

2008 CITY BUDGET – Overview and Summary of All Budgeted Funds

The City Budget for 2008 is comprised of six budgets: General Fund (general city operations), Solid Waste Disposal Fund, Water Treatment and Distribution Fund, Sewage Collection and Disposal Fund, Municipal Airport Fund, Emergency Management Fund and Capital Improvements Fund. A fund segregates resources (revenues) and requirements (expenditures) that are legally restricted to specific uses. The Capital Improvements Fund accounts for major, expensive and long-lived capital outlays.

With the exception of the Capital Improvements Fund, annually all appropriations (authorization to expend public moneys) lapse (expire). The Capital Improvements Fund is project oriented. The other funds are period oriented (January 1 to December 31). Appropriations for funds other than the Capital Improvements Fund may be carried over to the subsequent budget year by earmarking (encumbering) commitments for specific purposes through the issuance of purchase orders or other legally binding instruments.

Highlights

- ▶ Total city budget is \$39,921,463, a decrease of <\$4,991,797>, or <11.1%>, from 2007.
- ▶ Total department operations and maintenance budget is \$23,465,688, an increase of \$972,098, or 4.3%. (Including a decrease of <\$206,550> in connection with the Special Details Fund which was eliminated with the 2008 budget being replaced by a revolving loan fund.) About 68% of the budget is for personnel services (wages and statutory and non-statutory employee benefits) – about 73% of the General Fund department operations and maintenance budget is for personnel services.
- ▶ Total non-department operations and maintenance budget (capital improvements, debt service and interfund transfers) is \$16,455,775, a decrease of <\$5,963,895>, or <26.6%>. (Including a decrease of <\$6,841,700> for capital improvements and increases of \$432,120 and \$445,685 for debt service and interfund transfers, respectively.)

Personnel and Cost of Living Adjustments

- ▶ The budget has 186.4 FTE (full-time equivalent) positions (178 full-time/15 regular part-time positions excluding seasonal and occasional employees and call firefighters) an addition of an .5 FTE position.

Airport: The Airport Manager position has been changed to Airport Manager/Economic Development Administrator resulting in vacating the current Airport Manager position; a full-time Accounting Clerk I position has been replaced with a Department Secretary I position; a part-time Accounting Clerk I position has been added; the Airport Maintenance Specialist position is to remain vacant; The cost of the Airport Manager/Economic Development Administrator and Department Secretary I positions are to be shared equally between the General Fund (Planning) and the Municipal Airport Fund. **Planning:** A Senior Planner position has been added to enable more resources to be devoted to the city's Geographic Information System. The net change is the addition of a 0.5 FTE position.

130 full-time positions, or about 73%, are represented by one of four collective bargaining units – Teamsters #633/Lebanon Professional, Administrative and Salaried Employees (5 years, expires 12/31/09), 34; American Federation of State, County and Municipal Employees (5 years, expired 12/31/07), 43; International Association of Fire Fighters (3 years, expires 12/31/08), 25; International Brotherhood of Police Officers (5 years, expires 12/31/10), 28. 48 positions, or about 27%, are not affiliated with a collective bargaining unit.

The Collective Bargaining Agreement between the city and the American Federation of State, County and Municipal Employees expired December 31, 2007. Discussions continue toward a successor agreement. Until a successor agreement is reached budgetary impacts are unknown and are therefore not included in the 2008 City Budget. When a successor agreement is reached the settlement and implementation costs will be handled as a supplemental appropriation.

The International Brotherhood of Police Officers and Teamsters #633/Lebanon Professional, Administrative, Salaried Employees collectively bargained agreements with the city have cost-of-living adjustments based on the June Consumer Price Index – All Urban Consumers, Northeast Urban Area, with provision that adjustment is no less than 3% and no greater than 5%. The 2007 index change was 2.3%; the 2008 budget contains provision for a 3% adjustment. The International Association of Fire Fighters collectively bargained agreement with the city has cost-of-living adjustment based on the June Consumer Price Index – All Urban Consumers, Boston-Brockton-Nashua, MA-NH-ME-CT Area, with provision that adjustment is no less than 3% and no greater than 5%. There is no June index for this CPI – by agreement the July index is used. The 2007 index change was 0.8%; the

2008 CITY BUDGET – Overview and Summary of All Budgeted Funds

2008 budget contains provision for a 3% adjustment. 3% has been provided for non-bargaining unit employees.

Estimated 2008 Municipal Tax Rate

The Total Tax Rate is made up of four components: Municipal (general city services; about 34% of the Total Tax Rate), School: Local, School: State and County. Appropriations (authorization to spend public moneys) can be made only by vote of the legislative body. The Lebanon city council is the city's legislative body. This budget concerns the Municipal Tax Rate as the annual Lebanon School District meeting and Grafton County Delegation, comprised of State Representatives from Grafton County, are the legislative bodies for the Lebanon School District and Grafton County.

