

Prepared for  
Hopkinton

# The Role of the Budget Committee

*December 6, 2023*

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Annual Meeting &  
Budget 101

Role of the Official Budget  
Committee

Other Budget  
Considerations

Today's  
Presentation  
Agenda



# Authority of Towns and Cities

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**LOCAL GOVERNMENT RECEIVES ITS  
AUTHORITY FROM THE STATE**

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**NO HOME RULE AUTHORITY IN NEW  
HAMPSHIRE**

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**AUTHORITY IS USUALLY FOUND IN  
STATUTE (RSA) OR RULES**

# Budgeting Laws

RSA Ch. 32 (Municipal Budget Law)

RSA Ch. 31 (Powers & Duties)

RSA Ch. 33 (Bonds)

RSA Ch. 39 (Town Meeting)

RSA Ch. 35 (Capital Reserve Funds)

RSA Ch. 21-J (DRA)

# The Annual Meeting Process: Key Players



- Legislative Body
- Governing Body
- Budget Committee



# Whose Budget Is It?

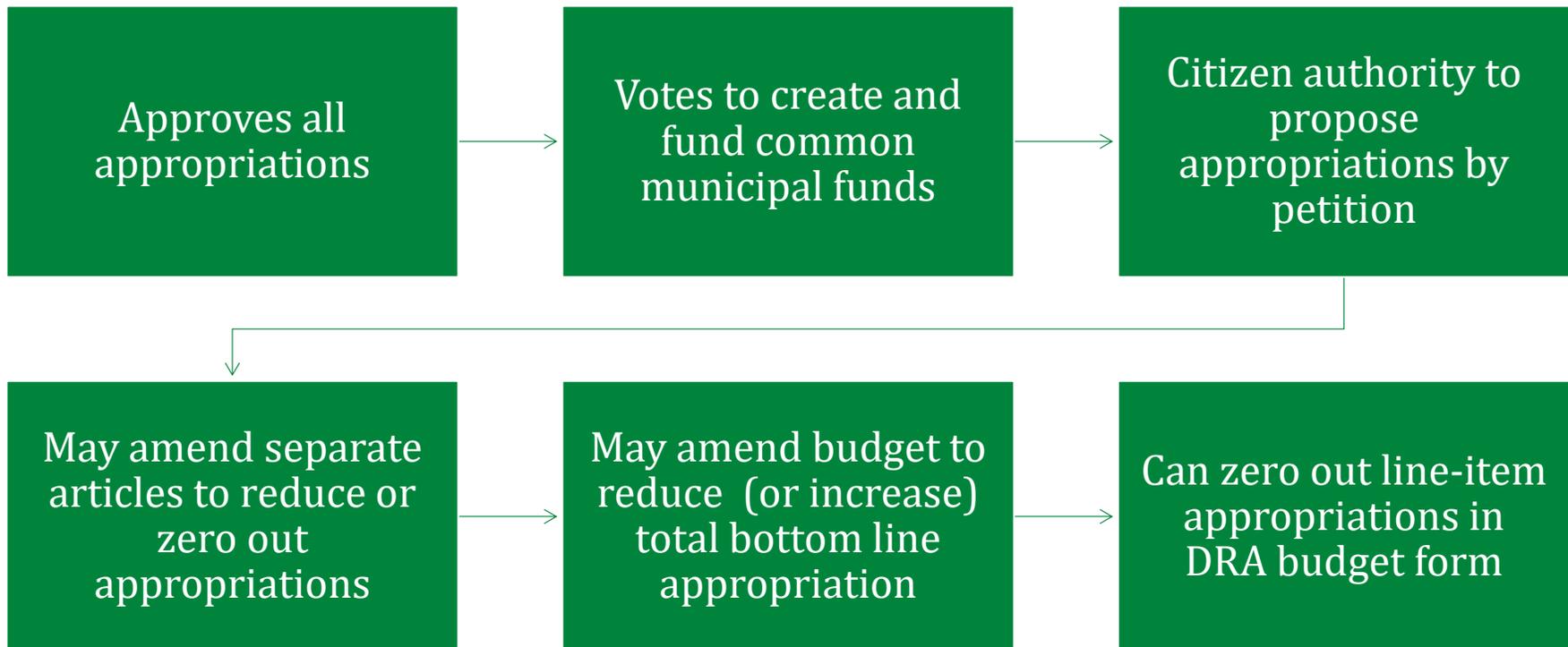
- Budget = recommended “plan” for spending
- Only the voters adopt a budget!
- Budget cuts & *Brentwood School District v. Brentwood Budget Committee* case



## Three Potential Times for Budget Modifications

- Governing body may modify the request of any municipal department prior to submitting its proposed budget to the budget committee. (RSA 32:4 ; 32:17)
- Budget committee may modify the proposed budget during the budget preparation process. (This may be either before or after the statutorily required public hearing.) (RSA 32:3 & 32:5)
- Town meeting may see a voter make a motion to modify the budget

