

# STAFF REPORT



To: Town Council  
From: Rick Sawyer, Town Manager  
Tammy Penny, Finance Director  
Date: December 10, 2020  
Re: 2021 Budget Decisions/Budget Transfers/Move Budget & Warrant to Public Hearings

---

## TOWN MANAGER'S COMMENTS – RECOMMENDATION

The one change made by Council during the budget workshop on November 7, 2020 slightly increased the proposed 2021 tax rate and should all of the changes proposed in this report be adopted the rate would be reduced by \$0.10 to \$4.77. As the Council knows, the projected 2021 tax rate is significantly impacted by the \$.22 increase from debt service associated with selling the third installment of the \$30M road bond approved in 2014. The road bond costs represent a 5.2% increase in the tax rate with losses in revenue being 7.3% if our recommended changes below are adopted. I respectfully request that the Council authorize the Town Manager to make the recommended cross departmental transfers in the 2020 budget as outlined below and move the 2021 budget as amended along with the proposed warrant article to the public hearing process. *R. Sawyer*

## DISCUSSION

The Town Council met with all departments at the budget workshop on November 7, 2020 to consider the Town Manager's 2021 Proposed Budget and approved a correction to the Police budget. The attached reports titled "2021 Council Budget Changes" and "Proposed Reallocation of 2020 Appropriations" summarizes each of our proposed changes which are also described below. The net of all the recommended changes provides a \$.10 decrease in the estimated 2021 property tax rate from the Town Manager's projected rate to \$4.77.

### **Explanation of Proposed Changes:**

**Reduce IT Software Licensing** - The Manager's budget was based on an early draft of 2021 needs which can now be revised down by \$15,500 to reduce the 2021 tax rate by \$0.004.

**Reduce DPW Highway Capital Reserve Deposit** – We are recommending the use \$330,000 of unspent 2020 appropriations to purchase two dump trucks currently proposed in the 2021 budget which would reduce the proposed 2021 tax rate by \$0.08.

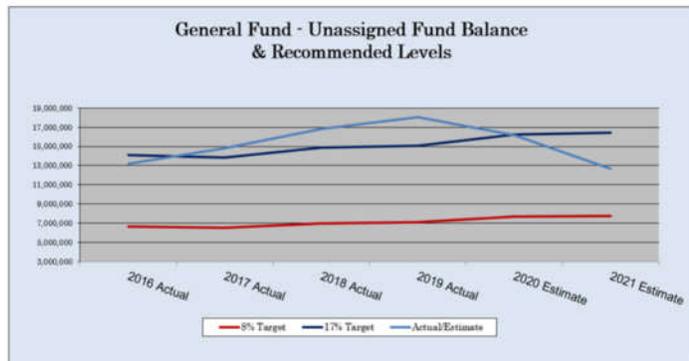
**Increase Room and Meals Revenues** - Based on information that was released this month on the status of state revenues (attached) we believe that we can increase this revenue source by \$116,915 to reduce the tax rate by \$0.028.

**Increase Highway Block Grant Revenue**: - Based on information that was released this month on the status of state revenues (attached) we believe that we can increase this revenue source by \$17,810 to reduce the tax rate by \$0.004.

**Reduced School District Contribution to SRO Revenue:** - On 12/7/2020 the school board voted to eliminate their share of the costs associated the School Resource Officers. The change would occur 7/1/2021 since the school district is on a fiscal year, whereas the Town is on a calendar year. Therefore, we can only anticipate \$58,481 of the \$116,962 in the budget. This \$58,481 loss in revenue increases the tax rate by \$0.014 for 2021 and would be approximately \$0.03 in 2022. The appropriations associated with the two SRO remain in the budget as they are highly valuable members of department and fill an important role in the community, plus Bedford is obligated to fund the positions through August 2021 in compliance with the COPS grant accepted when the second SRO was installed in September of 2017. The grant provided \$125,000 in funding and had a 4 year in service requirement. Removal of the SRO program for the 2021-2022 school year as a result in the loss of funding from the school district and assigning the officers to other responsibilities could be considered at the January public hearings or at any point during the year.

