



Town of Bedford - 2021 Budget Analysis

Budget Development: The Town's budget process commences in the summer with the compilation of our ten-year Capital Improvement Plan (CIP). All capital related expenses of \$25,000 or more for items with a useful life of three years or greater are included in the CIP. These items are identified for bonding, operating budget or some other type of financing. The department heads are responsible for submitting their CIP project worksheets, which are compiled and presented to the Finance Director, Town Manager and ultimately the Planning Board for review. Project costs affecting the current year budget as well as general operating and fixed costs are included in each department's budget request. These budget requests are reviewed with the Town Manager, who makes any final adjustments as part of the recommended budget. The recommended budget is closely scrutinized in an effort to meet the needs of the community while remaining sensitive to the effects on the Town's tax rate. As such, there are several CIP projects identified by the department heads which do not receive funding in the current year budget. Some projects are cancelled while others are postponed, again in an effort to allocate resources based on the priorities of the community.

The Manager's recommended budget is presented to the Town Council in October of each year. The Council may add to or cut from these recommended appropriations by majority vote. Once the Council has made any changes it deems necessary, hearings are held for input from the public. The Council then brings the finalized budget to the citizens for a vote to adopt at Budgetary Town Meeting in March. During this meeting, citizens are able to add to or cut from the Council's recommended budget by majority vote.

Appropriations: The General Fund appropriations account for 88% of the total operational spending and 3.7% of capital reserve deposits for the Town. General Fund appropriations cover all general government services such as administration, fire, police and public works that are not otherwise accounted for in a special revenue or proprietary fund. Proprietary funds include sewer, day camp and BCTV account for the remaining 8.3% of Town spending. These funds are self supporting which means their operating expenses are covered by the collection of user fees and therefore have no impact on the tax rate.

Fund	Appropriations	% of Total
General Fund	\$ 30,798,478	88.0%
Capital Reserve Fund from Tax	1,295,050	3.7%
Sewer	2,262,769	6.5%
Capital Reserve Fund from Sewer	102,000	0.3%
Day Camp	83,025	0.2%
BCTV	456,073	1.3%
Total Proprietary Funds	2,903,867	8.3%
Total All Funds	\$ 34,997,395	100.0%



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General Fund Appropriation Summary: The 2021 recommended General Fund budget for the Town is \$32,093,528. The table below reports the major components of the Town appropriations and their relative increases over the 2020 budget.

Appropriation	2020	2021	\$ Change	% Change
Personnel Services	\$ 18,402,783	\$ 19,206,456	\$ 803,673	4.37%
Contractual Services	1,363,082	1,275,356	\$ (87,726)	-6.44%
Capital Outlay	3,595,065	2,646,605	\$ (948,460)	-26.38%
Debt Service	4,000,260	4,896,231	\$ 895,971	22.40%
Other Expenses	3,987,748	4,068,880	\$ 81,132	2.03%
Total	\$ 31,348,938	\$ 32,093,528	\$ 744,590	2.38%

Appropriation Increases by Component

Personnel Services: Personnel service expenses account for a significant portion of any municipal budget and Bedford is no different with staff-related expenses at 59.8% of operating costs. As shown above, the total increase in personal services is \$803,673 or 4.37%, which includes taxes, retirement contributions, workers compensation and insurance, as well as, pay increases for employees. In 2020, the largest portion of increase in personnel services was \$477,237 for the 27th payroll and was fully offset with fund balance. The 2021 operating budget (general fund) includes a \$368,216 increase in the employer contribution to the New Hampshire Retirement System (NHRS) due to a mid-year rate change. The increase also provides for pay adjustments based on the three Collective Bargaining Agreements (CBA) as well as the CPI-W for the Boston-Cambridge Newton Area. The proposed budget includes a 1% COLA since the CPI may reach 3%. Approximately \$357,241 of the increase in insurance and employment related appropriations will be funded by the Staffing for Adequate Fire and Emergency Response (SAFER) grant.

The projected budgeted rate increase for health insurance is at 7.5% beginning July, 1 2021 and accounts for \$347,597 of the change in personnel services. The budget reflects a 5% contribution from all employees enrolled in the HMO plan and a 10% contribution from all employees enrolled in the POS or plans, in compliance with the Town's personnel policy as well as both the Police and Fire union contracts. The dental, life insurance and short and long-term disability plans are currently budgeted at little to no increase based on past experience.