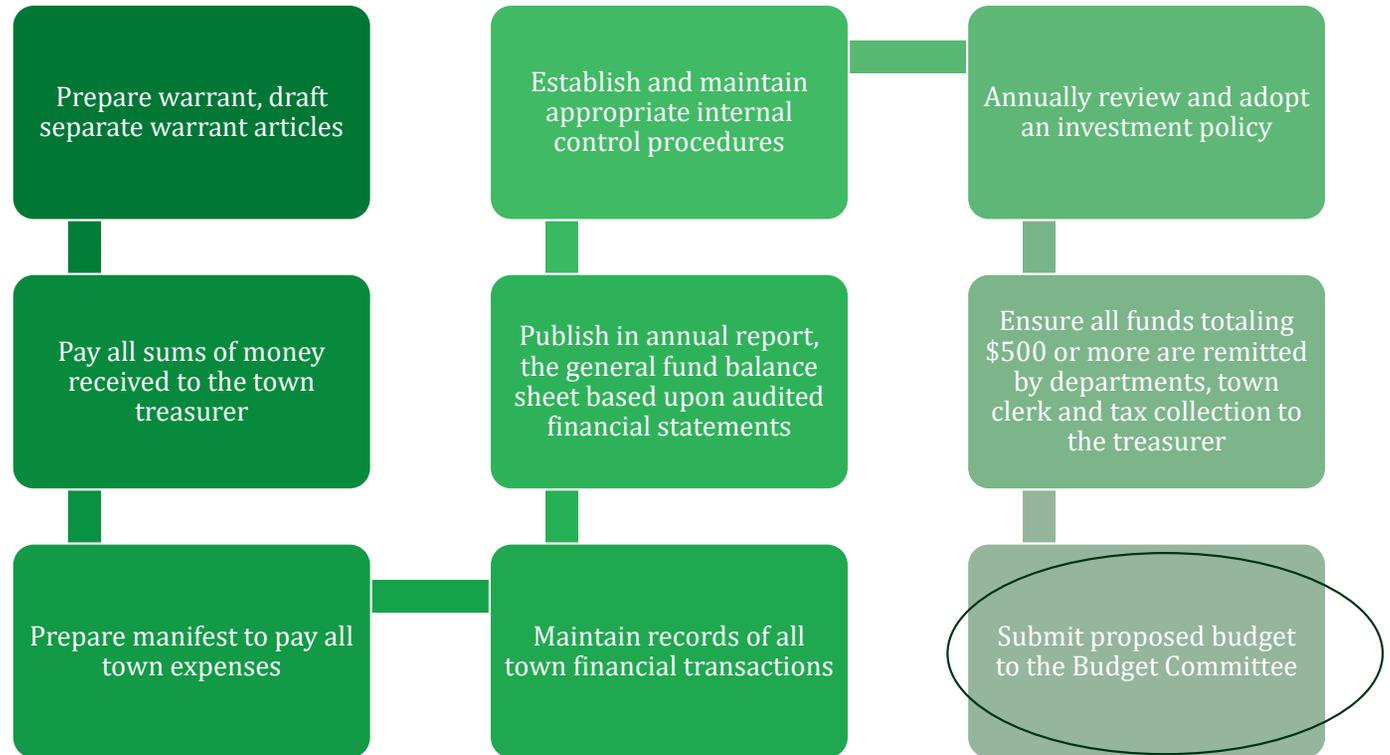
# The Town Meeting/ Legislative Body



# Governing Body – Budget Role

## Governing Body\*

\*21:48 Governing Body. – the term "governing body" shall mean the board of selectmen in a town, the board of aldermen or council in a city or town with a town council, the school board in a school district or the village district commissioners in a village district



# Procedural Requirements for Valid Appropriations (Budget Creation)

- ✓ Public budget hearing
- ✓ Disclosure of purpose and amounts at hearing (including sub-account information)
- ✓ Disclosure of default budget at first budget hearing
- ✓ Budgeting on gross basis
- ✓ Recommendations
- ✓ Warrant Notice
- ✓ Listing of all appropriations and separate warrant articles on posted budget

# Appropriating Money

▶ No Spending without an Appropriation- RSA 32:8

▶ No board of selectmen, school board, village district commissioners or any other officer, employee, or agency of the municipality acting as such shall pay or agree to pay any money, or incur any liability involving the expenditure of any money, for any purpose in excess of the amount appropriated by the legislative body for that purpose, or for any purpose for which no appropriation has been made, except as provided in RSA 32:9-11.

- ✓ Legislative Act, RSA 32:6
  - ✓ Warrant article
  - ✓ Operating budget
- ✓ Raise + Appropriate
- ✓ Create “guiding values”:
  - ✓ Legislative body authorizes
  - ✓ Annual basis (exceptions)
  - ✓ Governing body expends





## No Means No RSA 32:10, I (e)

- *IF*
  - Budget line item reduced to zero or
  - Separate warrant article with appropriation defeated reduced to zero.
- *THEN*
  - That “purpose” is deemed to be one where no appropriation is made.
  - No money may be spent for that defeated purpose during the ensuing fiscal year.

# Hopkinton Budget Committee has a Long-Established History

## 1934 Annual Town Report

BUDGET COMMITTEE—Lewis A. Nelson, Nathaniel F. Davis, George Putnam, Edward Barton.

## 1936 Annual Town Report

BUDGET COMMITTEE—Neal J. Rice, Milton J. Walker, term expires 1936; Forrest L. Gillingham, Raymond J. Barnard, term expires 1937; Lewis A. Nelson, Nathaniel F. Davis, term expires 1938.

### *Payments to Other Governmental Divisions:*

State Taxes	5,265.00	5,616.00	351.00	
County Taxes	7,418.08	8,000.00	581.92	
Payments to Precincts	2,000.00			2,000.00
Payments to School Dist.	24,803.93	25,000.00	196.07	

Total Expenditures	\$69,942.90	\$63,760.50	\$5,281.89	\$11,464.29
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TOTAL BUDGET \$63,760.50

BUDGET COMMITTEE

L. A. Nelson, N. F. Davis, L. S. Emerson, F. L. Gillingham,  
N. J. Rice, R. J. Barnard, M. J. Walker, J. S. Ball.

Hopkinton, N. H., February 19, 1936.



The parties are set forth in  
RSA 32:15

- 3-12 members at large, 3-year terms
- Ex officio members of governing bodies
- No full-time employees

### Hopkinton

- 6 members
- 4 Ex-officio members
  - 2 village districts
  - 1 school board
  - 1 select board

The mission is in RSA 32:16

- Prepare the budget for submission to the voters
- Confer with governing bodies and departments
- Conduct the public hearings
- Forward budget documents for inclusion in the warrant

## The Statutory Scheme



## Status of Ex-Officio Budget Committee Members

- The membership of an elected municipal budget committee is prescribed by RSA 32:15 and shall include one member *each* from the select board, school board and village district located in town.
- These Ex-Officio members serve as full voting members of a municipal budget committee – this is not optional, it is mandatory.
- Budget Committees cannot by procedural rule make these Ex-Officio representatives non-voting members: *Town of Hudson and Hudson School District v. Hudson Budget Committee* – Hillsborough County Superior Court- Case No. 2022-CV-00223, 8/15/22



# The Benefits of a Budget Committee



Members are a source of innovation and creativity to improve efficiency and services



If convinced a proposal is meritorious, an additional advocate for a project or purchase



A place where hard questions may be asked and proposals modified to become more effective/credible



Review of expenditures helps to ensure the budget meets the needs of the town and aids in the preparation of future budgets.



A check and balance upon either governing body or legislative body excesses

# Official Budget Committee Duties and Responsibilities



To prepare the budget as provided in RSA 32:5, and, if the municipality is a town, the budgets of any school district or village district wholly within the town, unless the warrant for such meeting does not propose any appropriation.



To confer with the governing body or bodies and with other officers, department heads and other officials, relative to estimated costs, revenues anticipated, and services performed to the extent deemed necessary by the budget committee. It shall be the duty of all such officers and other persons to furnish such pertinent information to the budget committee.



To conduct the public hearings required under RSA 32:5, I.



To forward copies of the final budgets to the clerk or clerks, as required by RSA 32:5, VI, and, in addition, to deliver 2 copies of such budgets and recommendations upon special warrant articles to the respective governing body or bodies at least 20 days before the date set for the annual or special meeting, to be posted with the warrant.



# Summary of Budget Committee Responsibilities

- Review current year's expenditures
- Review proposals, request information
- Prepare budget
- Schedule and hold budget hearings
- Forward final proposed budget to governing body
- Complete 10% Sheet
- Approve Emergency Expenditure Requests
- **Does not control spending**





New Hampshire  
Department of  
Revenue Administration

2022  
MS-737

Proposed Budget  
**Hopkinton**

For the period beginning January 1, 2022 and ending December 31, 2022

Form Due Date: **20 Days after the Annual Meeting**

This form was posted with the warrant on: \_\_\_\_\_

**BUDGET COMMITTEE CERTIFICATION**

Under penalties of perjury, I declare that I have examined the information contained in this form and to the best of my belief it is true, correct and complete.

