

2017 CITY BUDGET – Section 2 Summary

The City is the commercial, social service and medical hub for the Lebanon NH-VT Micropolitan Statistical Area, an economically integrated region of 25 contiguous towns that spans four counties in two states. That role comes with a cost as demand for core and other services remains high; development pressure continues and with that budgetary implications for infrastructure maintenance and public safety. Meanwhile, state revenue reductions and cost shifting negatively impact the City and the tax rate. Municipalities lack meaningful non-property tax revenue options; property taxes remain paramount whether or not a fair measure of wealth and ability to pay.

Budgets are adopted by the City Council on a fund basis. A fund segregates resources (revenues) and requirements (expenditures) that are legally restricted to specific uses. Services the City provide are accounted for in six operating (General Fund, Solid Waste Disposal Fund, Water Treatment and Distribution Fund, Sewage Collection and Disposal Fund, Municipal Airport Fund, Emergency Management Fund) and one capital (Capital Improvements Fund) fund.

The City identifies its anticipated capital expenditures each year in a six-year Capital Improvement Program (CIP). The CIP has two components: the capital improvements budget, which is the first year of the program, and the capital plan, the remaining five-years.

The 2017 City Budget provides for the cost of general City government, solid waste disposal, water treatment and distribution, sewage collection and disposal, municipal airport operations, emergency management and the acquisition or construction of major, expensive and long-lived capital facilities and equipment.

The 2017 City Budget is \$55,131,620, an increase of \$2,784,340, or 5.3%, from 2016.

- The General Fund makes up 53.0% of the 2017 City Budget, Capital Improvements Fund 21.9%, Sewage Collection and Disposal Fund 11.1%, Solid Waste Disposal Fund 6.0%, Water Treatment and Distribution Fund 5.8%, Municipal Airport Fund 2.3% and Emergency Management Fund <0.5%. (Table No. 2).
- 37.9% of the budget is comprised of expenditures for personnel services (wages and statutory and non-statutory employee benefits); 13.0% contractual services; 5.5% material and supplies; 0.4% property (capital outlays with a unit value of \$10,000 or more not qualifying for inclusion in the capital improvement program); 13.3% debt service; 8.0% interfund transfers; and 21.9% capital improvements (Table No. 3).
- 74.8% of the change from the prior year is attributable to increases in debt service and interfund transfer; capital improvements, which can fluctuate markedly year to year, are 1.1% higher than 2016.
 - The General Fund includes such general City services as the Department of Public Works, Police and Fire Departments. It is the City's largest fund.
 - The Solid Waste Disposal Fund is responsible for the operation and maintenance of the landfill, recycling facilities and hazardous waste processing.

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Table No. 1

Function	2015 Budget	2016 Budget	2017 Budget	\$ Chg.	%Chg.
Capital Improvements	\$11,595,000	\$11,923,320	\$12,050,050	\$126,730	1.1%
Community Development and Preservation	\$809,560	\$702,000	\$735,050	\$33,050	4.7%
Community Services	\$2,197,900	\$2,299,840	\$2,367,950	\$68,110	3.0%
Debt Service	\$6,379,410	\$5,989,420	\$7,322,940	\$1,333,520	22.3%
General Government	\$4,620,020	\$4,842,675	\$5,177,990	\$335,315	6.9%
Human Services	\$445,150	\$450,980	\$453,730	\$2,750	0.6%
Interfund Transfers	\$3,350,940	\$3,648,545	\$4,397,050	\$748,505	20.5%
Municipal Services	\$3,883,150	\$4,089,400	\$3,956,210	(\$133,190)	-3.3%
Public Safety	\$10,701,600	\$11,042,810	\$11,210,320	\$167,510	1.5%
Sanitation	\$4,153,390	\$4,291,960	\$4,484,360	\$192,400	4.5%
Transportation	\$1,204,120	\$1,268,940	\$1,271,640	\$2,700	0.2%
Water Resources	\$1,611,885	\$1,797,390	\$1,704,330	(\$93,060)	-5.2%
Total	\$50,952,125	\$52,347,280	\$55,131,620	\$2,784,340	5.3%

- The Water Treatment and Distribution Fund is responsible for the provision and distribution of clean and safe drinking water, the planning, maintenance and replacement of water treatment facilities, pump stations, water tanks and the water distribution system.