- Pursuant to RSA 100-A:16 III, the Board of Trustees for the New Hampshire Retirement System (the statewide public employee pension system) sets the employer contribution rates every two years. Historically, the State paid a portion of employer contributions for police and fire personnel (as well as teachers), but the Legislature eliminated the State's share in 2009 and this statutory change was upheld in 2012. In addition to the loss of the State's share, the Town has experienced the significant increase of employer contribution rates imposed by NHRS in an attempt to close the gap on the unfunded liability in the pension system that was reported at \$4.95 billion for the 2019 fiscal year. On July 1st, 2021, the rates will go from 28.43% to 33.88% for Police, 30.09% to 32.99% for Fire and 11.17% to 14.06% for Municipal employees. The following table shows the last eight rate changes issued by the NHRS, including the most recently announced increase effective July 2021 – July 2023 having a 2021 tax rate impact of \$0.09.



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Employee Group	Effective July 1, 2005	Effective July 1, 2007	Effective July 1, 2009*	Effective July 1, 2011	Effective July 1, 2013	Effective July 1, 2015	Effective July 1, 2017	Effective July 1, 2019	Effective July 1, 2021
Town	6.81%	8.74%	9.09/9.16%	8.80%	10.77%	11.17%	11.38%	11.17%	14.06%
Police	9.68%	11.84%	12.68/13.66%	19.95%	25.30%	26.38%	29.43%	28.43%	33.88%
Fire	14.36%	15.92%	16.05/17.28%	22.89%	27.74%	29.16%	31.89%	30.09%	32.99%

* amount increased during 2009 legislative session

Debt Service: The Town's debt service reflects a significant increase of \$895,971 that is mainly attributable to full year costs affiliated with the February 2020 final issuance of the \$10 million of the Road Bond that was authorized by the voters back in 2014. The change in debt service over the prior year has a \$0.22 impact on the 2021 estimated tax rate. Moody's assigned Aaa to the \$10M in bonds on January 27th, 2020 due to the Town's "strong financial position demonstrated by ample reserves and liquidity." The report also indicated that the Town's debt service fixed costs driven by debt service is somewhat elevated but manageable.

General Fund Revenues and Fund Balance Use: General Fund revenues including property taxes are estimated at \$31,093,028 or 6.18% above 2020. Property taxes represent 64% of the General Fund's funding for 2021, which is up slightly from 2020 at 59%. Revenues

Estimated Revenue	2020	2021 (Mgr Requ)	\$ Change	% Change
Property Tax Levy	\$ (17,359,999)	\$ (20,040,438)	\$ 2,680,439	15.44%
Municipal Resources	\$ (11,924,585)	\$ (11,052,590)	\$ (871,995)	-7.31%
Total	\$ (29,284,584)	\$ (31,093,028)	\$ 1,808,444	6.18%

Property Tax Rate: The Property Tax Rate applies to each \$1,000 of assessed value of property in the Town. The rate is calculated by dividing the net appropriations (total General Fund appropriations less Town revenues) by the net assessed valuation (total assessed valuation less exemptions).

The following table reflects the change in the estimated property tax rate that results from this recommended budget. In 2020, property values increased by \$41 million over 2019 bringing that valuation to \$4,092,109,157 (not including the total incremental value increase in TIF). The 2021 estimated tax rate assumes a \$20M increase in valuation over 2020.

Tax Rate	2020 Tax Rate	2021 Est. Mgr Budget	\$ Change Manager	% Change Manager
Town	\$4.24	\$4.87	\$0.63	14.86%

Other Funds – Proprietary Funds

Appropriations: In 2021 Proprietary funds will consist of the major Sewer Fund and Other Funds including Day Camp, and Bedford Community TV. These funds are self-supporting and are accounted for on the full accrual basis of accounting. These enterprise funds have no impact on the tax rate.