The 2008 budget derives an estimated 2008 Municipal Tax Rate of \$7.99, an increase of 48 cents, or 6.4%, from the comparable 2007 rate. The average 2007 assessed value of a single family home in Lebanon is about \$244,300. Property assessed for \$244,300 will have an estimated Municipal Tax Rate bill of about \$1,952, an increase of \$117.

Landfill Tipping Fee

In 2007, the tipping fee for disposing solid waste at the city's landfill was increased 3% to \$68.68/ton. After staff analysis of what the market would bear in terms of a tipping fee increase the recommendation was to make no adjustment at least for the beginning of 2008. The estimated annual cost for a family of four (based on average of 3.6 lbs of trash generated per day per person; 2.6 tons a year) is \$178.57.

Water Service Fees

In 2007, a number of increases for various fees were implemented with no change to metered usage fees. These changes were based on recommendations contained in a water and sewer fee study the city had done which was completed in 2006. Based on 125 gallons (16.71 cubic feet) per day, or 45,628 gallons (6,100 cubic feet) per year, the estimated annual metered usage cost is \$170.98. The metered usage fee is presently being reviewed with a report expected in early 2008. The last increase (15%) was 2002. Pending that report no fee increases are proposed for 2008.

Sewer Service Fees

In 2007, a number of increases for various fees including a 58% increase for minimum and flat rate service charges and metered usage were implemented. These changes were based on recommendations contained in a water and sewer fee study the city had done in 2006.

After further review it was proposed that the minimum and flat rate service charge and metered usage fees be increased by 10% in 2008. This was discussed with the city council on July 18 and October 17 in connection with a presentation on the wastewater business plan update and November 7 when appropriating \$5,300,000 for work in connection with Phase II of the Wastewater Facility Improvements capital project and authorizing the city manager to apply for loan assistance from the State of New Hampshire State Revolving Fund.

Based on 125 gallons (16.71 cubic feet) per day, or 45,628 gallons (6,100 cubic feet) per year, the estimated annual metered usage impact of the 10% increase was estimated to be about \$27.14. Prior to the 2007 fee increase the last increase (15%) was in 2002. On December 18 the city council deferred any further action on an increase to sewer service rates until 2008.

Municipal Airport Fund

At year end 2006 the Municipal Airport Fund cumulative unreserved fund balance was a deficit <\$265,497>. City money is pooled for investment and cash management purposes. Records are maintained identifying ownership of cash by fund. Cash inflows and outflows associated with pooled cash are accounted for as part of the General Fund. The normal interfund relationship – cash inflows of other funds exceeding cash outflows – is that the General Fund owes money to other city funds and other city funds correspondingly are owed money by the General Fund. Because of timing issues unreserved fund balance and cash position are rarely the same. The continued and growing Municipal Airport Fund deficit cash position and fund balance impacts the General Fund as the net effect is that an interfund loan has essentially been created whose repayment appears problematic thus resulting in an overstatement of General Fund fund balance and in particular that portion of fund balance that is available for spending – unreserved fund balance – as a financing supplement or to be applied to mitigate property taxes.

2008 CITY BUDGET – Overview and Summary of All Budgeted Funds

- ▶ For year end 2006 \$80,105.70 -- the Municipal Airport Fund year end 2005 unreserved fund balance deficit -- was reserved in the General Fund as a receivable due from the Municipal Airport Fund. For year end 2007 the plan is to reserve the additional sum of \$185,391.12 -- the Municipal Airport Fund year end 2006 unreserved fund balance deficit increase -- making the total reserved in the General Fund as a receivable due from the Municipal Airport Fund of \$265,496.82. Each subsequent year the immediate prior year net results, whether a deficit or surplus, will be used to adjust the interfund payable/receivable balances.
- ▶ Based on estimated and budgeted Municipal Airport Fund expenditures and revenues for 2007 and 2008 the total amount to be reserved in 2008 and 2009 may be \$708,867 and \$893,377, respectively.
- ▶ The city council adopted a Fund Balance Policy on January 6, 1999, which has as a goal the maintenance of a General Fund unreserved fund balance at a level approximating no less than 8% of the General Fund budget combined with disbursements to (taxes assessed on behalf of) the Lebanon School District and Grafton County as required by State law. The extent to which the Municipal Airport Fund unreserved fund balance deficit increases, thus increasing the amount the General Fund reserves as a Municipal Airport Fund receivable, has the potential of effectively requiring that taxes be raised in order to maintain the General Fund unreserved fund balance target.

[Intentionally Left Blank]