025, and we suggested that utilizing fund balance reserves to offset these deficits would be prudent. A year later, we know that the debt previously estimated as necessary to accommodate the CSO project is less than expected. As a result, both the water fund and sewer fund are now projected to be revenue positive over the next several years. Like the general fund, this fact coupled with adequate fund reserves affords the opportunity to use such reserves to offset future water and sewer fund capital needs.

In the Solid Waste Disposal fund the impact of new debt service is related to completion of the Landfill Gas to Energy project which we had previously estimated to be completed during fiscal year 2021. We now estimate completion of the project in 2022, with debt service being issued in that year and repayments beginning in fiscal year 2023. The schedule below shows the impact of that project's completion on debt service expenditures.

Solid Waste Disposal Fund									
FY	2020	2021	Inc. / (Dec.)	2021	2022	Inc. / (Dec.)	2022	2023	Inc. / (Dec.)
Principal	$ 295,000	$ 295,000	$ -	$ 295,000	$ 295,000	$ -	$ 295,000	$ 370,000	$ 75,000
Interest	$ 59,000	$ 47,200	$ (11,800)	$ 47,200	$ 35,400	$ (11,800)	$ 35,400	$ 68,600	$ 33,200
Total	$ 354,000	$ 342,200	$ (11,800)	$ 342,200	$ 330,400	$ (11,800)	$ 330,400	$ 438,600	$ 108,200

We have yet to determine whether the fund's annual revenues can absorb the FY 2023 debt service expenditure increase, but as of 12/31/2020 the fund's unassigned fund balance (unaudited) is $2,906,979. It would appear the reserves can offset the expenditure increase if such is deemed necessary.

Fund Balance

It is the policy of the City of Lebanon to maintain unassigned fund balance in the general fund between 19% and 24% of general fund revenues measured on a GAAP basis. The National GFOA (Government Finance Officers Association) recommendation is "…at a minimum, that general purpose governments, regardless of size, maintain unrestricted fun balance in their general fund of no less than two months of regular general fund operating revenues or general fund operating expenditures."

According to the City's fund balance policy, "the City considers a balance of less than 19.0% to be a cause for concern and considering factors or circumstance that may require a higher than normal maximum level of Unassigned Fund Balance, a balance of more than 24% 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 several years prior to 2021, general fund reserves were intentionally built to cover payments estimated to be necessary for the CSO project that we knew would be completed by 2021. In 2021, the City's budgetary plan includes the use of $1.3 million in general fund reserves to cover the increased debt service costs included therein. We propose a similar plan to offset the estimated $661,134 increase in debt service that will occur in 2023. By using reserves in this manner, and by utilizing reserves to help fund future capital projects, we can move reserve balances to a level more in line with the 24% maximum level required by the City's fund balance policy. Below is the history of spendable fund balance for each governmental fund:

GENERAL FUND							
Year	Spendable Fund Balance	Budgeted Expenditures	Spendable Fund Balance as % of Budgeted Expenditures	Year	Spendable Fund Balance	Budgeted Expenditures	Spendable Fund Balance as % of Budgeted Expenditures
1989	$392,977			2006	$3,648,180	$18,976,064	19.2%
1990	$49,255	-	-	2007	$3,528,060	$20,628,410	17.1%
1991	($123,953)	-	-	2008	$2,877,328	$22,224,148	12.9%
1992	$112,425	-	-	2009	$3,404,816	$23,371,896	14.6%
1993	$354,751	-	-	2010	$4,369,689	$23,655,320	18.5%
1994	$583,598	-	-	2011	$4,226,292	$24,458,130	17.3%
1995	$1,526,378	-	-	2012	$4,920,043	$24,953,970	19.7%
1996	$1,965,443	-	-	2013	$6,996,142	$25,450,451	27.5%
1997	$2,213,586	-	-	2014	$5,681,942	$27,989,723	20.3%
1998	$2,443,960	-	-	2015	$6,501,198	$27,166,140	23.9%
1999	$2,014,190	-	-	2016	$8,608,221	$27,924,630	30.8%
2000	$2,799,415	$13,071,110	21.4%	2017	$10,640,252	$29,338,760	36.3%
2001	$2,218,058	$14,462,230	15.3%	2018	$11,676,062	$30,738,370	38.0%
2002	$3,634,094	$15,068,913	24.1%	2019	$12,245,083	$32,508,264	37.7%
2003	$3,707,470	$15,706,950	23.6%	Projected			
2004	$3,811,340	$16,404,038	23.2%	2020*	$13,570,312	$33,826,895	40.1%
2005	$4,217,802	$17,157,370	24.6%	2021(P)	$11,870,312	$34,511,300	34.4%
*Unaudited							

Fund Balance				
FY	Water	Sewer	Landfill	Airport
2004	$ 717,355	$ 430,436	$ 1,007,954	$ (34,958)
2005	$ 705,901	$ 302,147	$ 1,187,323	$ (44,847)
2006	$ 643,447	$ (300,318)	$ 1,410,827	$ (265,496)
2007	$ 763,301	$ 24,832	$ 1,187,227	$ (779,775)
2008	$ 591,591	$ (63,657)	$ 912,497	$ (1,226,451)
2009	$ 13,863	$ 140,471	$ 872,282	$ (716,815)
2010	$ 7,840	$ 128,305	$ 1,189,594	$ (468,417)
2011	$ 269,578	$ 942,695	$ 2,068,205	$ (404,850)
2012	$ 646,832	$ 1,477,123	$ 2,063,860	$ (376,415)
2013	$ 804,809	$ 1,750,416	$ 2,737,273	$ (209,534)
2014	$ 904,006	$ 2,648,712	$ 2,991,938	$ (150,219)
2015	$ 892,409	$ 3,327,697	$ 3,286,395	$ (347,562)
2016	$ 1,146,280	$ 2,361,123	$ 3,632,026	$ (576,964)
2017	$ 1,730,562	$ 3,155,891	$ 3,613,404	$ (584,225)
2018	$ 2,450,803	$ 3,005,765	$ 2,218,099	$ (630,622)
2019	$ 2,612,863	$ 2,507,145	$ 2,688,564	$ (611,478)
2020*	$ 3,367,206	$ 3,463,879	$ 2,906,979	$ 371,114
2021(P)	$ 3,773,466	$ 3,703,459	$ 3,295,979	$ 205,651
* Unaudited, (P) Projected				

As was stated above relative to the General Fund, reserves in the Water and Sewer Funds have been built up to help cover some of the costs of the CSO project. Over the past 10 years the rates have averaged approximately 5.7% for water and 7.1% for sewer to help built up the fund balances in these accounts (collection rates are lower). Prior to this there were no rate increases from 2002 to 2006. As stated above, our recommendation for water and sewer rates would be to decrease the rates starting in 2024.