**Use Fund Balance to add \$2M to Capital Reserve Facilities/Design Build** - The Council has indicated their desire to use \$2M in unassigned fund balance to increase their ability to acquire land and initiate design for future facility needs rather than placing a facilities bond article on the ballot at this time. This action has no impact on the tax rate and increases the total amount of fund balance used in the 2021 budget to \$3.5M.

We currently predict that the Town will have approximately \$16M (16.9%) in Unassigned Fund Balance at the end of 2020 if the recommended transfers cited in this report are completed. If the Council approves the use \$3.5M of unassigned fund balance in the 2021 budget, then we estimate the balance will be approximately 13% at the end of 2021. Town policy recommends that unassigned fund balance fall between a minimum of 8% and a maximum of 17% of gross appropriations.



Revised to Include Impacts of December Staff report Recommendations					
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	16,185,364	16.91%
2021 Estimate **	96,525,568	7,722,045	16,409,347	12,685,364	13.14%

\*2020 estimate includes the use of \$2,300,000 during 2020 tax rate setting process as budgeted and includes the use of \$350,000 for the ladder truck and \$330,000 for the dump trucks. (and approx \$200K in revenues over tax rate time estimates)

\*\*2021 estimate includes the the impacts of proposed 2021 municipal budget, including the use of \$3,500,000 in fund balance.

**Transfer/Reallocate 2020 Appropriations** - Analysis indicates that the Town will end the year with surplus appropriations of approximately \$900,000 before considering any use of them to fund the ladder truck or further reduce the 2021 anticipated tax rate. In addition, Bedford will likely end the year with a few hundred thousand in revenues over and above what was estimated during the tax rate setting process. Pursuant to the Town Charter, the use of unspent appropriations requires Town Council authorization. An appropriation amounting to \$350,000 for the ladder truck was removed at the Town Manager level of the 2021 budget in anticipation of the past practice of the Council approving reallocation of anticipated surplus appropriations for the purchase. Due to unanticipated costs associated with the Elections due to COVID-19 transfers are required to cover the Town Clerk and Voter Registration budgets that are overspent. The remaining request are for the election worker bonuses, and the purchase of the two dump trucks as noted above.

**Conservation Fund Warrant Article** - During the budget discussions the Council decided that all of the proceeds collected from the Current Use Land Change Tax should be allocated to the Conservation Fund therefore the following language that has been reviewed by legal counsel, should be moved to public hearings and ultimately placed on the Budgetary Town Meeting Warrant for consideration by the voters.

“To see if the town will vote to authorize 100% of the Land Use Change Tax collected pursuant to RSA 79-A:25 to be deposited into the existing Conservation Fund in accordance with RSA 36-A:5, III, as authorized by RSA 79-A:25, II. If adopted, this article shall take effect April 1, 2021, and shall remain in effect until altered or rescinded by a future vote of the town meeting.” (Majority vote required)

The Current Use Land Change Tax has been allocated to the Conservation Fund at a 70% rate with the remaining 30% going to the General Fund since 2000 when there was a similar article passed by the voters. With ever decreasing amounts of land held in current use and the cost of acquiring conservation land continuing to increase this change would help with any future land acquisition and improvement projects.

**COST and FUNDING**

The adjustments associated with this report, if approved, bring the 2021 proposed tax rate down to \$4.77. This rate is \$0.10 lower than the Town Manager proposal and projects the increased tax burden on a home valued at \$400,000 to be approximately \$17.64 per month.