Table No. 2

Fund	2015 Budget	2016 Budget	2017 Budget	\$ Chg.	%Chg.
General	\$27,166,140	\$27,924,630	\$29,204,380	\$1,279,750	4.6%
Solid Waste Disposal	\$3,257,290	\$3,305,740	\$3,289,530	(\$16,210)	-0.5%
Water Treatment and Distribution	\$3,166,625	\$3,170,920	\$3,208,760	\$37,840	1.2%
Sewage Collection and Disposal	\$4,607,080	\$4,718,460	\$6,109,140	\$1,390,680	29.5%
Municipal Airport	\$1,134,990	\$1,279,210	\$1,244,760	(\$34,450)	-2.7%
Emergency Management	\$25,000	\$25,000	\$25,000	\$0	0.0%
Capital Improvements	\$11,595,000	\$11,923,320	\$12,050,050	\$126,730	1.1%
Total	\$50,952,125	\$52,347,280	\$55,131,620	\$2,784,340	5.3%

- The Sewage Collection and Disposal Fund is responsible for the safe and hygienic collection and treatment of wastewater, the planning, maintenance and replacement of the wastewater collection system, pump stations and wastewater treatment plant.
- The Municipal Airport Fund is responsible for the operation and maintenance of the Lebanon Municipal Airport.
- The Emergency Management Fund is responsible for related equipment and support services.
- The Capital Improvements Fund is where the acquisition or construction of major, expensive and long-lived capital facilities is budgeted.
- Operations and maintenance expenditures (excluding debt service, interfund transfers and capital improvements) are 56.9%, or \$31,361,580, of the 2017 City Budget, an increase of \$575,585, or 1.9% (Table No. 3): 66.6% of operations and maintenance expenditures are comprised of expenditures for personnel services (wages and statutory and non-statutory employee benefits);

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22.9% contractual services; 9.7% material and supplies; and 0.8% property (capital outlays with a unit value of \$10,000 or more not qualifying for inclusion in the capital improvement program). The expenditure mix varies by fund.

- Non-operations and maintenance expenditures (including debt service, interfund transfers and capital improvements) are 43.1%, or \$23,770,040, of the 2017 City Budget, an increase of \$2,208,755, or 10.2% (Table No. 3): 30.8% of non-operations and maintenance expenditures are for debt service; 18.5% interfund transfers; and 50.7% capital improvements.

Table No. 3

Type of Expenditures	2015 Budget	2016 Budget	2017 Budget	\$ Chg.	%Chg.
Personnel Services	\$20,067,005	\$20,756,780	\$20,898,060	\$141,280	0.7%
Contractual Services	\$6,190,255	\$6,608,215	\$7,166,780	\$558,565	8.5%
Material and Supplies	\$3,272,755	\$3,278,900	\$3,055,620	(\$223,280)	-6.8%
Property	\$96,760	\$142,100	\$241,120	\$99,020	69.7%
Total Operations and Maintenance	\$29,626,775	\$30,785,995	\$31,361,580	\$575,585	1.9%
Debt Service	\$6,379,410	\$5,989,420	\$7,322,940	\$1,333,520	22.3%
Interfund Transfers	\$3,350,940	\$3,648,545	\$4,397,050	\$748,505	20.5%
Capital Improvements	\$11,595,000	\$11,923,320	\$12,050,050	\$126,730	1.1%
Total Non-Operations and Maintenance	\$21,325,350	\$21,561,285	\$23,770,040	\$2,208,755	10.2%
Total	\$50,952,125	\$52,347,280	\$55,131,620	\$2,784,340	5.3%

- The Public Works, Police and Fire Departments are 67.1% of the operations and maintenance budget (Table No. 4).