CAPITAL RESERVES:

Funding capital reserves at sufficient levels to cover significant equipment and infrastructure projects helps the City reduce the need for long-term financing. The following table shows capital reserve activity and balances from 2018 through the end of the first quarter of 2021:

	2018 YE	2019 YE	2020 YE	As of March 31, 2021
CAPITAL RESERVE BALANCES	Balances	Balances	Balances	Balances
Fire Department Equipment and Vehicles	$ 162,787	$ 276,385	$ 211,022	$ 333,897.00
DPW Equipment and Vehicles	$ 48,691	$ 71,157	$ 7,567	$ 57,505.00
Dana House	$ -	$ -	$ 51,106	$ 25,978.00
Recreation and Parks Improvement and Equip	$ 40,332	$ 62,147	$ 84,170	$ 104,160.00
Parking Facilities Repairs/Maintenance	$ 27,675	$ 28,524	$ 29,230	$ 29,235.00
Police Equipment Vehicles and Improvements	$ 50,676	$ 72,806	$ 95,101	$ 95,119.00
Library Facilities Capital Improvement Fund	$ -	$ 51,414	$ 52,704	$ 52,714.00
Water Treatment & Distribution Improvements/Equip	$ 608,295	$ 556,753	$ 791,984	$ 895,180.00
Sewer Collection & Disposal Improvements/Equip	$ 24,371	$ 164,429	$ 458,463	$ 705,216.00
Landfill Extended Long-Term Monitoring & Maintetance	$ 614,725	$ 673,086	$ 728,801	$ 766,334.00
Entire Facility				
Landfill Closeout/Long-Term Monitoring & Maintenance	$ 7,585,655	$ 8,144,383	$ 8,575,190	$ 8,597,644.00
Facility (lined)				
Landfill Equipment	$ 50,281	$ 206,633	$ 523,336	$ 333,837.00
Facility (lined)				
Landfill Equipment	$ 314,034	$ 323,179	$ 330,153	$ 330,734.00
Accrued Benefits Liability-GF	$ -	$ 169,000	$ 274,952	$ 300,225.00
Accrued Benefits Liability-SW	$ -	$ 28,500	$ 48,039	$ 49,717.00
Accrued Benefits Liability-WF	$ -	$ 29,350	$ 50,442	$ 38,921.00
Accrued Benefits Liability-SF	$ -	$ 40,800	$ 62,145	$ 56,912.00
Accrued Benefits Liability-Airport	$ -	$ -	$ 16,349	$ 21,344.00
	$ 9,527,523	$ 10,898,547	$ 12,390,755	$ 12,794,672.00
General Fund	$ 330,161.84	$ 731,433.84	$ 805,852.84	$ 998,833.00
Solid Waste Fund	$ 8,564,695	$ 9,375,781	$ 10,205,519	$ 10,078,266.00
Water Treatment & Distribution Fund	$ 608,295	$ 586,103	$ 842,426	$ 934,101.00
Sewage Collection and Disposal Fund	$ 24,371	$ 205,229	$ 520,608	$ 762,128.00
Airport Fund	$ -	$ -	$ 16,349	$ 21,344.00
	$ 9,527,523	$ 10,898,547	$ 12,390,755	$ 12,794,672.00

Summary

The Finance Department recommends leveraging fund balance reserves to help offset future debt service requirements and reducing the need for future long-term capital financing by using reserves to help fund capital projects/reserves. We also propose to continue the philosophy of limiting future debt service paid for by the General Fund to that which will be “coming off the books” each year, as viewed over the length of each successive year’s capital improvement plan.

It continues to be the Finance Department’s goal to provide the City Manager, the Mayor and City Council with relevant and timely information that will enable all parties to make informed policy decisions. We welcome your feedback and comments as to what information we can provide in the future to facilitate those decisions and we will be happy to answer any questions that you may have.

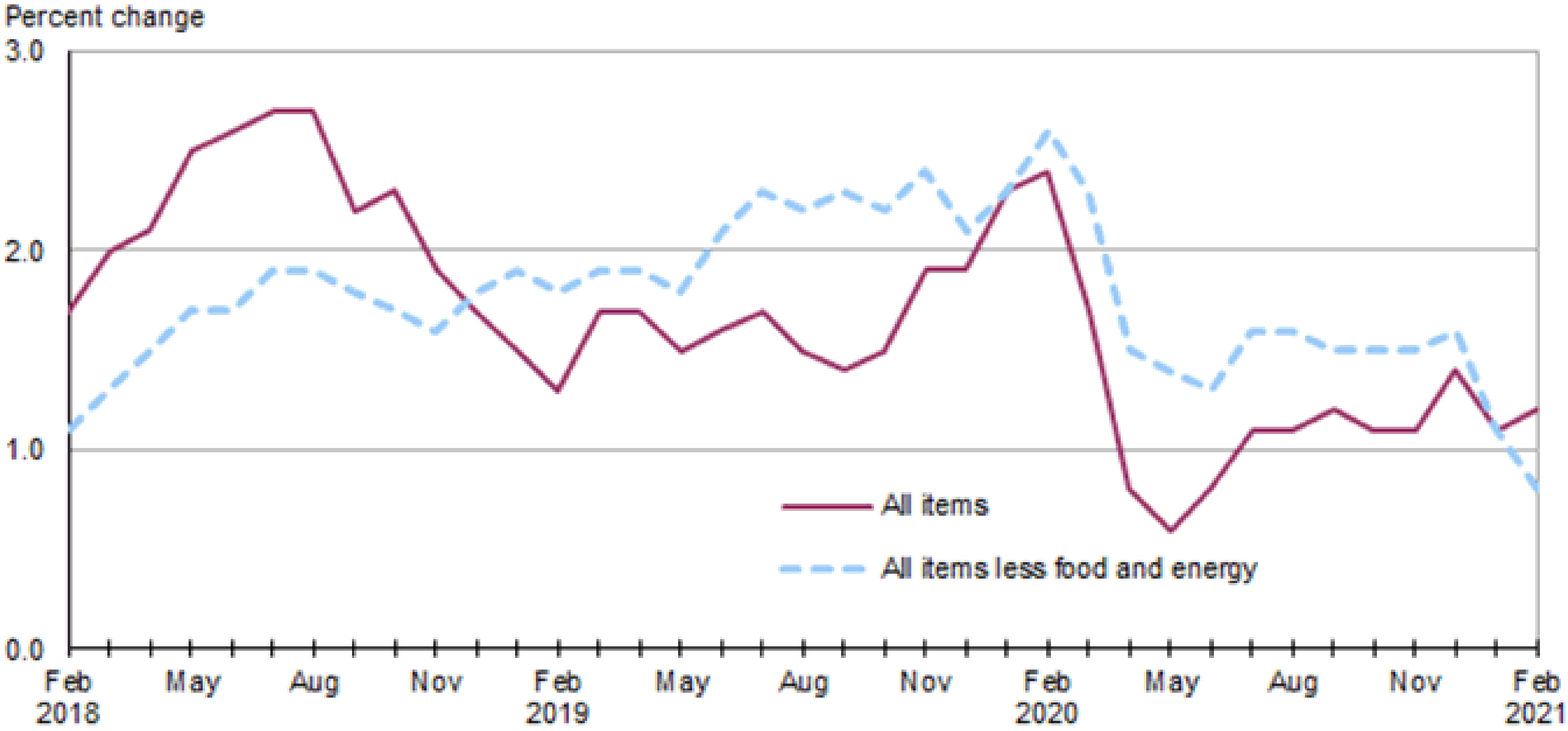

HAPPY
CINCO de MAYO

2021 Financial Outlook

CITY OF LEBANON, NH

COVID-19 FINANCIAL IMPACTS

Consumer Price Index- Northeast Region



Source: U.S. Bureau of Labor Statistics.