Name	Position	Signature
Mark Zankel	Chair	
Jonathan Cohen	Vice Chair	
Deborah Norris	Member	<i>Deborah Norris</i>
Richard Houston	Member	<i>Richard C. Houston</i>
Steven Reddy	Member	<i>Steven Reddy</i>
Christa Scura	Member	<i>Christa Scura</i>
Ken Traum	For the Select Board	<i>Ken Traum</i>
Norman Goupil	For the School Board	<i>Norman Goupil</i>
Don Houston	For the Contoocook Village Precinct	<i>Don Houston</i>
Thomas Lipoma	For the Hopkinton Village Precinct	<i>Thomas Lipoma</i>

Source : Hopkinton 2022 Budget Information

[https://www.hopkinton-nh.gov/sites/g/files/vyhlf716/f/pages/ms737-town\\_signed.pdf](https://www.hopkinton-nh.gov/sites/g/files/vyhlf716/f/pages/ms737-town_signed.pdf)



# *The Budget Cycle is Continuous*



*DRA Technical Assistance-Annual Meeting*

# Budget Development

## Hopkinton 2023 Budget Presentation

### Budget Process to Date

- Department Heads prepared their budget requests
- Department Heads met with the Town Administrator to review budget requests.
- Select Board met with each Department Head to review requests.
- Select Board reviewed the capital expenditure plan
- Select Board began its work of preparing its budget
- Select Board presented to the Budget Committee

Department heads prepare estimated expenditures and revenue projections and submit to governing body. RSA 32:4. (library trustees may directly submit their proposed budget to budget committee – RSA 202-A:11, II)

Select Board reviews information provided under RSA 32:4 and RSA 37:6, V and submits their budget recommendations to the budget committee.

Budget Committee prepares the budget as provided in RSA 32:5.

The Budget Committee will hold a public hearing for public input on the budget prior to the deliberations, (RSA 32:5 II) and final vote of the budget at the annual town meeting in March.



# Uniform Chart of Accounts and Sub- Accounts

- By Statute and Rule the DRA establishes a uniform chart of accounts, a standard numbering and classification system for accounting by cities and towns. RSA 21-J:13, IV; NH Admin Code Rev 1701.11
- Effective 2021, Municipal Budget Law **REQUIRES** the governing body to provide to the budget committee sub-account information, defined as “an optional level of accounting, one or more levels below the account level,” which, if used, must support the numbering classification system established by the DRA
- Any detail included in sub-accounts must be made available for public inspection at the town’s budget hearing and must be included in the information provided to the budget committee
- The new law also requires the governing body to provide information to the budget committee in a format acceptable to the budget committee, but states that this requirement may be satisfied “by providing the assistance of a knowledgeable staff person who will attend the budget committee meetings with access to and the ability to provide the required information.”

# Gross Basis Budgeting

## RSA 32:5, III



58,726	
49,034	
694,691	
2,498	632,600
14,239	3,900
47,101	7,900
842,313	
1,985	
88,812	

All anticipated revenue from all sources, not just tax money, must be shown as offsetting revenues to the amounts appropriated for specific purposes.

Revenues other than taxes raised may include grants, gifts, bond issues and proceeds of the sale of municipal property.

With a few exceptions revenues not appropriated cannot be spent.

# General Warrant Article Suggestions



Disclose gross appropriation



Disclose revenue sources



Consider order of articles



Consider statutory wording and vote requirements



Contact your municipal attorney for specific warrant article language

# Problems to Avoid



Change of Purpose ( “Stay at Home test”)



Improper Use of CRF



Agents of CRF Not Warned



Made “Non-Lapsing” From Floor



Not Warned



Did Not Gross Appropriate

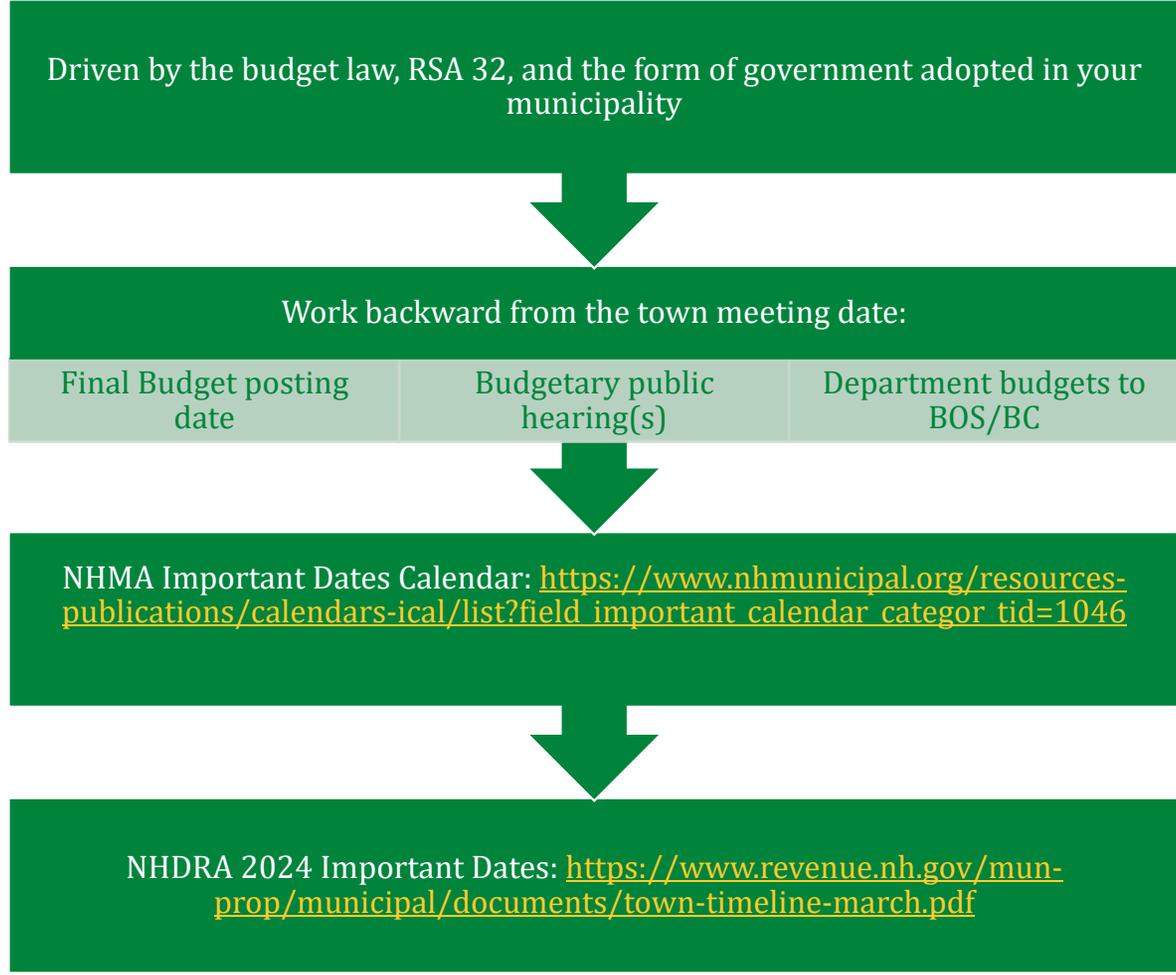


No Recommendations on Special Warrant Articles



No “Sum Certain”

# Necessary Knowledge





# The Budget Committee



## Official budget committee time-line/schedule

Budget Committees may meet year -round to review revenue and expense reports.

Create a schedule or time-line for developing the budget committee's recommended budget.



## Informal meetings/formal hearings

Process: The Budget Committee will confer with the governing bodies, other officers, and/or department heads relative to the estimated expenditures and anticipated revenues for the coming budget year.



## Consider your budget committee and plan accordingly.

Mutually determine what information the Select Board and School Board will make available to inform the committee.

# Duty of Cooperation



Required by RSA 32:16 and 17, but no definition beyond “pertinent information”

At least as broad as a Right to Know Law request



Does not appear to require a department or board to perform multiple “what if” analyses



Does not appear to allow a department or board to keep formulae or computations in a spreadsheet hidden or confidential.