Enterprise Funds	2020	2021	\$ Change	% Change
Sewer	\$ 1,790,796	\$ 2,364,769	\$ 573,973	32.05%
Day Camp	83,006	83,025	\$ 19	0.02%
BCTV	457,738	456,073	\$ (1,665)	-0.36%
Totals	\$ 2,331,540	\$ 2,903,867	\$ 572,327	24.55%



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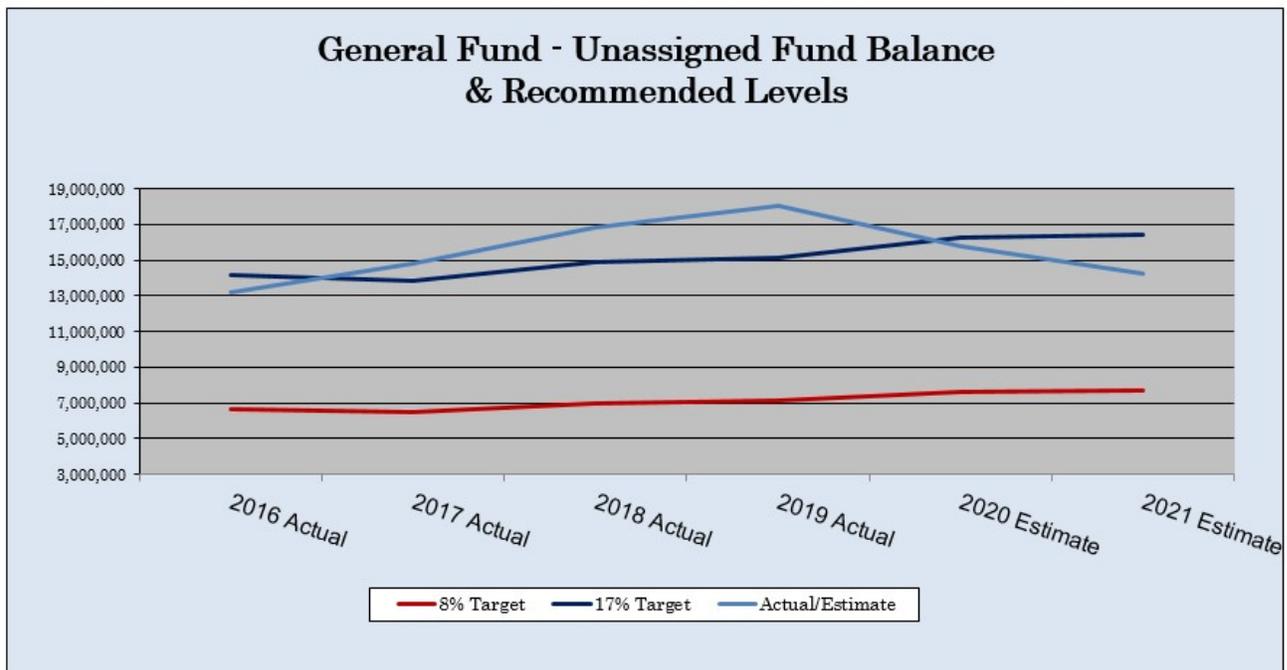
Financial Condition: The Town’s General Fund ended 2019 with an increase in Unassigned Fund Balance of \$1.3 million, bringing the balance in this account to \$18,065,364. The Town Council adopted its current Fund Balance Reserve Policy in October 2012, whereby the unassigned balance maintains a minimum balance of 8% with a target balance of 17% of the Town’s total General Fund appropriations (including the School and County appropriations). The 2020 estimated fund balance estimated in the chart below represents 16.47% of total appropriations. The status of the General Fund Unassigned Fund Balance was discussed with the Council in August of 2020 and the anticipated 2020 fund balance will be discussed again later in the year.

GENERAL FUND - UNASSIGNED FUND BALANCE

Year	Estimated Gross Appropriations *	Minumum Target Balance - 8%	Maximum Target Balance - 17%	Unassigned Fund Balance	Actual %
2016 Actual	83,058,118	6,644,649	14,119,880	13,180,734	15.87%
2017 Actual	81,480,937	6,518,475	13,851,759	14,805,990	18.17%
2018 Actual	87,389,967	6,991,197	14,856,294	16,808,531	19.23%
2019 Actual	88,768,604	7,101,488	15,090,663	18,065,364	20.35%
2020 Estimate *	95,703,719	7,656,298	16,269,632	15,765,364	16.47%
2021 Estimate **	96,525,568	7,722,045	16,409,347	14,265,364	14.78%

*2020 estimate includes the use of \$2,300,000 during 2020 tax rate setting process as budgeted.