CHANGE IN UNEMPLOYMENT CLAIMS

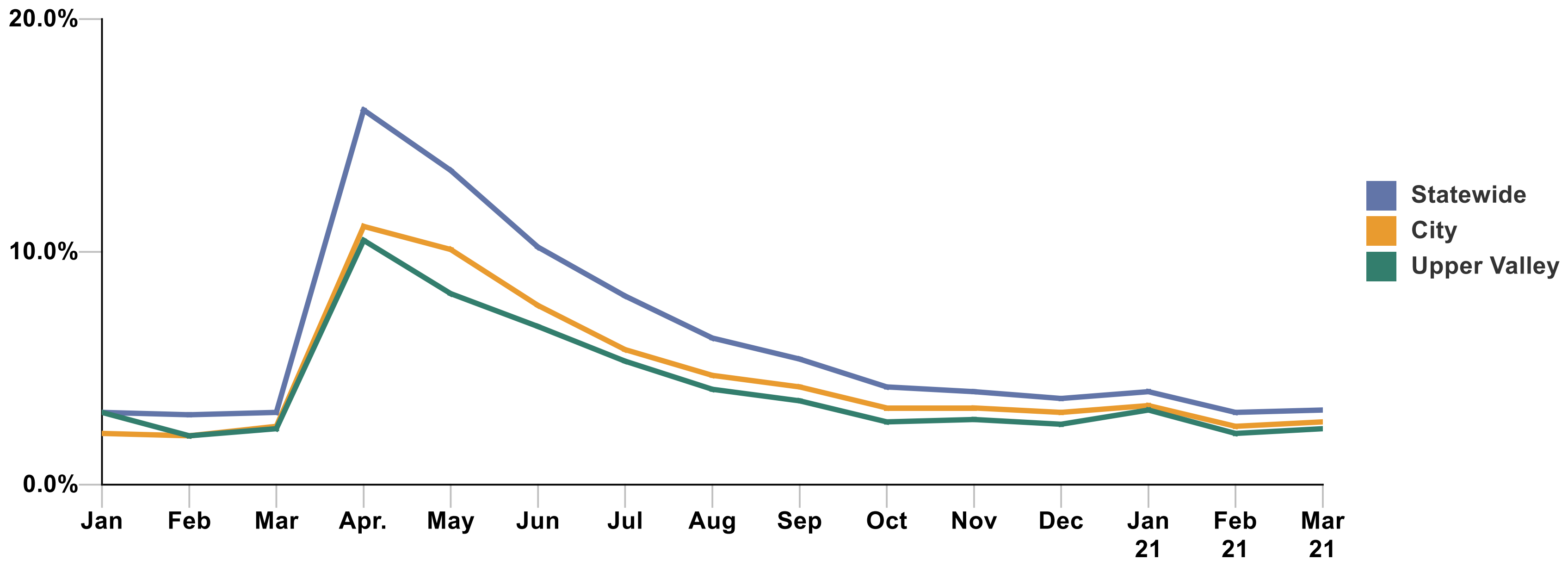
2020 February Rates

- 6.7% Statewide
- 2.1% City (160 people)
- 3.1% Upper Valley Region

2021 February Rates

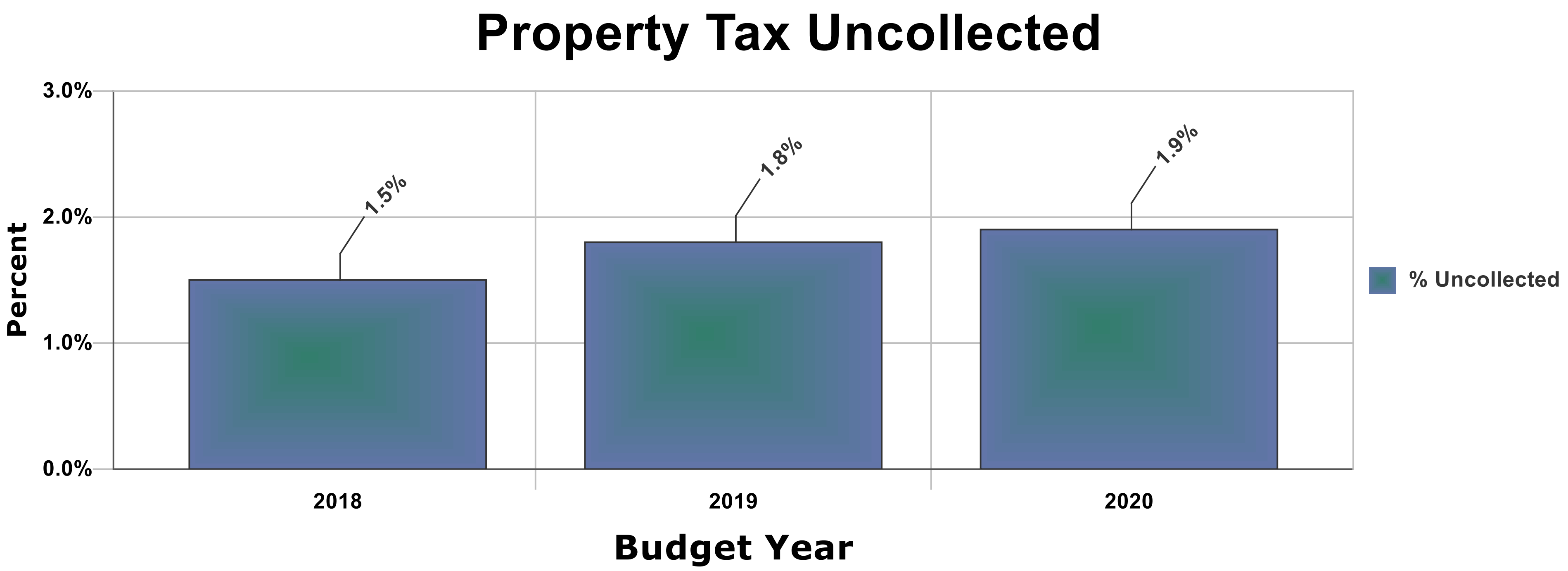
- 3.1% Statewide (Mar. 3.2%)
- 2.5% City (200 people) (Mar.2.7%, 210 people)
- 2.2% Upper Valley (Mar. 2.4%)