Tax Rate Through the 2021 Budget Process	Projected Tax Rate	Increase over 2020
2020 Final Tax Rate	\$ 4.24	
Increase over 2020:	\$ 0.63	
2021 Town Manager Tax Rate	\$ 4.87	14.9%
Effects of Council Changes Proposed:	\$ (0.10)	
2021 Council Tax Rate	\$ 4.77	12.5%

**RECOMMENDATIONS**

- 1) Reallocate 2020 funding as proposed
- 2) Authorize the proposed changes (or as amended) to the 2021 budget

- 3) Move the Budget and schedule two Public Hearings
- 4) Move the Land Use Tax warrant article and schedule two Public Hearings

**RECOMMENDED MOTIONS FOR THE COUNCIL:**

- 1) I MOVE THAT THE TOWN COUNCIL authorize the Town Manager to approve transfers within the 2020 budget as identified on the schedule attached, provided that said lines do not over expend the general fund budget in total.
- 2) I MOVE THAT THE TOWN COUNCIL make the recommended budget changes as shown on the attached summary titled 2021 Council Budget Changes.
- 3) I MOVE THAT THE TOWN COUNCIL move the recommended 2021 Municipal Operating Budget to public hearings scheduled for 7:00 PM, January 13, 2021 and January 27, 2021 in the following amounts:

**As of 12/16/2020:**

General Fund	\$33,754,778
Recreation Day Camp	83,025
BCTV	456,073
Sewer Fund	2,364,769

**Total Appropriation \$36,658,645**

- 4) I MOVE THAT THE TOWN COUNCIL move the proposed warrant article to the same public hearings scheduled for 7:00 PM, January 13, 2021 and January 27, 2021 to consider using 100% of land use change tax collected effective April, 1, 2021.

\* \* \* \* \*

**EXHIBITS ...**

- A. Proposed Reallocation of 2020 Appropriations
- B. 2021 Council Budget Changes
- C. NHMA Newslink excerpt dated December 2, 2020

## Proposed Reallocation of 2020 Appropriations

### **Current Estimated Need For T Clerk - 10020210 - Currently 119% spent due to pandemic response.**

<u>From</u>	<u>To:</u>
\$ (20,000.00) Unallocated Reserve                      10010252-56910	\$ 20,000.00 10020210-5XXXX

### **Current Estimated Need For Voter Registration - 10020206 - 114% spent due to pandemic response.**

<u>From</u>	<u>To:</u>
\$ (5,000.00) Unallocated Reserve                      10010252-56910	\$ 5,000.00 10020206-5XXXX

### **Allocation for Seven 2020 Election Bonuses Paid 12/3 (funded through budget transfer from Council)**

<u>From</u>	<u>To:</u>
\$ 1,000.00 Council Miscellaneous                      10010202-56910	\$ 807.38 10020206-5XXXX Voter Registration
\$ 911.81 Council Printing                                      10010202-56115	\$ 269.13 10020208-5XXXX Elections
<u>\$ 1,911.81</u>	<u>\$ 835.30 10020210-5XXXX Town Clerk</u>
	\$ 1,911.81

### **2021 Fire Dept Ladder Truck Capital Reserve Deposit Cut at Manager Level**

<u>From</u>	<u>To:</u>
\$ 80,000.00 Insurance - Health Insurance                      10010336-51112	\$ 350,000.00 10030664-57215
\$ 70,000.00 Compensated Absence                                      10010336-51112	Fire Ops - Machinery and Equipment
\$ 50,000.00 Legal Services    10010238-53210	
\$ 25,000.00 Recreation Programs                                      10010886-5XXXX	
\$ 25,000.00 FD Operations - Reg Wages                                      10030664-51110	
\$ 55,000.00 FD - OT Regular    10030664-51405	
\$ 20,000.00 FD- NH Ret    10030664-51110	
<u>\$ 25,000.00 Hydrants    10030670-56610</u>	
<u>\$ 350,000.00</u>	

Note: Fire was able to fund \$125k out of their own overall budget and had the pandemic grant spending not occurred they would have been close to fully funding this reduction.

### **2021 Dump Trucks Capital Reserve Expense Proposed to be Cut at Council Level**

<u>From</u>	<u>To:</u>
\$ 10,000.00 PW Admin - Wages                                      10050754-51110	\$ 350,000.00 10050774-57215
\$ 70,000.00 HWY - Wages for Past Vacancies                                      10050774-51110	HWY - Machinery and Equipment
\$ 20,000.00 HWY - Diesel Fuel    10050774-56185	
\$ 50,000.00 Winter Maint - OT Road Conditions                                      10050776-51435	
\$ 170,000.00 Winter Maint - Chemicals (Sand)                                      10050776-56155	
<u>\$ 10,000.00 PFAS    10070780-53130</u>	
<u>\$ 330,000.00</u>	

Note: Public Works was able to fund this completely out of their own overall budget.