# Budget Preparation

Whose numbers go on the warrant?

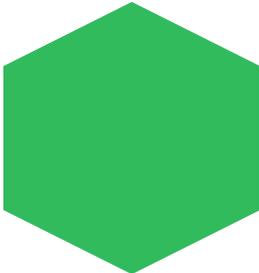
- The Budget Committee, operating budget only. See RSA 32:16
- The DRA form MS737 clearly shows both the select board's proposal and the budget committee proposal

When are the numbers finalized?

- After the budgetary public hearing (RSA 32:5)
- After the budget committee determines its final recommendations on the numbers to be presented



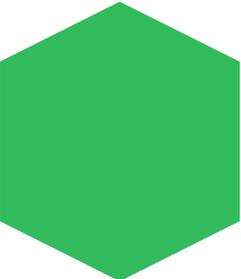
# Public Hearing



RSA 32:5, I Budget committee holds at least one public hearing not later than 25 days prior to the meeting. Notice 7 days in advance.

Do not finalize the budget until the public hearing has been held

All purposes or amounts of appropriation must be disclosed and discussed at the public hearing,



Even if the budget committee is opposed, or refuses to include the amount in its budget recommendation

# RSA 32:11 Anticipated Emergency Expenditures and Over expenditure

- Procedures for Towns and Village Districts 1. Emergency request letter prior to expenditure signed by a majority of the select board and by a majority of the budget committee, if applicable. The letter must indicate the reason for the emergency as well as amounts, purposes, and source(s) of revenue.
  - Documents to Submit to the Department of Revenue Administration: Signed minutes from the hearing held under RSA 32:11, I. No hearing is required if there is an official budget committee and request is signed by a majority of the budget committee.
  - Revenue Source Form showing revenues used to set the tax rate and the anticipated source of revenue for the emergency expenditure.
  - Link to DRA technical Guidance : <https://www.revenue.nh.gov/mun-prop/municipal/documents/e-e-procedures.pdf>

# Recommendations & Numeric Tallies

## RSA 32:5, V & V-a

### Recommendations:

- Required on special articles, 32:5, V
- Required on collective bargaining cost items, 32:19
- Defects/deficiencies don't affect validity of appropriations, 32:5, V

### Olson v. Grafton:

- recommendations on non-money articles allowed by governing body



# Recommendations

## RSA 32:5, V, V-a, V-b

Made by budget committee and governing body, also applies to advisory budget committees

Only on “special warrant articles”, see definition in RSA 32:3, VI

Tally is printed in the warrant by the article, without names of who is for or against

Body takes a vote in a public meeting and records a numerical tally of result

Same concept for estimated tax impact of an article

## “Separate” Warrant Articles

### “Special” Articles, RSA 32:3, VI:

- Petitioned
- Bonds
- Capital reserve/town-funded trust funds
- Designated non-lapsing, non-transferable, special

- Nontransferable, RSA 32:10, I(d)
- Can be encumbered for one more year
- Can be designated initially as nonlapsing for up to 5 years

# Ex Officio Members

Must these members support the proposal of the governing body when votes are taken, or are they free to vote as individuals?

What happens if the designated member must be absent from a meeting?

What happens if the sending board wishes to remove the person they have appointed?

- Unclear, but may not be able to do so. See *Silva v. Botsch*, 120 NH 600 (1980)

# Disagreements

Do not expect the governing body and budget committee to achieve 100% agreement on every cost item.

Disagreement should not be the focus of the recommendations, public hearings, or town meeting

Disagreement should serve to highlight and inform the choices the voters are asked to make

## The 10% Rule

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RSA 32:18 limits the appropriation voted to no more than 10% above budget committee recommendation

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A significant check and balance on spending by governing body, or legislative body or both

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Forces governing body to improve the quality of its presentation and justification for spending

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Prevents tyranny by the budget committee by allowing legislative body freedom to change

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# Exceptions

## Fixed charges not counted, RSA 32:18

- Bonds and Notes, interest and principal
- Charges imposed by other governments

## Bond requests recommended by governing body, RSA 32:18-a

- Prevents non-recommendation by budget committee from keeping issue from the voters

## Collective bargaining agreements, RSA 32:19

- As with bonds, assures the voters consider the matter



# Shepherding the Budget

## Open Question- What are the Final Steps?

Final step:

• Town Meeting

The tasks:

- Pre-meeting education
- Presentations, discussion and questions at meetings, budget hearing or town meeting.

All questions are fair  
at the budgetary  
public hearing

Before the meeting:

