

City of Concord, NH

Fiscal Policy Advisory  
Committee

'Preliminary' Fiscal Monitoring  
Report for FY2010 Tax Rate

Setting and Budget Policy  
Development

January 22, 2009

General Fund Financial Overview

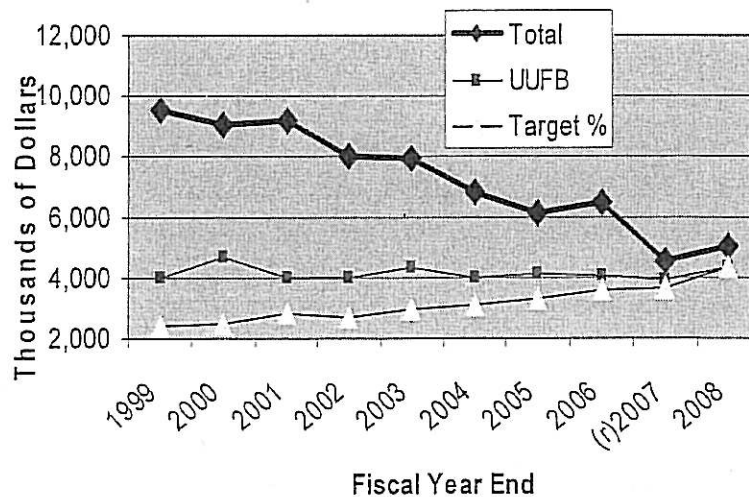
- FY2008 audited General Fund results
- FY2009 estimated year end position
- FY 2010 "Outlook" (and beyond)

## 2008 Credit Rating Perspective –A Brief reminder

- August 2008 sale
- Maintained Aa2 with Moody's and Aa with Standard and Poor's
  - Negative outlook with Moody's
    - Must restore structural balance before 2012
    - Rebuild Reserves
    - Achieve FY2008 Positive Fund Balance estimate
  - Interest cost implications of downgrading
- Fiscal Advisor presentation
  - "Credit rating has never been as important"

### General Fund Reserved and Undesignated, Unreserved Fund Balance

1999 - 2008 (audited)



## Fiscal 2009 and Fiscal 2010

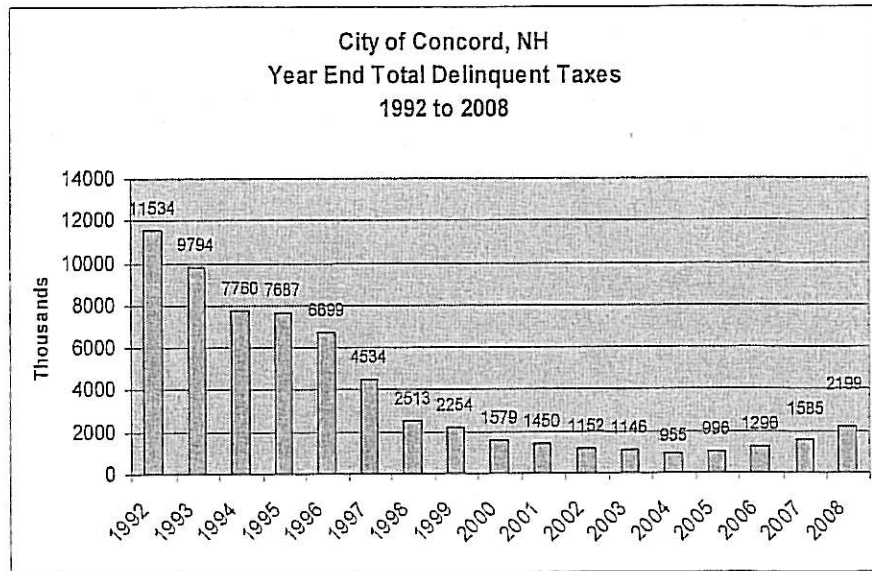
Key concepts to keep in mind: Worse before better; structural imbalance underneath it all.

- Current fiscal condition – snapshot; still strong. Trend; weakening. Forecast for 2009; further decline
- Economic forces shaping the budget
  - Credit market - Credit and bank safety concerns
  - Investments (down precipitously)
  - Unemployment – up
  - Consumer confidence - down
  - Housing starts and values – down and down
  - Tax Collections - two year delinquents about level; one year delinquents up 168%. Net of current use +58%
- State Budget downshifting and revenue glomming
- Economic Stimulus importance
- Tax Cap CPI-U: 3.3% estimated 08 over 07 ann.

## Concord/County foreclosures through four calendar quarters each year

	2008	2007	2006	2005
City	67	42	20	6
County	376	198	100	56
City % of county	18	21	20	11
City inc over PY	60	110	233	
Co inc over PY	90	98	79	