## 2021 Council Budget Changes

AS OF 12/16/2020

### BUDGET LINES

Org	APPROPRIATIONS:	Org	REVENUES
<b>CORRECTION MADE AT 11/7 BUDGET WORKSHOP</b>			
	<b>GENERAL FUND</b>	Rate Impact	Amount
10030670	Police - Admin		
	Increase Training	\$ 0.00164	\$ 6,750.00
<b>CHANGES PROPOSED AT 12/16 COUNCIL MEETING - Impacting Tax Rate</b>			
10010216	Info Systems		
	Reduce Software Licensing	\$ (0.00377)	(15,500.00)
10050774	Highway		
	Reduce Deposit for Dump Trucks	\$ (0.08025)	(330,000.00)
		Fin/Tax	
		10010314 Increase Room and Meals	(0.0284) <b>116,915</b>
		PW Admin	
		10050754 Increase Hwy Block Grant	(0.0043) <b>17,810</b>
		Patrol	
		10030558 Decrease in SAU funding for SROs	0.0119 <b>(49,005)</b>
	Net Decreased Appropriations Impacting Tax Rate:		(338,750)
		Net Increased Revenues Impacting Tax Rate:	85,720
<b>NET TAX RATE IMPACT OF ABOVE CHANGES \$ (0.1032)</b>			
<b>CHANGES PROPOSED AT 12/16 COUNCIL MEETING - No Impact to Tax Rate</b>			
10010730	Facilities Design/Build		
	Capital Reserve Deposit	\$ -	2,000,000
	Increase in Appropriations NOT Impacting Tax Rate:		2,000,000
		10010350 Fund Balance Reserve	
		Budgetary Fund Balance	\$ -      2,000,000
	Increase in Revenues NOT Impacting Tax Rate:		2,000,000

**NET CHANGE TO TAX OF DECEMBER 16, 2020 PROPOSALS:**

Original Town Manager Tax Rate:	\$ 4.87
Town Council Rate After Recommendations:	\$ 4.77
Net Change:	\$ (0.10)

## NHMA Newslink December 2, 2020: An Early Look at FY 2021 State Revenue Projections

The House and Senate Ways and Means Committee received updated FY 2021 revenue estimates on November 23. The Department of Revenue Administration (DRA) provided the following tax revenue estimates calculated by adjusting the FY 2021 State Budget Plan based on data through October or November 2020, depending on the tax revenue type. The expectations take into account possible changing effects of the COVID-19 pandemic over time, noting that these estimates are subject to change.