Handouts from  
budget committee  
sessions with  
simplified messages

Post on website

Press releases

Discuss at other  
public  
meetings/hearings

## Permissible Forms of Advocacy

# The Voters Make the Decisions

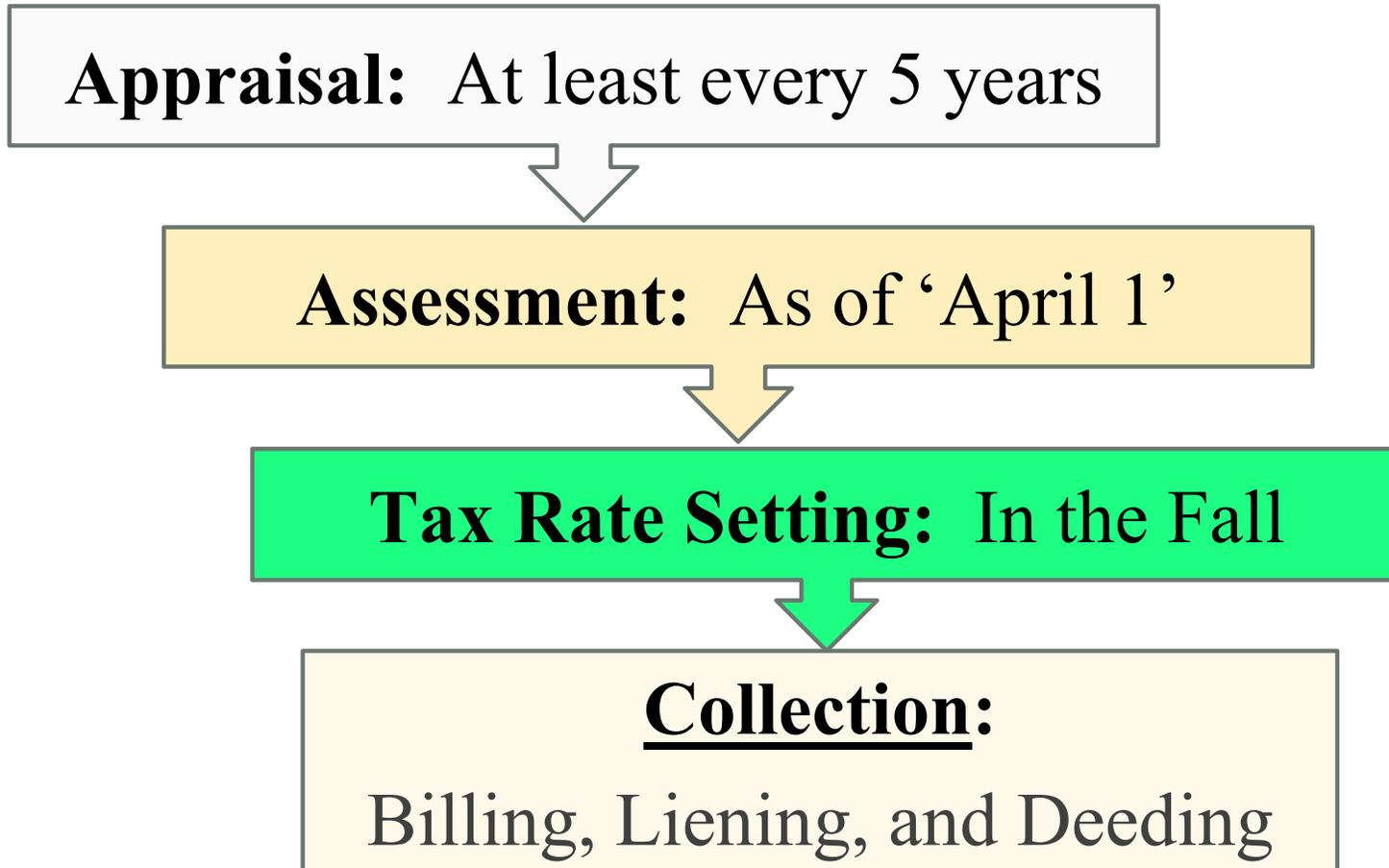
This audience (voters) is different

Will have less time consider the details

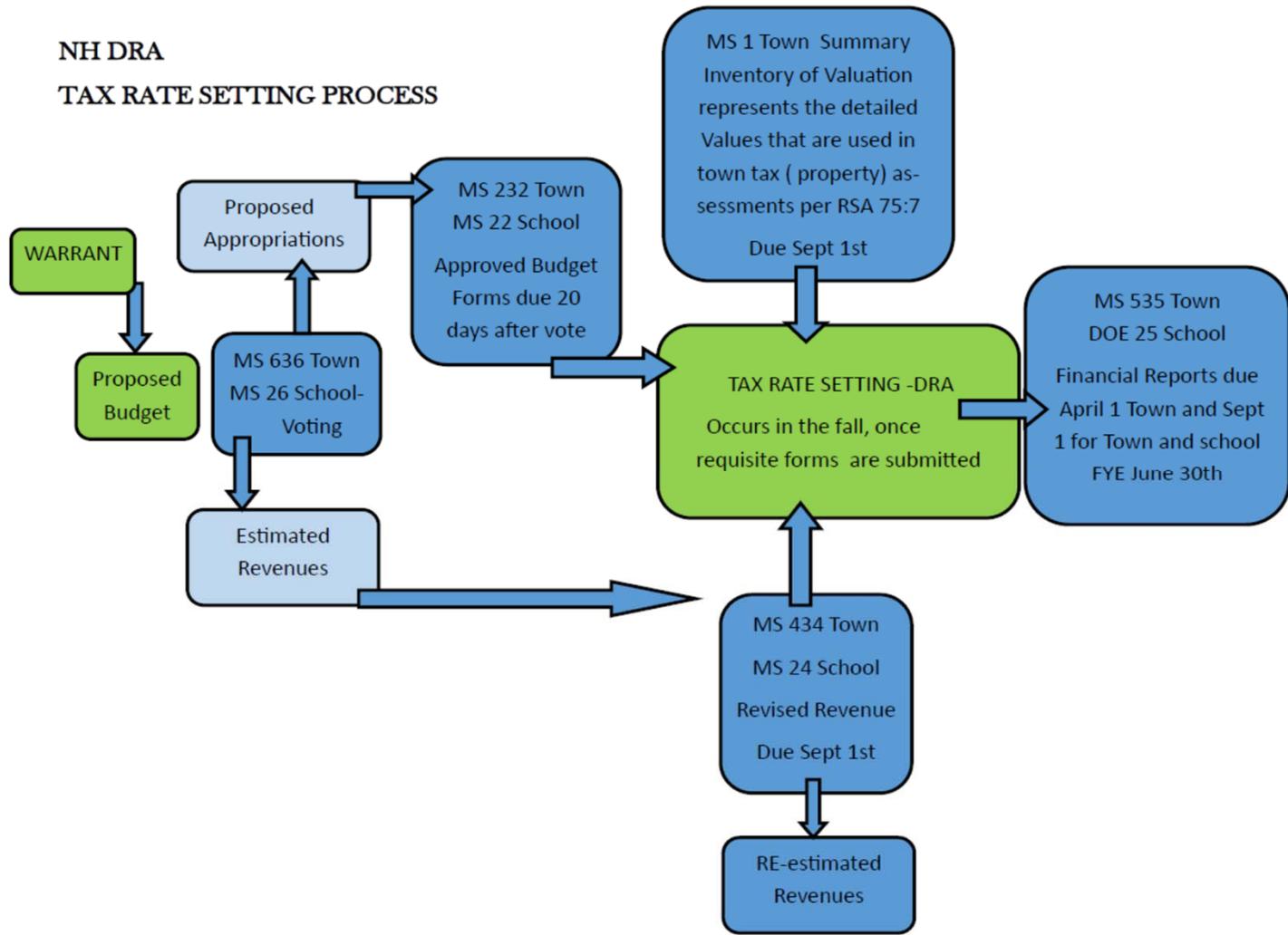
- Diverse levels of experience
- Diverse interests and priorities
- In the end, it is their collective will that must be determined and implemented



# The Property Tax Process



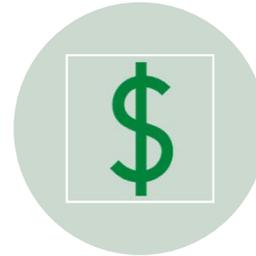
NH DRA  
TAX RATE SETTING PROCESS



# Understanding Tax Policy



The four taxes that make up the tax rate – create the overall total tax rate.



An increase in assessed value does not necessary translate into an increase in property tax.



The four rates are added together to produce the town or city's overall tax rate.



For an individual homeowner, the overall tax rate is then multiplied by the assessed value of that home and then divided by 1,000.

# Setting the Tax Rate

- Municipal Tax
- County Tax
- Local Education
- State Education (SWEPT)

Here is a breakdown of the rate:

	2022 Tax Rate	2023 Tax Rate	\$ Change	% Change
Town	7.07	7.53	0.46	6.51%
School	22.68	25.03	2.35	10.36%
County	2.50	2.46	(0.04)	-1.60%
<b>TOTALS</b>	<b>32.25</b>	<b>35.02</b>	<b>2.77</b>	<b>8.59%</b>

## VILLAGE PRECINCTS

	2022 Tax Rate	2023 Tax Rate	\$ Change	% Change
Contoocook	1.61	1.70	0.09	5.59%
Hopkinton	0.37	0.46	0.09	24.32%

Assessed Value	Property Tax (Not in either Precinct)
200,000	7,004.00
250,000	8,755.00
300,000	10,506.00
350,000	12,257.00
400,000	14,008.00
450,000	15,759.00
500,000	17,510.00