Unemployment Rate 2020-2021

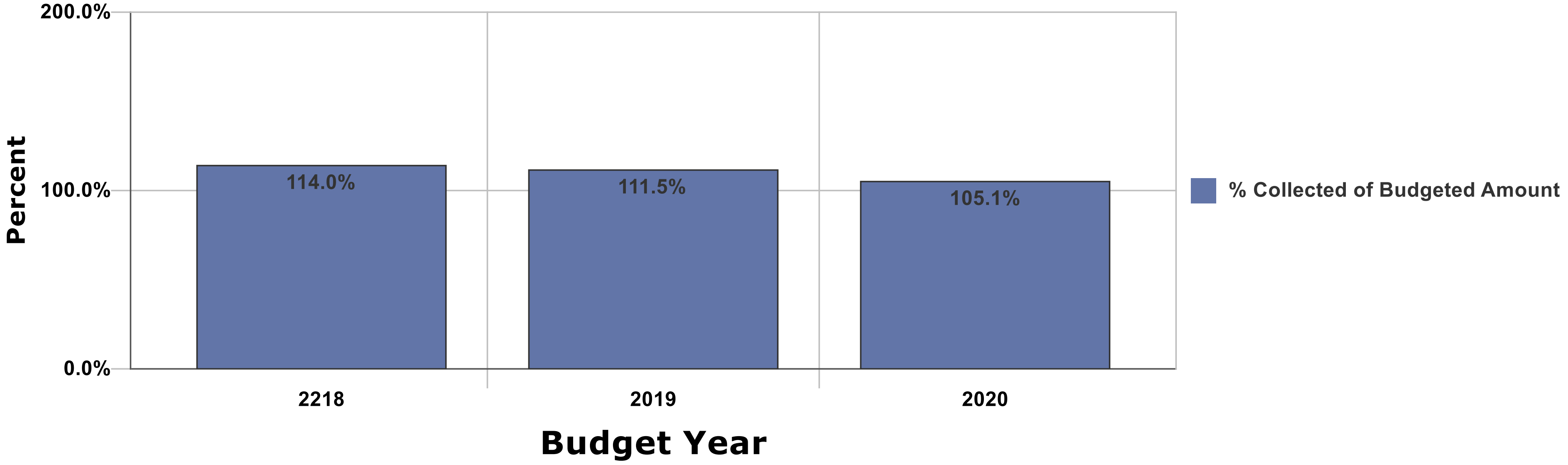


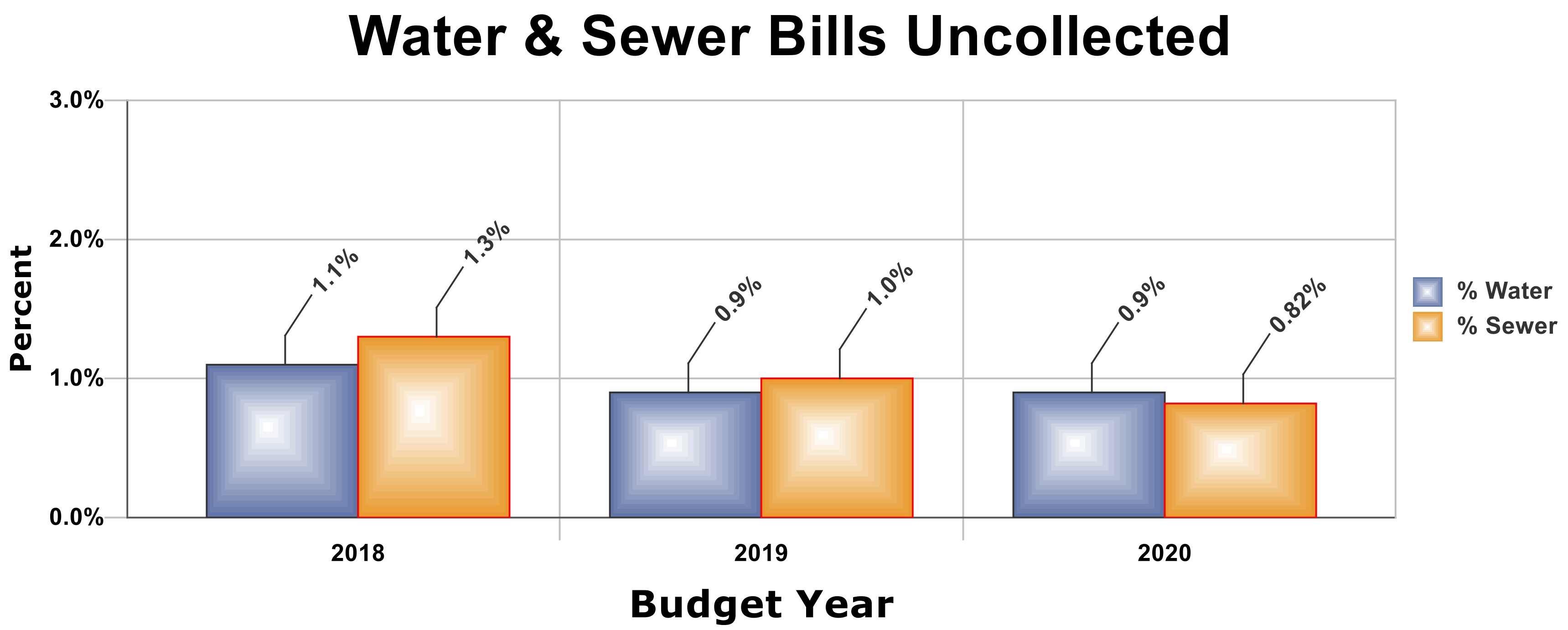
City Revenue Impacts Vary by Source

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


Property Tax Uncollected
3.0%
2.0%
1.0%
0.0%
Percent
1.5%
1.8%
1.9%
2018
2019
2020
Budget Year
% Uncollected

MV Registration Collection Rates





Water & Sewer Bills Uncollected
3.0%
2.0%
1.0%
0.0%
Percent
1.1%
1.3%
0.9%
1.0%
0.9%
0.82%
2018
2019
2020
Budget Year
% Water
% Sewer

Federal Assistance

Airport receives just over **$2 million** in funds which will offset the general fund subsidy for 2022/2023

American Rescue Plan Act

$1,351,000 to the City

State Aid

- Rooms & Meals Tax-Possible Increase
- Highway Block Grant-Slight Increase
- State Aid Grants (SAG) wastewater projects
- Municipal Bridge Aid-Reduction
- Revenue Sharing-Eliminated
- Municipal Aid-Eliminated
- *15% Retirement System Contribution by State-TBD

- 2022 Impact- **$384,306**
- 2023 Impact- **$378,166**

State Aid Grants (SAG) Eliminated

- 2024-2028 Impact **$6,074,253**

CITY OF LEBANON, NH

DEBT SERVICE PROJECTIONS 2021-2026

ASSUMPTIONS

Debt service projections are based upon projects authorized by the Council.

Transition from CSO era which included future projects in debt service projections. *NEW PROJECTIONS DO NOT INCLUDE FUTURE PROJECTS*

In the 2021 Budget fund balance will be used to offset debt service increases as planned for at the start of the CSO era.

The CSO debt service plan was based upon pre-determined tax rate and user rate increases to prevent tax rate spikes and minimize spikes in utility rates.

GENERAL FUND

PLANNED TAX RATE INCREASES

Tax rate increases were planned in conjunction with the use of fund balance to reduce tax rate spikes and allow for adequate service delivery.