Table No. 4

Department	2015 Budget	2016 Budget	2017 Budget	\$ Chg.	%Chg.
Assessing	\$457,650	\$437,750	\$455,930	\$18,180	4.2%
City Clerk	\$542,060	\$614,660	\$602,150	(\$12,510)	-2.0%
City Manager	\$1,186,020	\$1,211,400	\$1,473,070	\$261,670	21.6%
Finance	\$2,524,110	\$2,666,995	\$2,734,090	\$67,095	2.5%
Fire	\$4,141,770	\$4,288,570	\$4,442,980	\$154,410	3.6%
Human Resources	\$135,560	\$137,250	\$148,130	\$10,880	7.9%
Human Services	\$445,150	\$450,980	\$453,730	\$2,750	0.6%
Library	\$1,240,270	\$1,308,520	\$1,352,220	\$43,700	3.3%
Municipal Airport	\$978,740	\$1,043,560	\$1,036,260	(\$7,300)	-0.7%
Planning and Zoning	\$1,242,040	\$1,191,900	\$1,230,340	\$38,440	3.2%
Police	\$6,127,350	\$6,264,340	\$6,272,050	\$7,710	0.1%
Public Works	\$9,648,425	\$10,178,750	\$10,144,900	(\$33,850)	-0.3%
Recreation and Parks	\$957,630	\$991,320	\$1,015,730	\$24,410	2.5%
Total	\$29,626,775	\$30,785,995	\$31,361,580	\$575,585	1.9%

The 2017 City Budget provides estimated revenues of \$52,276,410, an increase of 2.8%, or \$1,432,830, from 2016.

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- This is an aggregation of funding sources from all City funds both operating and capital. Intergovernmental, charges for services, and other revenues are common to all funds except the Capital Improvements Fund and Emergency Management Fund; interfund transfers revenues are common to all funds except the Capital Improvements Fund; bond proceeds revenues are exclusive to the Capital Improvements Fund; taxes and licenses and permits revenues are exclusive to the General Fund.
- All property tax revenues and other revenues not allocated to other funds are accounted for in the General Fund. With the exception of the Capital Improvements Fund (multiple funding sources), Municipal Airport Fund (in part by General Fund subsidy since 2009) and Emergency Management Fund (General Fund subsidy), all other funds are supported by user fees

Table No. 5

Source of Revenues	2015 Budget	2016 Budget	2017 Budget	\$ Chg.	%Chg.
Taxes	\$19,872,140	\$20,431,606	\$21,298,280	\$866,674	4.2%
Licenses and Permits	\$2,411,060	\$2,522,710	\$2,620,700	\$97,990	3.9%
Intergovernmental	\$3,889,510	\$4,378,677	\$3,259,730	(\$1,118,947)	-25.6%
Charges for Services	\$11,980,450	\$12,395,700	\$12,850,840	\$455,140	3.7%
Other	\$244,450	\$313,387	\$403,360	\$89,973	28.7%
Interfund Transfers	\$3,473,810	\$3,352,090	\$3,813,500	\$461,410	13.8%
Bond Proceeds	\$7,245,920	\$7,449,410	\$8,030,000	\$580,590	7.8%
Total	\$49,117,340	\$50,843,580	\$52,276,410	\$1,432,830	2.8%
Applied/(Realized) Fund Balance	\$1,834,785	\$1,503,700	\$2,855,210	\$1,351,510	89.9%
Total Revenues and Fund Balance	\$50,952,125	\$52,347,280	\$55,131,620	\$2,784,340	5.3%

- The General Fund makes up 53.7% of total revenues; Capital Improvements Fund 22.7%; Sewage Collection and Disposal 9.8%; Water Treatment and Distribution 6.1%; Solid Waste Disposal Fund 5.6%; Municipal Airport Fund 2.1%; and Emergency Management Fund <0.5%% (Table No. 6).