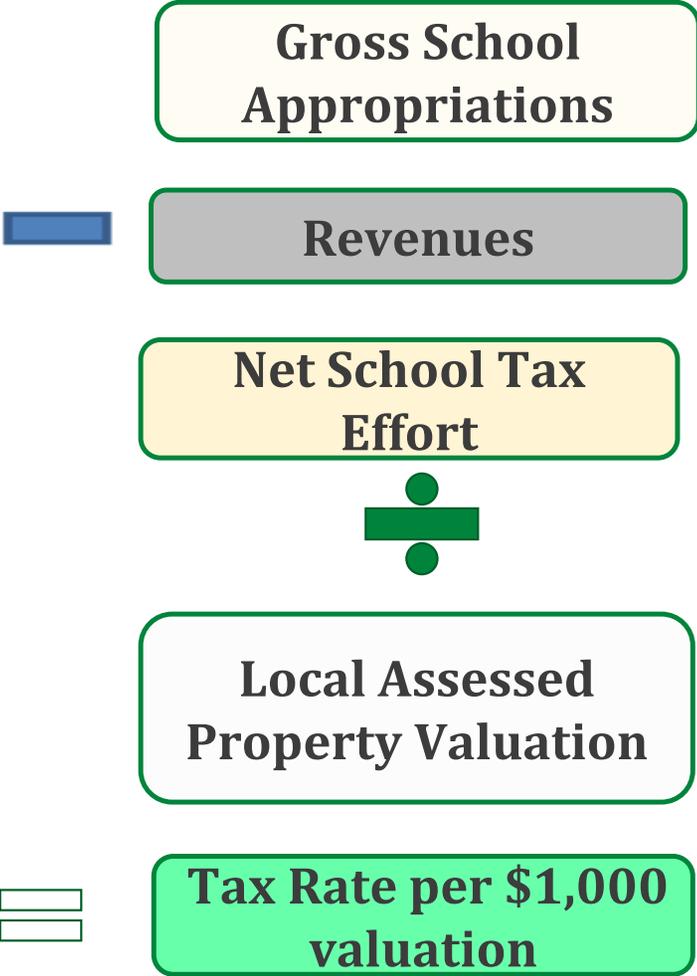
# Municipal Tax Rate- Anytown, NH

	Gross Appropriations	\$20,207,555
-	Revenues	\$8,024,656
+	Overlay (5% Max)	\$4,406
+	Veterans Credits	\$438,750
=	Net Municipal Tax Effort	\$12,626,055
	÷	
	Local Assessed Property Valuation	\$1,411,324,700
=	Tax Rate per \$1,000 Valuation	\$8.95

# County Taxes- Anytown

	Gross Appropriations		\$27,744,315
-	Revenues	-	\$14,780,875
=	Total County Tax	=	\$12,963,440
×	% Proportion to Total County Eq. Value	×	15.3907%
=	Net County Tax Effort	=	\$1,995,162
÷	Local Assessed Val.	÷	\$1,711,107,085
=	County Tax Rate per \$1,000	=	\$1.17

# School Tax Rate



\$363,000,000



% Proportion to Total  
State Equalized Val.



Net State Education  
Tax Effort



Local Assessed Val.



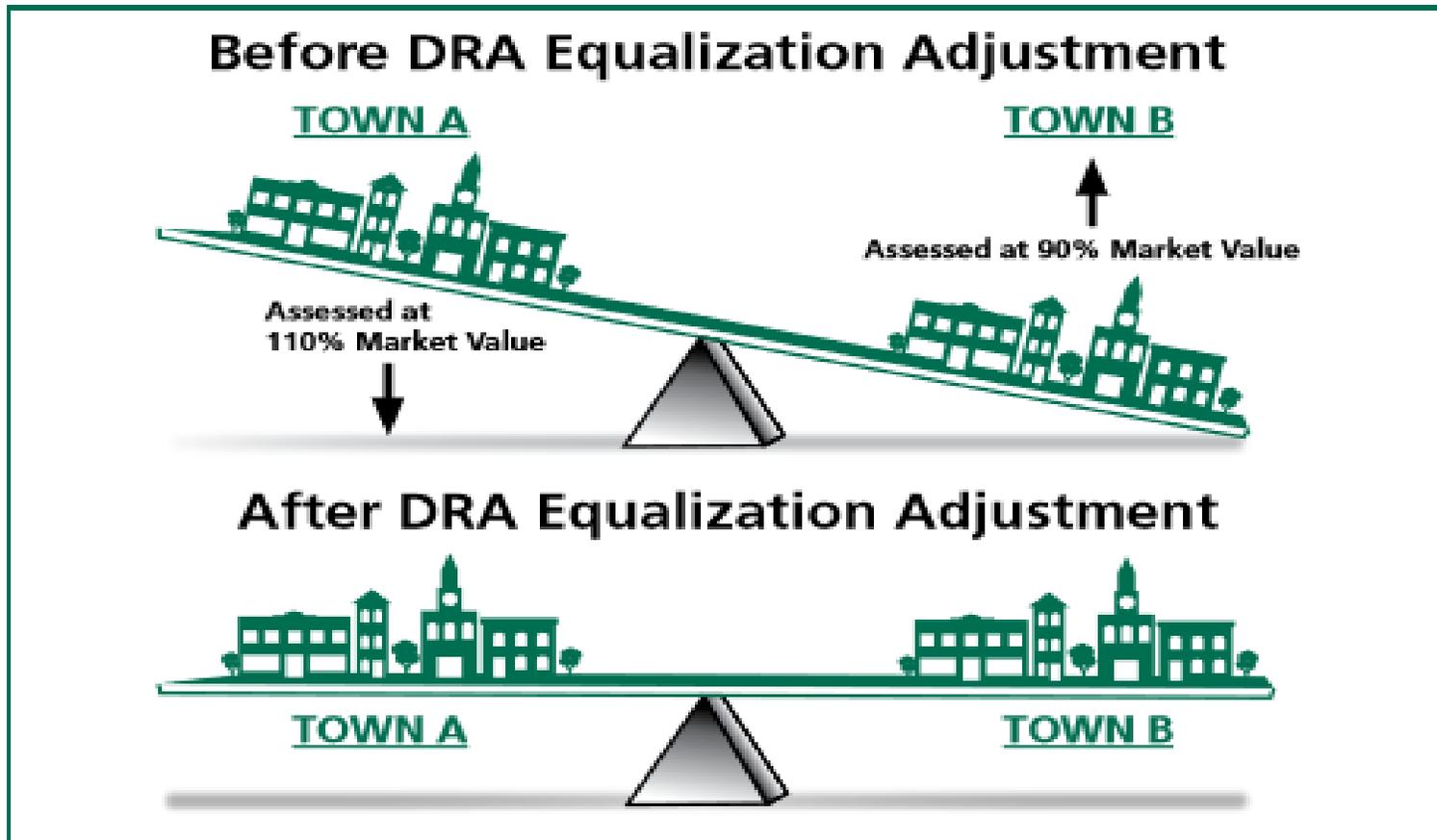
State Education Tax  
Rate per \$1,000

# State Education Taxes-*subject to* *change with the recent* *2 court cases*

CONVAL RULING

RAND SWEPT RULING

# Equalized Property Values



<https://www.revenue.nh.gov/mun-prop/property/equalization-2022/index.htm>

## Assessments Must Be Reasonably 'Proportional'

			TOTAL
MARKET VALUE	\$250,000	\$250,000	\$500,000
ASSESSED VALUE	\$250,000	\$250,000	\$500,000
TAX RATE	\$20/\$1,000 of value	\$20/\$1,000 of value	
TAX BILL	\$5,000	\$5,000	\$10,000
			TOTAL
MARKET VALUE	\$225,000	\$225,000	\$450,000
ASSESSED VALUE	\$250,000	\$250,000	\$500,000
TAX RATE	\$20/\$1,000 of value	\$20/\$1,000 of value	
TAX BILL	\$5,000	\$5,000	\$10,000
			TOTAL
MARKET VALUE	\$275,000	\$275,000	\$550,000
ASSESSED VALUE	\$250,000	\$250,000	\$500,000
TAX RATE	\$20/\$1,000 of value	\$20/\$1,000 of value	
TAX BILL	\$5,000	\$5,000	\$10,000