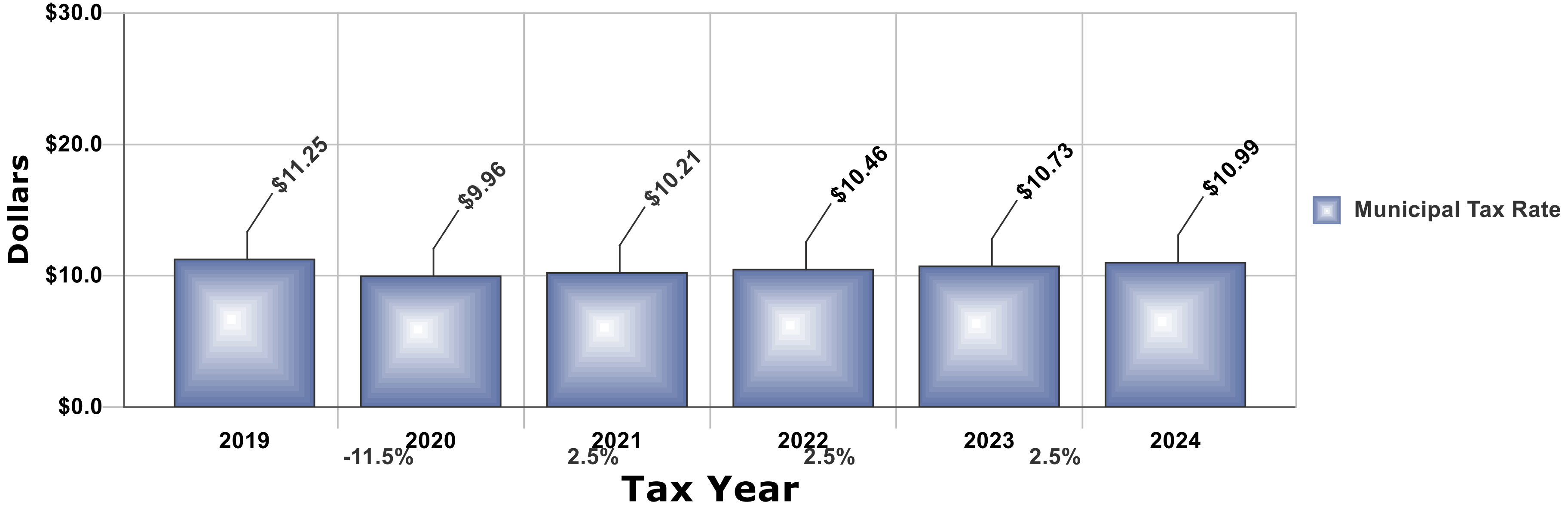
Planned tax rate increases

2021- 2.5%

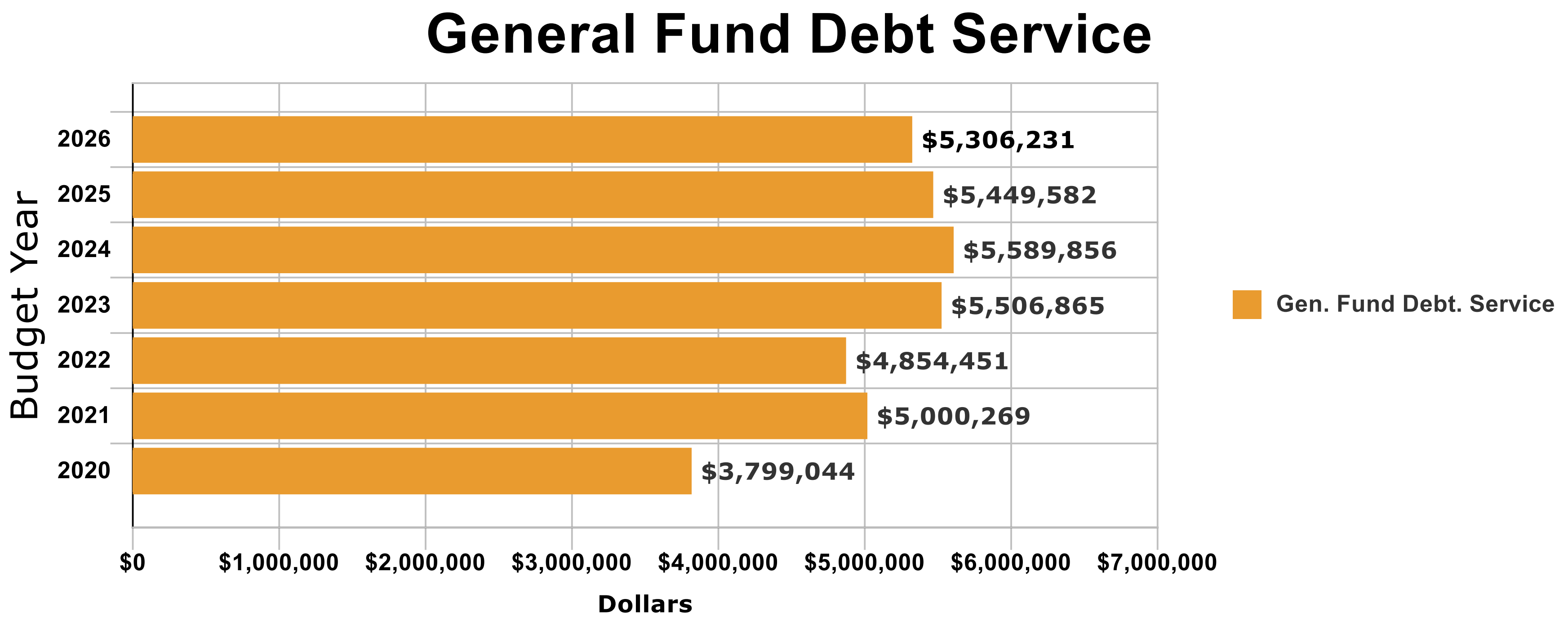
Projected tax rate increases for 2022-2025

Less than 2.5% each year

Change in Municipal Tax Rate



NOTE: Years 2021, 2022, 2023 and 2024 are projected based on a set of variable assumptions


General Fund Debt Service
Budget Year
2026
2025
2024
2023
2022
2021
2020
$5,306,231
$5,449,582
$5,589,856
$5,506,865
$4,854,451
$5,000,269
$3,799,044
$0
$1,000,000
$2,000,000
$3,000,000
$4,000,000
$5,000,000
$6,000,000
$7,000,000
Dollars
Gen. Fund Debt. Service

Fund Balance Use to Offset Debt. Service

The plan is to offset the increase in debt service for 2021 by the use of approx. $1.7 million from fund balance to stabilize the tax rate.

The Unassigned Fund Balance of the General Fund will be approx. $11.8 million.

The plan requires the use of fund balance and tax rate increases to smooth the impact of debt service on the budget.

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

Unassigned Fund Balance Ratios

Policy requires fund balance to be between 19% and 24% of Revenues or Expenditures for any budget year

Present fund balance is 34.4% (2021 Projected)

Use fund balance at $1.7 million for 2021 tax rate stabilization

Utilize excess fund balance after debt smoothing to fund Capital Reserve Funds

Limitation of Future Capital Projects
General Fund

The amount of new debt would be limited to the amount of retired debt over a six-year fixed period.

$20,786,122 in debt principal will be paid from 2021-2026

Only $20,786,122 in new debt would be planned over this period

Levels off the City's debt load

Allows for transition to the long-term financial plan and long-term stabilization of the tax rate

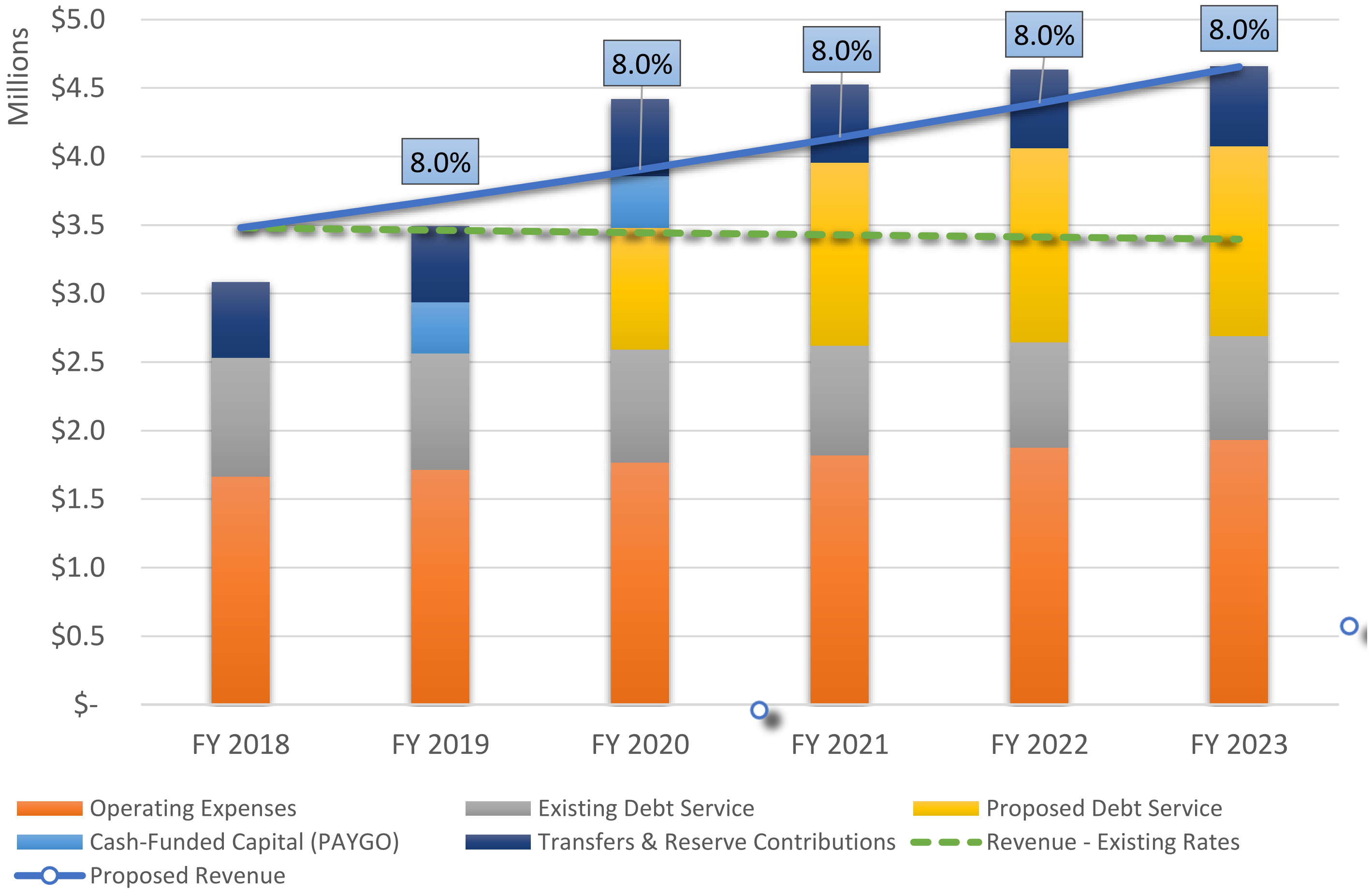
Exception- Expenditure/Revenue neutral projects based on actual dollars