## Tax Delinquencies Increase –

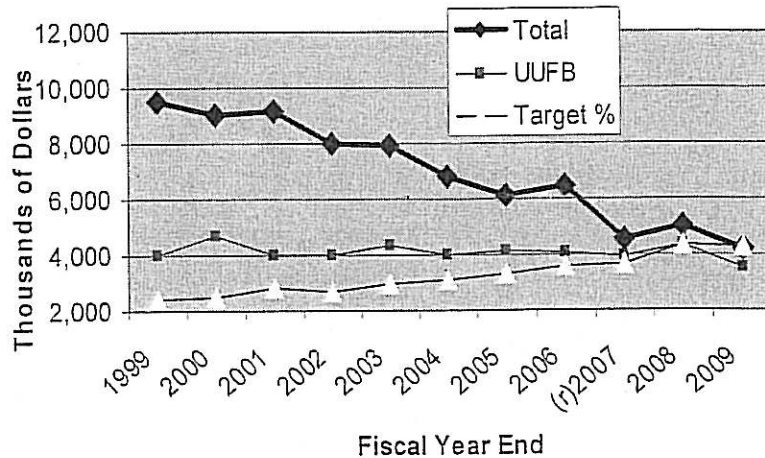


## 2009 Fiscal Budget- June 08 and Now

- Adopted budget showed commitment and promise
  - Surplus utilization decreased 47%
  - GASB 45 – progress made by reducing the liability
  - Reductions in programs, services and staffing (5 fte)
  - Appropriations up only 0.7%
  - Non-tax revenues down overall – 3%
  - Tax increase met target of 5.4%
- Year End FY2009 estimate – mostly grim
  - Assessments finished (1.6%) above estimate (1.3%)
  - Revenues started out on target, now projected \$0.5mm short
  - General Assistance is problem
  - Departments can't make reduction targets without help
  - Then there is that chilly white stuff that falls from the sky !!!
  - Unreserved undesignated fund balance will decline \$800,000

### General Fund Reserved and Undesignated, Unreserved Fund Balance

1999 - 2009 (2009 estimated)



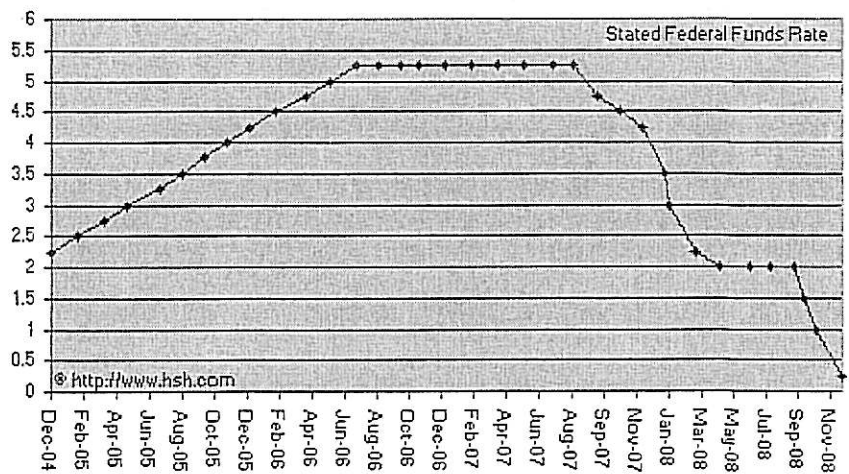
### Fiscal "Outlook" for Appropriations 2010 (Base line)

- Maintain Services at current year level
  - Combined compensation and benefits up 6.2%
    - Condrey/contract COLAs - 5.2%
    - Health benefits - double digit increase expected at trend -10%
    - Retirement - 2.8% plus 5.2% for wages = 8%
  - Vehicle fuel costs down 25% and utility costs down 5%
  - Inflation - 4%
  - Solid Waste Subsidy (No PAYT) - 2010 up 46.4%
  - Retiree Health Benefits up 28% - State subsidy freeze second year of two before 4% increase restored in fy2013. \$300,000 GASB 45 funding
  - Capital outlay and transfers per CIP +28.7% - Hwy pavement constrained; +200k (FY10), then 2-4-4-4%
  - Debt Service, a function of CIP +13.3% (up to 11.3% of approps.)  
No Open Space bonding. Interest rates high & credit market tight.
  - Social Services agencies level; General Assistance costs +13.5%

## Fiscal "Outlook" for Revenues 2010 ( Base line)

- Revenue decline – 3.4%
  - Assessments – Real growth – 0.23% in 2010; 0.3% in 2011, then very slow improvement
  - Motor vehicle +3.4% (too high?)
  - State revenues flat + 2.8% but beware
  - Investment income – down 85%
  - Building permits – down 30%
  - Trust, Dept service charges, fines – all down
  - Interest and penalties on delinquent taxes – up
- Surplus utilization down 50% to restore fisc. health
  - 2011 balanced budget - FY2010 reduction is \$365,000
- State Revs – up slightly but...

## Woe is Interest Income, following the Fed Funds rate...



## Fiscal "Outlook" Overall 2010 ( Base line)

### ■ General Fund

- Non-property tax revenues down 3.4%
- Surplus utilization down 50%
- Appropriations up 9.3%
- A FY2010 tax rate of \$8.04/\$1,000 AV or 17.7% increase over 2009 rate of \$6.84
- 0% tax rate gap to close of \$5.24mm or 10.1% of expenditures (or half the Fire Department or more than half of Police or GS Departments)

## A different look at the gap

### ■ Gross \$5.23 million GAP

- Less: Solid Waste PAYT - \$0.9mm
- Less: Debt/Capital - \$1.0mm
- Yields net GAP of:
  - \$3.33mm @ 0% tax rate increase
  - \$3.04mm @ 1% tax rate increase
  - \$2.74mm @ 3% tax rate increase

Another look at the budget reduction impacts

- 0% tax rate increase reductions:
    - Up to 11% of maintenance of service level expenditures in departments (or entire Library, Recreation, retiree health benefits, IT and Personnel and City Clerk)
  - 3% tax rate increase impact
    - Up to 8% from maintenance of service level expenditures in departments (or Finance, CCTV, Social Service agencies, City Solicitor and Prosecutors).
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