► Anytown, NH

2 Similar Properties – Located in Same Neighborhood

**\$10,000 - TOTAL TAXES NEEDED**

ASSESSMENT:

- • Property A \$ 250,000
  - • Property B \$ 250,000
- TOTAL ASSESSED VALUE: \$ 500,000**

**SCENARIO # 1**

► SET THE TAX RATE: \$10,000 ÷ \$500,000 = \$20.00/\$1,000  
► (tax needed) (assessed value) (Small Town Tax Rate)

TAX AMOUNTS BILLED:

- • Property A: \$ 250,000 x \$20 tax rate = \$ 5,000 property taxes
  - • Property B: \$ 250,000 X \$20 tax rate = \$ 5,000 property taxes
- TOTAL TAXES BILLED \$10,000 Total Taxes**

ASSESSMENT:

- Property A \$ 275,000
- Property B \$ 275,000

**TOTAL ASSESSED VALUE: \$ 550,000**

SET THE TAX RATE: \$10,000 ÷ \$550,000 = \$18.18/\$1,000  
(tax needed) (assessed value) (Small Town Tax Rate)

TAX AMOUNTS BILLED:

- Property A: \$ 275,000 x \$18.18 tax rate = \$ 5,000 property taxes
- Property B: \$ 275,000 X \$18.18 tax rate = \$ 5,000 property taxes

**TOTAL TAXES BILLED \$10,000 Total Taxes**

**SCENARIO # 2**

# KEY CONCEPTS FOR EFFECTIVE BUDGETING

Government budgets are countercyclical:

- ❖ Demand for public services often increases when the economy slows or inflation rises.
- ❖ Examining fiscal capacity or fiscal condition prior to the budget process can assist both decisionmakers and stakeholder in the development of local policy priorities.

# ESTABLISH A BASELINE FOR BUDGET DEVELOPMENT

## • Level- Services Budget

- Delivers in the upcoming year the same services that were delivered the previous year.
- Allows the local government to analyze the cost of delivering the same service year over year.
  - Can be challenging to project increases to goods and services.
  - May not respond to changing needs and priorities.

## • Level- Funding Budget

- Allocates the same amount of money each year.
- Does not necessarily deliver level services.
  - Due to rising costs automatically creates service cuts.
  - Decreases in revenues also results in cuts.
  - Tends to be Inflexible.



Select  
Board  
Goals

- Maintain current level of service.
- Minimize the effects of the current inflation.
- Retain a well-qualified staff.

SOURCE: [https://www.hopkinton-nh.gov/sites/g/files/vyhlf716/f/pages/02b-town\\_2023\\_budget\\_-\\_presentation\\_to\\_public\\_hearing\\_02-08-2023.pdf](https://www.hopkinton-nh.gov/sites/g/files/vyhlf716/f/pages/02b-town_2023_budget_-_presentation_to_public_hearing_02-08-2023.pdf)

# Rethinking Budget Development

A budget is a political instrument that weighs policy priorities against available public resources; is a statement of policy and values.

## Traditional Budget Method:

- **Incremental and line-item budgeting** uses last year's budget becomes next year's budget with changes around the margin.
- Useful during times of economic stability.
- May cause local governments to be slow to adapt to changing conditions.

## Other Budget Methods to consider:

- **Zero-base budgeting-** builds a budget from the ground up, starting from zero.
- **Priority-based budgeting** model which is based on building the budget around the community's priorities.
  - Includes accountability elements that connect the investment of public funds to the delivery of public good.
- **Performance Budgeting- Budgeting for Outcomes.**
  - Uses Performance measures include inputs (resources used), outputs (program activities), efficiency measures (ratio of inputs to outputs), and outcomes (the actual results of programs and services).

Or a combination of all of the above.

# REVIEW REVENUE ANAYSIS AND FORECAST

Typically, governments build budgets around projections of future revenue.

When costs grow faster than expected, officials may have to revise those plans and/or shortchange certain priorities.



Anticipates resource availability;

Guides decisions around expanding services to the community, changing the salaries and benefits of public employees, and adjusting tax rates;

Gauges financial sustainability of existing policies and programs;

Provides warning about potential imbalances in the government's financial future;

Generates data for discussion about what the fiscal future might look like and what actions can be taken.

*"In the absence of a formal forecast, a common assumption is that the future will not be much different than the past – an assumption that could be seriously flawed." GFOA*

# REVENUE SOURCES

- Education Funding
- Highway Block Grant
- Meals and Rooms
- Environment Grants



## State-Aid

### Revenue

- **Estimated Revenue of \$3,767,463**
- **Increase of \$69,880 – 1.89%**

- Sewer Fund           \$55,626
- Paid by users and CVP

- Major Drivers
  - Room & Rental                                 \$(136,569)
  - Motor Vehicle Registration                 \$ 40,000
  - Ambulance Charges                           \$ 15,000
  - Webster Transfer Station Reimbursement   \$ 40,000
  - Transfer Station Commercial                \$ (25,000)
  - Recycling Receipts                            \$ 15,000
  - Checking Account Interest                   \$ 13,000
  - TIF Revenue (accounting change)         \$ 23,683



## Municipal Revenue

- Property Tax
  - Interest/Penalties on Taxes
- Motor Vehicle Fees
- Business Licenses & Permits
- Building Permit Fees
- Other Licenses, Permits and Fees
- Solid Waste Fees
- Other Fees/Taxes
- Recreation Fees/Revenue
- Parking Fines and Fees
- Utility Fees

Source: [https://www.hopkinton-nh.gov/sites/g/files/vyhlf716/f/pages/02b-town\\_2023\\_budget\\_-\\_presentation\\_to\\_public\\_hearing\\_02-08-2023.pdf](https://www.hopkinton-nh.gov/sites/g/files/vyhlf716/f/pages/02b-town_2023_budget_-_presentation_to_public_hearing_02-08-2023.pdf)



## EXPENDITURE ANALYSIS – *Options to Measure Inflation*

Local governments are under considerable pressure to relate their spending and taxation levels to cost inflation for transparency.

In developing the budget, apply the indices that work best as a predictor – the use of different indices depending on the expenditure category may be necessary.

Consumer Price Index (CPI). Often used in setting cost-of-living adjustments (COLAs)

The Employment Cost Index (ECI) details the changes in the costs of labor for businesses in the United States. This index, readily available each quarter, is used to monitor inflation by measuring changes in labor costs for wages and salaries. Information is provided by the U.S. Bureau of Labor Statistics.

The Producer Price Index (PPI) measures the price changes of commodities at different stages of processing.

The Gross Domestic Product (GDP) deflator, mostly used in national accounts, is designed to reflect current expenditure patterns in an economy, and therefore focuses on new domestically produced final goods and services.

The Construction Price Index (CPI), used by the U.S. Department of Commerce, reflects the changes in the cost of construction materials and skilled and unskilled labor. It is a composite derived from separate indices for construction of commercial facilities, residential housing, utilities and highways.

The Education Price Index (EPI) for elementary and secondary school spending, compares current salary grids for teachers with a base year, and uses selected sub-indices from the CPI and the Industry Product Price Index as proxies for price increases for non-salary items purchased by school boards.