Table No. 6

Revenues by Fund	2015 Budget	2016 Budget	2017 Budget	\$ Chg.	%Chg.
General	\$26,116,590	\$27,123,930	\$28,066,860	\$942,930	3.5%
Solid Waste Disposal	\$2,831,770	\$2,839,140	\$2,925,100	\$85,960	3.0%
Water Treatment and Distribution	\$2,950,140	\$3,024,340	\$3,179,480	\$155,140	5.1%
Sewage Collection and Disposal	\$4,741,780	\$4,975,070	\$5,120,730	\$145,660	2.9%
Municipal Airport	\$857,060	\$932,780	\$1,097,190	\$164,410	17.6%
Emergency Management	\$25,000	\$25,000	\$25,000	\$0	0.0%
Capital Improvements	\$11,595,000	\$11,923,320	\$11,862,050	(\$61,270)	-0.5%
Total	\$49,117,340	\$50,843,580	\$52,276,410	\$1,432,830	2.8%
Applied/(Realized) Fund Balance	\$1,834,785	\$1,503,700	\$2,855,210	\$1,351,510	89.9%
Total Revenues and Fund Balance	\$50,952,125	\$52,347,280	\$55,131,620	\$2,784,340	5.3%

- Total applied spendable fund balance is \$2,855,210, an increase of \$1,351,510, or 89.9%, from 2016 (Table No. 7).

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Table No. 7

Applied Fund Balance by Fund	2015 Budget	2016 Budget	2017 Budget	\$ Chg.	%Chg.
General	\$1,049,550	\$800,700	\$1,137,520	\$336,820	42.1%
Solid Waste Disposal	\$425,520	\$466,600	\$364,430	(\$102,170)	-21.9%
Water Treatment and Distribution	\$216,485	\$146,580	\$29,280	(\$117,300)	-80.0%
Sewage Collection and Disposal	(\$134,700)	(\$256,610)	\$988,410	\$1,245,020	-485.2%
Municipal Airport	\$277,930	\$346,430	\$147,570	(\$198,860)	-57.4%
Emergency Management	\$0	\$0	\$0	\$0	0.0%
Capital Improvements	\$0	\$0	\$188,000	\$188,000	0.0%
Applied (Realized) Fund Balance	\$1,834,785	\$1,503,700	\$2,855,210	\$1,351,510	89.9%

The estimated 2017 municipal tax rate is \$10.70 per \$1,000 of assessed real estate value, an increase of \$0.31, or 3.0%, from the comparable 2016 rate.

- A single family home assessed for \$250,000 will have an estimated 2017 municipal tax bill of about \$2,675, an increase of \$77. Four tax rates make up the City's total tax rate: municipal, school: local, school: state, and county. This budget concerns the municipal tax rate only.
- The City has collective bargaining agreements with four unions; all expire December 31, 2016. Negotiations toward successor agreements are in progress. Budget impacts for 2017 are not known and therefore not included in the 2017 budget. The 2017 Operations and Maintenance Budget includes 177.08 full-time equivalent positions – 117.00 positions are represented by four collective bargaining units. Whatever the cost impact ultimately is for 2017, the intent is to maintain the estimated 2017 municipal tax rate of 3.0% through spendable fund balance management.

No change in the fee for disposing solid waste at the landfill is included for 2017.

- The estimated annual cost for an individual is \$36.60.

The Water Treatment and Distribution Fund and Sewer Collection and Disposal Fund budgets for 2017 incorporate a water and sewer service rate increase of 7.0%, and other fee increases approximating that increase (approved by the City Council December 7, 2016).

When effective on January 1, 2017,

- The water service rate will be \$46.70 per 1,000 cubic feet of metered water consumption; the estimated annualized metered water usage cost for an individual is \$169.66 (\$46.70 X 3,632.939 cf/1,000 cf), an increase of \$11.08, for a household \$420.76 (\$169.66 X 2.48), an increase of \$27.48; the estimated annual household water service cost is 0.60% of the statewide median household income (\$70,303/2015 US ACS).
- The sewer service rate will be \$94.30 per \$1,000 cubic feet of metered water consumption; the estimated annual sewage usage cost (based on metered water consumption) for an individual is \$342.59 (\$94.30 X 3,632.939 cf/1,000 cf), an increase of \$22.35, for a household \$849.62

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(\$342.59 X 2.48), an increase of \$55.42; the estimated annual household sewer service cost is 1.21% of the statewide median household income (\$70,303/2015 US ACS).

- The estimated annual household water and sewer service cost combined will be 1.81% of the statewide median household income (\$70,303/2015 US ACS).