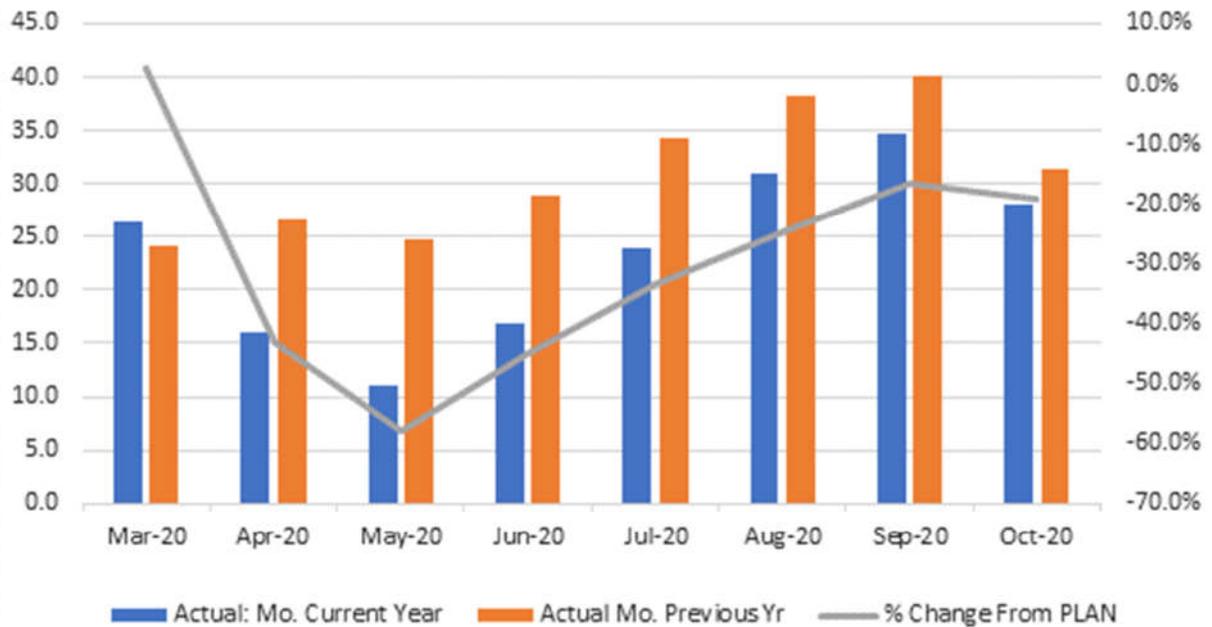
	FY 2020		FY 2021				
	Preliminary Accrual	Anomalous Accrual	Plan	DRA Low	DRA High	Low vs. Plan	High vs. Plan
Business Taxes	\$681.50	\$18.30	\$786.10	\$768.40	\$792.20	-\$17.70	\$6.10
<b>Meals and Rentals Tax</b>	<b>\$313.80</b>	<b>\$1.60</b>	<b>\$386.90</b>	<b>\$292.30</b>	<b>\$312.60</b>	<b>-\$94.60</b>	<b>-\$74.30</b>
Tobacco TaxRe	\$212.60	\$1.30	\$201.20	\$233.30	\$244.80	\$32.10	\$43.60
Interest and Dividends Tax	\$116.50	\$9.20	\$116.90	\$133.30	\$140.70	\$16.40	\$23.80
Communications Services Tax	\$39.60	\$0.20	\$39.80	\$38.90	\$38.90	-\$0.90	-\$0.90
Real Estate Transfer Tax	\$158.30	\$0.20	\$158.40	\$168.00	\$177.20	\$9.60	\$18.80
Utility Property Tax	\$43.30	\$0.00	\$44.20	\$43.00	\$43.00	-\$1.20	-\$1.20
<b>Total DRA Taxes</b>	<b>\$1,565.60</b>	<b>\$30.80</b>	<b>\$1,733.50</b>	<b>\$1,677.20</b>	<b>\$1,749.40</b>	<b>-\$56.30</b>	<b>\$15.90</b>

The **Meals & Rentals (Rooms) Tax** projected low for FY 2021 is -\$94.6 million or 24% below Plan (\$386.9 million), while the projected high for FY 2021 is -\$74.3 million or 19% below Plan (\$386.9 million). The report highlighted a shift in trends from restaurants to fast food and hotels to camps and cottages/online platform. It also noted the restaurant industry shifting businesses to accommodate take-out and adjustments to indoor dining.

The Department of Safety presented **Highway Fund** revenue projections, noting the decline in motor vehicle activity on the roads (gas tax) and the decline in customer capacity (motor vehicle fees) have led to revenue declines. FY 2020 highway revenue was -\$10.8 million or 4.2% below plan (\$258.9 million). Fiscal year 2021 highway revenue is projected to be -\$16.4 million or 6.4% below plan (\$255.7 million).

The following graphs compare current year monthly revenues to previous year and reports the percentage change from monthly state budget Plan amounts.

### Meals & Rooms Tax Monthly Revenue Through Pandemic



### Highway Fund Monthly Revenues Through Pandemic

Gas Tax, Motor Vehicle Fees