Impacts on CIP

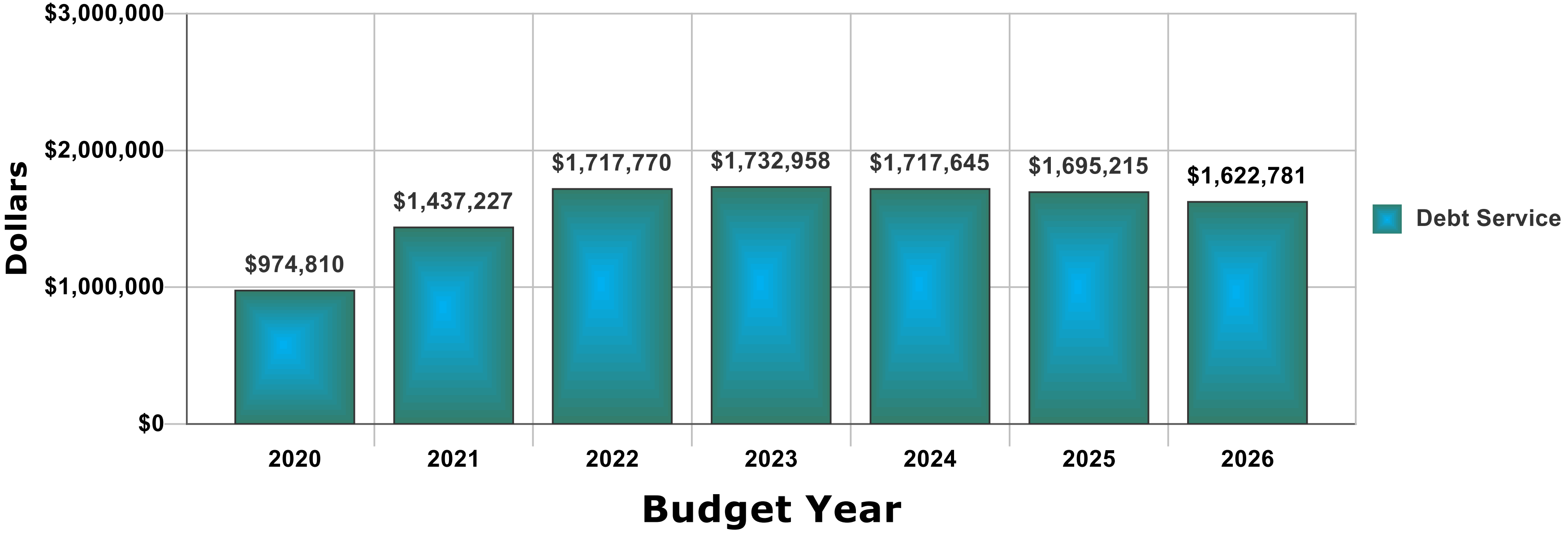
- Projects have been backed up due to the impact of the CSO
- Failure to address known issues may result in cascading impacts
  - Facilities
  - Transportation Infrastructure
  - Equipment and Vehicles
- Could result in higher long-term costs and negative service delivery impacts