[An annual domestic water consumption estimate of 67,394 gallons (9,009.689 cubic feet; 7.481 gallons per cubic foot), translates into 184.641 gallons (24.681 cf) per day, 74.452 gallons (9.952 cf) per person based on a statewide 2.48 persons per household (consisting of all the people who occupy a housing unit), or 27,175.00 gallons (3,632.939 cf) per year. Individual circumstances can affect actual usage as can the type and condition of appliances, fixtures, and plumbing.]

The 2017 Capital Improvements Budget, consisting of twenty (20) projects, is \$12,050,050, an increase of \$126,730 from 2016.

- Eight (8) projects supplement ongoing projects.
- Estimated revenues are \$11,862,050, a decrease of <\$61,270>, or <0.5%>, from 2016. Most project financing (67.7%) is from the issuance of long-term debt (\$8,030,000).

Table No. 8

Project	Amount	Source of Financing Summary					Applied Fund Balance
		Intergovernmental (Grants)	Other	Bond/Note Proceeds (Debt Issuance)	Interfund Transfers (Existing Funds)		
LFD Engine #4 Replacement	\$620,000	\$0	\$0	\$620,000	\$0	\$0	
LFD Radio Replacement	\$100,000	\$0	\$0	\$0	\$100,000	\$0	
LFD Staff Vehicles Replacement	\$90,000	\$0	\$0	\$0	\$90,000	\$0	
Combined Sewer Overflow Separation/Utility Replacement	\$6,300,000	\$0	\$0	\$6,300,000	\$0	\$0	
Mechanic Street Bridge Improvements	\$425,000	\$300,000	\$0	\$0	\$65,000	\$60,000	
Downtown Visioning and Tunnel Project	\$200,000	\$0	\$0	\$200,000	\$0	\$0	
DPW Fleet and Equipment Replacement	\$350,000	\$0	\$0	\$0	\$350,000	\$0	
Skatepark Redevelopment	\$50,000	\$0	\$0	\$0	\$50,000	\$0	
Trues Brook Road Bridge #066-059	\$240,000	\$192,000	\$0	\$0	\$0	\$48,000	
Landfill Truck Scale Replacement	\$280,000	\$0	\$0	\$0	\$280,000	\$0	
Water Treatment Facility Upgrade	\$110,000	\$0	\$0	\$0	\$110,000	\$0	
Loader Replacement	\$80,000	\$0	\$0	\$0	\$80,000	\$0	
Underground Fuel Storage Tank Replacement	\$90,000	\$0	\$0	\$0	\$90,000	\$0	
Capacity Management Operations Maintenance Plan (CMOM)	\$300,000	\$0	\$0	\$0	\$300,000	\$0	
Airport Terminal Area Americans with Disabilities Act Improvements	\$70,000	\$66,500	\$0	\$0	\$3,500	\$0	
Airport Layout Plan and Environmental Assessment	\$200,500	\$190,475	\$0	\$0	\$10,025	\$0	
Airport Hazard/Obstruction Removal	\$758,250	\$720,335	\$0	\$0	\$37,915	\$0	
Airport Terminal Building Boiler and Rooftop AC Units Replacement	\$76,300	\$0	\$0	\$0	\$76,300	\$0	
Mascoma River Greenway	\$910,000	\$0	\$0	\$910,000	\$0	\$0	
Lahaye Drive Pedestrian & Bike Improvements	\$800,000	\$840,000	\$80,000	\$0	\$0	\$80,000	
Total	\$12,050,050	\$2,109,310	\$80,000	\$8,030,000	\$1,642,740	\$188,000	

The 2017 budget has 177.08 full-time equivalent employees; 117.00 (66.1%) positions are affiliated with one of four collective bargaining units; 60.08 (33.9%) positions are non-affiliated.