**2021 estimate includes the the impacts of proposed 2021 municipal budget, including the use of \$1,500,000 in fund balance.



The net position of the proprietary funds are shown in the schedule above. The 2018 deficit for BCTV net position is the result of a change in government wide reporting due to the implementation of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. GASB 75 changed the measurement focus from the funding of annual contributions to the focus on total OPEB liability. In other words, 2018 was a “catch up” year to bring restricted net position up to new standards.



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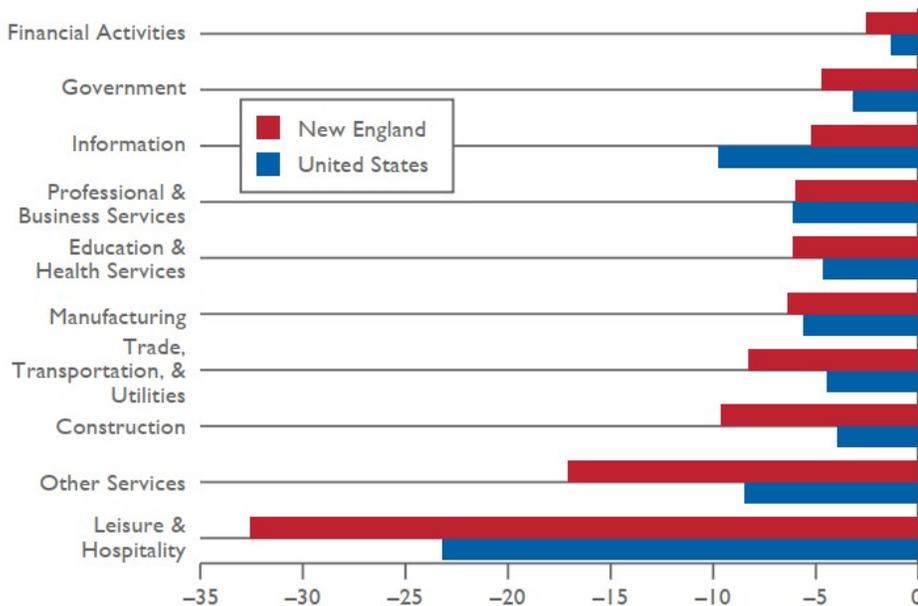
Fund	2013	2014	2015	2016	2017	2018	2019
General Fund - unassigned	\$9,744,429	\$11,073,773	\$12,029,978	\$13,180,734	\$14,305,990	\$16,808,531	\$18,065,364
Sewer	1,341,857	1,863,990	3,495,994	4,246,343	4,877,627	5,438,948	5,901,729
Police Special Detail	158,313	152,115	0	0	0	0	0
Day Camp	11,981	40,196	64,605	79,498	93,021	89,295	89,749
Bedford Community TV	268,828	356,100	384,730	68,947	35,187	-63,202	93,812
Total	\$11,525,408	\$13,486,174	\$15,975,307	\$17,575,522	\$19,311,825	\$22,273,572	\$24,150,654

The financial strength of the Town is assessed in part by our liquidity and our ability to meet ongoing obligations. The health of our fund balance reserves directly relate to these functions. Furthermore, the current stability of the Town and the strength of its financial management can be measured by our bond rating with a major credit rating agency, Moody's Investor Services, continues to rate the Town at Aaa and Bedford is the only local government in New Hampshire with this distinction.

New England Economy: According to the 2020 Q3 Snapshot of the New England Economy *through September 24th* released by the Federal Reserve Bank of Boston, home prices continue to rise in the region with New Hampshire recording the fastest house price growth through Q2 2020. All six New England states saw unemployment rate increases between August 2019 and August 2020. Leisure and hospitality job losses in New England surpass national declines.

Exhibit 3 Employment Growth by Supersector

Percent Change, August 2019 to August 2020



Source: U.S. Bureau of Labor Statistics.

Note: Data are seasonally adjusted. New England's Information supersector is based on data from NH, MA, and CT only.