WATER FUND

Water Financial Plan Forecast

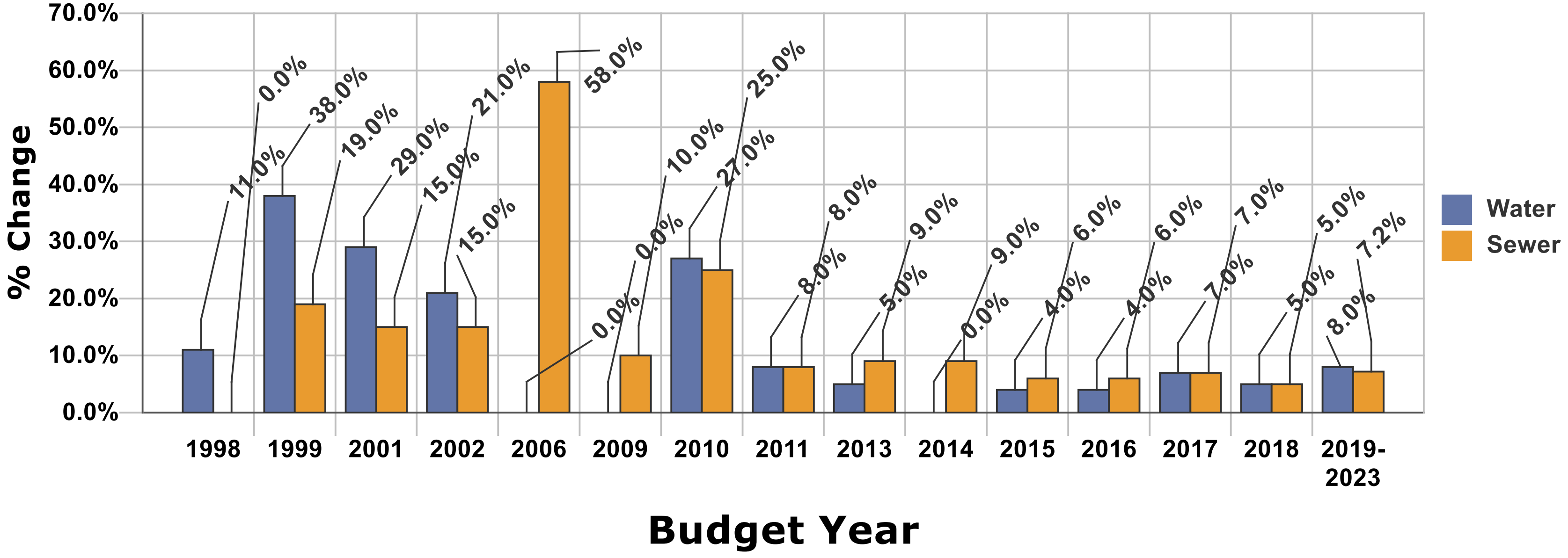


Water Fund Debt. Service



*Includes existing projects only, does not include any new projects

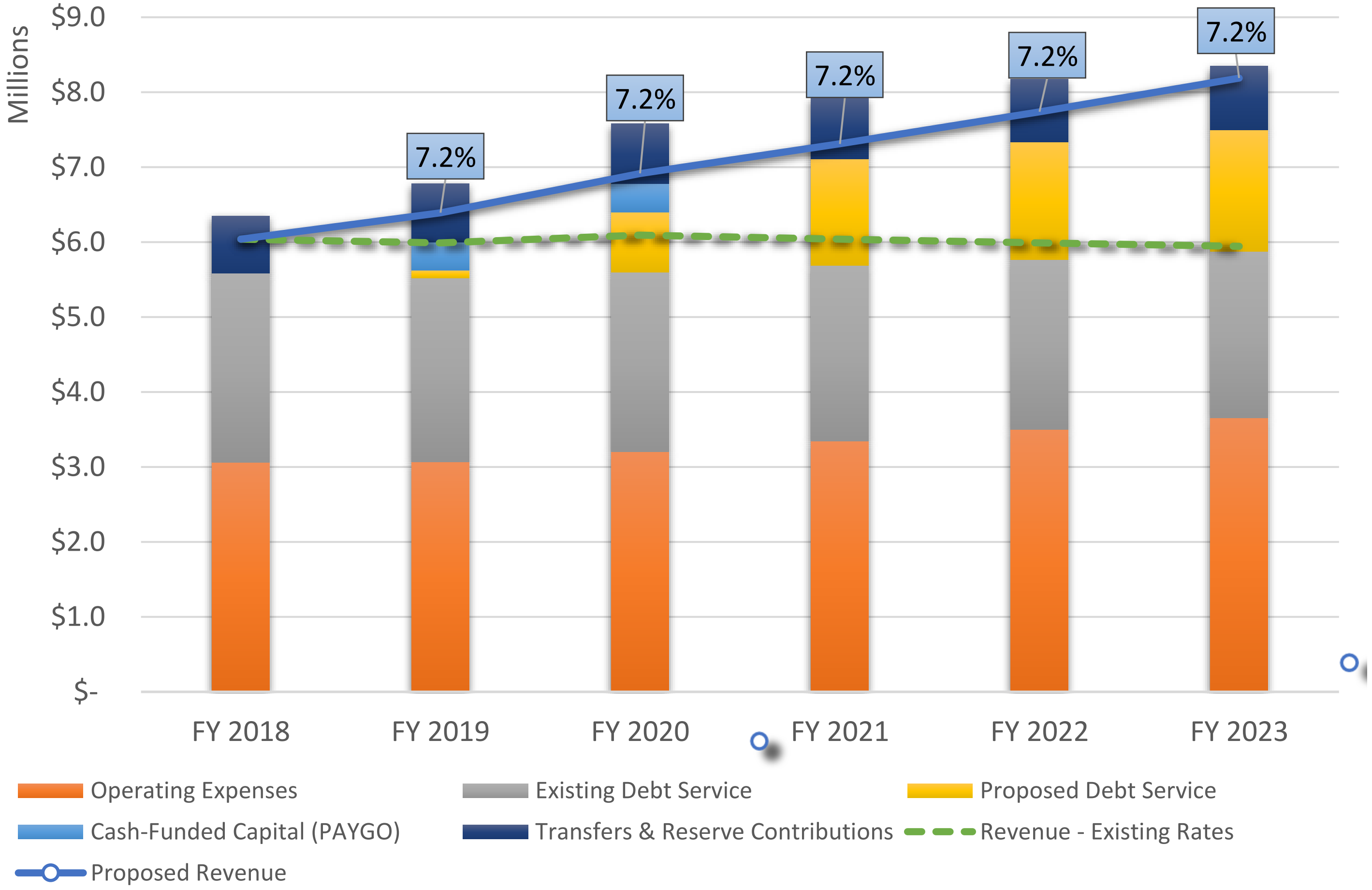
Water & Sewer Rate Increases



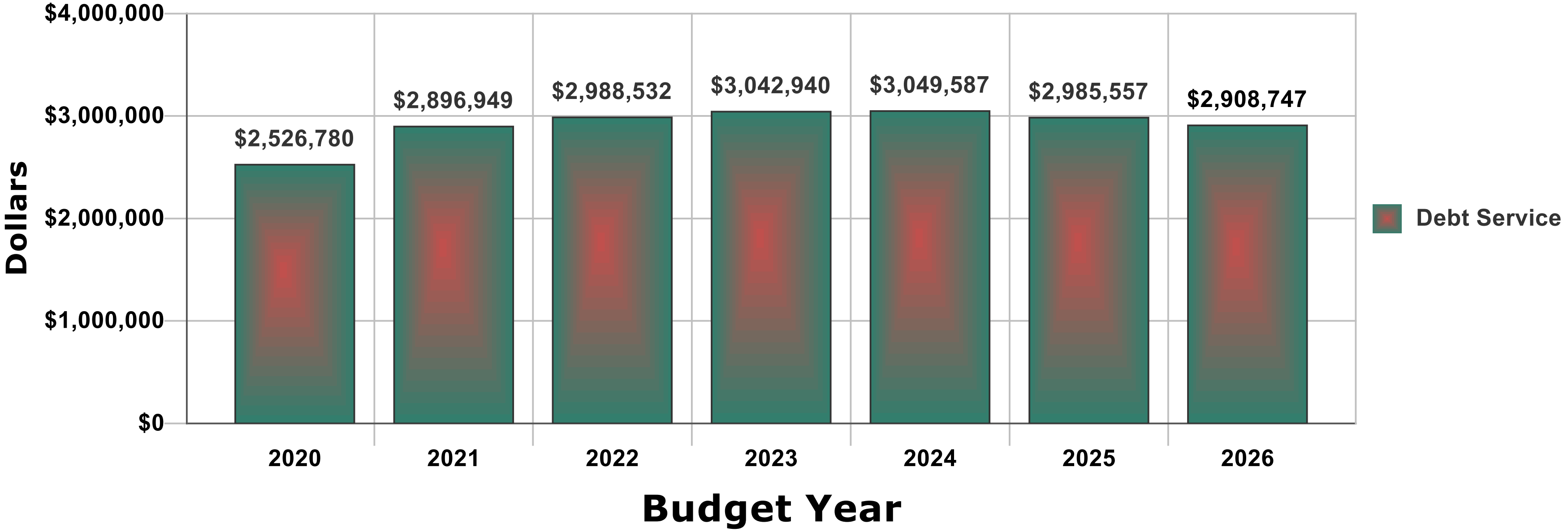
* 2019-2023 8% and 7.2% actual or planned for each year