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Table No. 9

	2015	2016	2017
Total Full-Time Equivalent Positions	<u>175.08</u>	<u>174.38</u>	<u>177.08</u>
Labor Affiliation:			
Teamsters #633/Lebanon Professional, Administrative and Salaried Employees (LPASE)	25.00	25.00	25.00
AFSCME Local #1348, Council 93 AFL-CIO	39.00	39.00	39.00
Lebanon Permanent Firefighter's Association Local 3197 International Association of Fire Fighters	25.00	25.00	26.00
Lebanon Police Benevolent Association, New England Police Benevolent Association	27.00	27.00	27.00
None	<u>59.08</u>	<u>58.38</u>	<u>60.08</u>
Total	<u>175.08</u>	<u>174.38</u>	<u>177.08</u>

A summary by fund of budgeted expenditures, estimated revenues and fund balance activity follows:

Table No. 10

Fund	2015 Budget	2016 Budget	2017 Budget	\$ Chg.	%Chg.
General					
Expenditures	\$27,166,140	\$27,924,630	\$29,204,380	\$1,279,750	4.6%
Revenues	<u>\$26,116,590</u>	<u>\$27,123,930</u>	<u>\$28,066,860</u>	<u>\$942,930</u>	<u>3.5%</u>
Applied (Realized) Fund Balance	\$1,049,550	\$800,700	\$1,137,520	\$336,820	42.1%
Solid Waste Disposal					
Expenditures	\$3,257,290	\$3,305,740	\$3,289,530	(\$16,210)	-0.5%
Revenues	<u>\$2,831,770</u>	<u>\$2,839,140</u>	<u>\$2,925,100</u>	<u>\$85,960</u>	<u>3.0%</u>
Applied (Realized) Fund Balance	\$425,520	\$466,600	\$364,430	(\$102,170)	-21.9%
Water Treatment and Distribution					
Expenditures	\$3,166,625	\$3,170,920	\$3,208,760	\$37,840	1.2%
Revenues	<u>\$2,950,140</u>	<u>\$3,024,340</u>	<u>\$3,179,480</u>	<u>\$155,140</u>	<u>5.1%</u>
Applied (Realized) Fund Balance	\$216,485	\$146,580	\$29,280	(\$117,300)	-80.0%
Sewage Collection and Disposal					
Expenditures	\$4,607,080	\$4,718,460	\$6,109,140	\$1,390,680	29.5%
Revenues	<u>\$4,741,780</u>	<u>\$4,975,070</u>	<u>\$5,120,730</u>	<u>\$145,660</u>	<u>2.9%</u>
Applied (Realized) Fund Balance	(\$134,700)	(\$256,610)	\$988,410	\$1,245,020	-485.2%
Municipal Airport					
Expenditures	\$1,134,990	\$1,279,210	\$1,244,760	(\$34,450)	-2.7%
Revenues	<u>\$857,060</u>	<u>\$932,780</u>	<u>\$1,097,190</u>	<u>\$164,410</u>	<u>17.6%</u>
Applied (Realized) Fund Balance	\$277,930	\$346,430	\$147,570	(\$198,860)	-57.4%

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<u>Fund</u>	<u>2015 Budget</u>	<u>2016 Budget</u>	<u>2017 Budget</u>	<u>\$ Chg.</u>	<u>%Chg.</u>
Emergency Management					
Expenditures	\$25,000	\$25,000	\$25,000	\$0	0.0%
Revenues	<u>\$25,000</u>	<u>\$25,000</u>	<u>\$25,000</u>	\$0	0.0%
Applied (Realized) Fund Balance	\$0	\$0	\$0	\$0	0.0%
Capital Improvements					
Expenditures	\$11,595,000	\$11,923,320	\$12,050,050	\$126,730	1.1%
Revenues	<u>\$11,595,000</u>	<u>\$11,923,320</u>	<u>\$11,862,050</u>	(\$61,270)	-0.5%
Applied (Realized) Fund Balance	\$0	\$0	\$188,000	\$188,000	0.0%
Total Expenditures	\$50,952,125	\$52,347,280	\$55,131,620	\$2,784,340	5.3%
Total Revenues	<u>\$49,117,340</u>	<u>\$50,843,580</u>	<u>\$52,276,410</u>	<u>\$1,432,830</u>	<u>2.8%</u>
Applied (Realized) Fund Balance	\$1,834,785	\$1,503,700	\$2,855,210	\$1,351,510	89.9%