SEWER FUND

Sewer Financial Plan Forecast

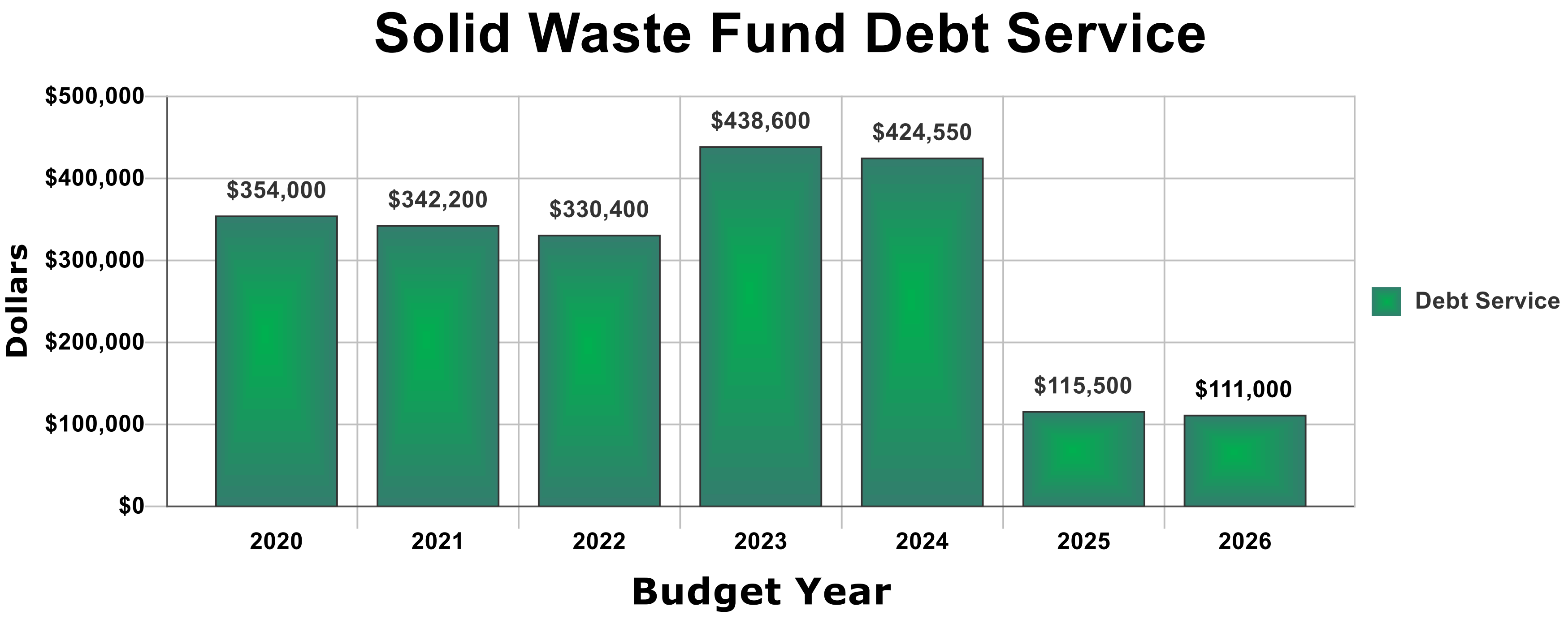


Sewer Fund Debt. Service



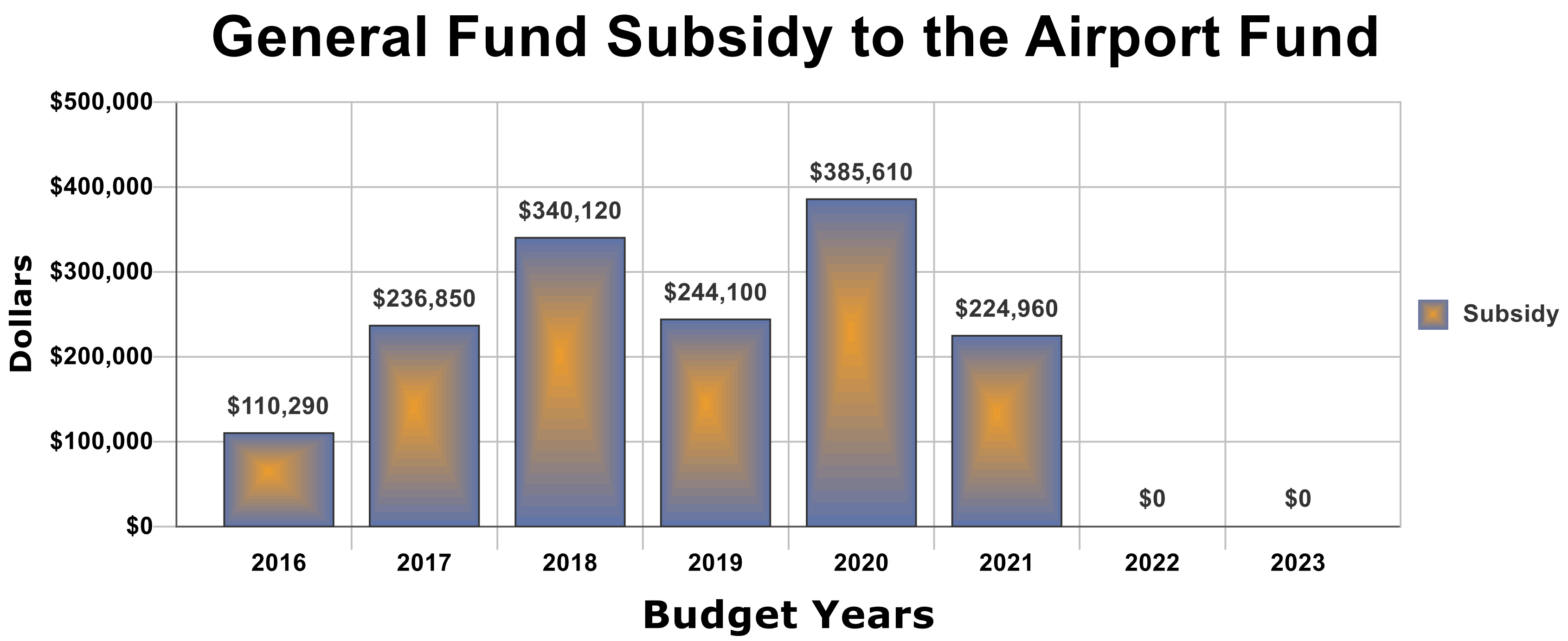
*Includes existing projects only, does not include new projects

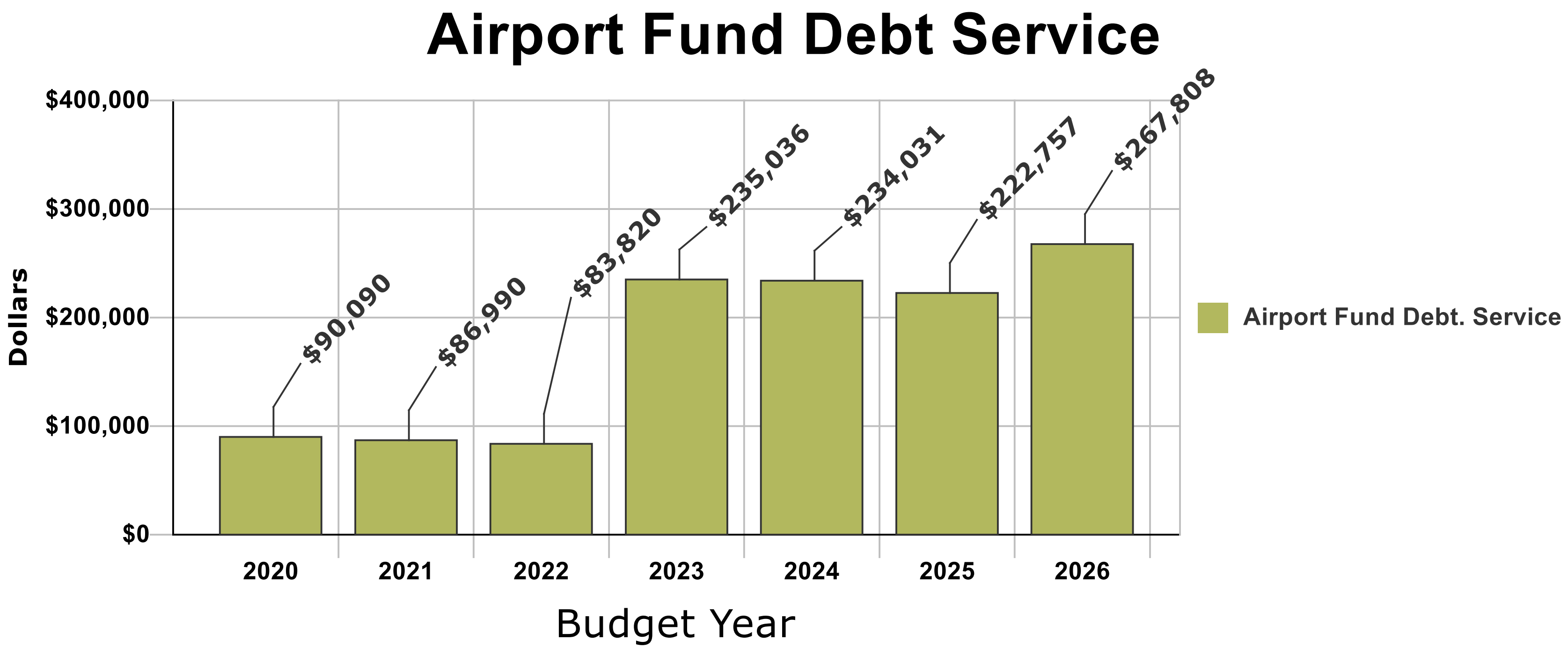
SOLID WASTE FUND



*Includes existing projects only, does not include any new projects

AIRPORT FUND


General Fund Subsidy to the Airport Fund
$500,000
$400,000
$300,000
$200,000
$100,000
$0
Dollars
$110,290
$236,850
$340,120
$244,100
$385,610
$224,960
$0
$0
2016
2017
2018
2019
2020
2021
2022
2023
Budget Years
Subsidy


Airport Fund Debt Service
$400,000
$300,000
$200,000
$100,000
$0
Dollars
$90,090
$86,990
$83,820
$235,036
$234,031
$222,757
$267,808
2020
2021
2022
2023
2024
2025
2026
Budget Year
Airport Fund Debt. Service