The Municipal Cost Index (MCI), published by the American City and County magazine, estimates the rate of inflation for purchases by American municipalities. The MCI is a composite index, a weighted average of more detailed price indices measuring consumer price cost fluctuations (using the CPI), industrial commodity wholesale prices (using the PPI), and construction contract costs (using the Construction Price Index).

# | Rank and Prioritize Expenditures



Create a predetermined clear, objective set of criteria to evaluate all projects, programs and services.



Promote procedural justice in the allocation of limited resources.



Ensure existing assets are maintained before embarking on new initiatives.



Consideration if there is a current asset/program/service that is in the budget but no longer fits the needs of the community then it could be retired/discontinued, and resources re-directed.

## THE EXISTING CAPITAL IMPROVEMENT PLAN



- The existing Capital Improvement Plan (CIP) provides comprehensive information on the near and longer-term facility and infrastructure capital improvements planned in the Town.
- The existing document is already organized by the following sections: an introductory section, overview, capital funding, and the program areas under which the projects reside.
- Each one of these sections represents a key component of the overall picture of the CIP
- By expanding upon the already existing document the Town can establish long term spending and savings goals within the actual limits of taxation while adhering to the framework recommended by the GFOA.

# What is Relationship between the Operating Budget and CIP?

Many financial factors should be considered as part of the development the CIP. The planning process should be an in-depth analysis, incorporating the financial factors that bridge the gap between short term operating budget and the communities long term goals.

When integrating CIP plans and the operational budget the use of financial policies can assist governments and help accurately consider the impact of the costs and identify the potential revenue streams. Possible revenue streams and funding strategies include:

- bond programs
- pay as you go
- grants
- impact fees
- Public/ private partnership alternatives

Reviewing the revenue generating potential under the plan assumptions will help identify the capability to finance needed capital projects as well as any gaps in the ability to do so. Moreover, the plan's vision should be balanced between the financial capacities to meet the stated goals, or at a minimum, should clearly identify the financial implications of a vision that may conflict with the town's financial policies and capacity.

**Town of Hopkinton - Capital Reserve/Maintenance Trust Funds Review  
12/02/2022**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Ambulance CRF</b>													
Proposed Appropriation	80,000	80,000	80,000	100,000	105,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000	155,000
Ambulance (2015)			(408,000)									(554,880)	
Ambulance (2019)							(456,960)						
<b>Year End Balance</b>	<b>285,547</b>	<b>365,547</b>	<b>37,547</b>	<b>137,547</b>	<b>242,547</b>	<b>352,547</b>	<b>5,587</b>	<b>115,587</b>	<b>225,587</b>	<b>335,587</b>	<b>445,587</b>	<b>707</b>	<b>155,707</b>
<b>Fire Dept. Vehicle &amp; Equipment CRF</b>													
Proposed Appropriation	200,000	200,000	150,000	200,000	250,000	300,000	300,000	425,000	125,000	125,000	125,000	125,000	125,000
Engine 1 (2012)													
Staff Car								(65,000)					
Protective Gear (2008)	(16,250)	(16,250)	(16,250)	(16,250)	(16,250)						(21,125)	(21,125)	(21,125)
Engine 2 Simon (1995)													
Rescue Equipment	(50,000)	(50,000)	(50,000)										
Forestry Truck (2002) (on order)			(78,000)										
Breathing Apparatus (2009) (24 units)		(231,500)											
Tanker 1 Ford (1994)/Tanker 2 (order 2023)				(500,000)									
Tanker 2 International (1995) - Replacing with Forestry Truck #2													
Ladder Truck (1997)								(1,100,000)					
Forestry Truck #2 New in 2026					(95,000)								
Tanker - International (2001) #3										(200,000)			
<b>Year End Balance</b>	<b>412,409</b>	<b>236,659</b>	<b>320,409</b>	<b>4,159</b>	<b>142,909</b>	<b>442,909</b>	<b>742,909</b>	<b>2,909</b>	<b>127,909</b>	<b>52,909</b>	<b>156,784</b>	<b>260,659</b>	<b>364,534</b>
<b>Library Replacement Systems CRF</b>													
Proposed Appropriation	10,000	41,000	50,000	20,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	20,000
Generator for Sprinkler System			(11,000)				(14,300)						
Reconfigure and Improve Building Access			(35,000)										
Large Window Replacement			(10,000)	(10,000)									
Replace Air Conditioning Units (2 Units)		(94,350)											
<b>Year End Balance</b>	<b>60,217</b>	<b>6,867</b>	<b>867</b>	<b>10,867</b>	<b>20,867</b>	<b>30,867</b>	<b>26,567</b>	<b>36,567</b>	<b>46,567</b>	<b>56,567</b>	<b>66,567</b>	<b>76,567</b>	<b>96,567</b>



# Example- Durham, NH CIP Financing

[https://www.ci.durham.nh.us/sites/default/files/file\\_attachments/business\\_office/page/72010/2023-2032\\_summary\\_sheets.pdf](https://www.ci.durham.nh.us/sites/default/files/file_attachments/business_office/page/72010/2023-2032_summary_sheets.pdf)

## 2024 CAPITAL IMPROVEMENT PROGRAM

Description	Operating Budget	UNH Cash	Bonding		State & Federal	Capital Reserve	Grants, Trade & Other	Total
			Town	UNH				
<b>General Fund</b>								
Business/Assessing								
Financial Software Package			\$ 500,000					\$ 500,000
Fire Department								
Records Management System					\$ 50,000			\$ 50,000
Refurbish 2012 Marion Tanker			\$ 75,000	\$ 75,000				\$ 150,000
Replace 2010 Ford F-350 (Forestry Truck)			\$ 75,000	\$ 75,000				\$ 150,000
GIS								
GIS Program	\$ 30,000							\$ 30,000
Information Technology								
IT Equipment Replacement	\$ 17,000							\$ 17,000
Police Department								
Vehicle Replacement	\$ 126,600							\$ 126,600
Public Works								
Buildings & Grounds Division								
Seasonal Decorative Lighting	\$ 2,500							\$ 2,500
Purchase of Solar Panels (See Solar Array)			\$ 850,000					\$ 850,000
Operations Division								
Road Resurfacing	\$ 825,000							\$ 825,000
Crack Seal Program	\$ 25,000							\$ 25,000
Sidewalk Improvement Program	\$ 57,500							\$ 57,500
Drainage System Rehabilitation Program	\$ 85,000							\$ 85,000
Stormwater Management Permit Compliance	\$ 30,000							\$ 30,000
Facility Infrastructure Preventative Maintenance	\$ 25,000							\$ 25,000
Madbury Roadway, Sidewalk, Drainage Const.			\$ 2,298,000					\$ 2,298,000
Salt Brine Mixer and Tank			\$ 40,000					\$ 40,000
Dump Truck Replacement			\$ 235,000					\$ 235,000
Front End Loader Replacement			\$ 220,000					\$ 220,000
Pickup Truck Replacement			\$ 42,500					\$ 42,500
Sanitation Division								
Refuse Collection Vehicle			\$ 295,000					\$ 295,000
<b>Total General Fund</b>	<b>\$ 923,600</b>	<b>\$ -</b>	<b>\$ 4,618,500</b>	<b>\$ 150,000</b>	<b>\$ -</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>\$ 5,742,100</b>

## 2025 CAPITAL IMPROVEMENT PROGRAM

Description	Operating Budget	UNH Cash	Bonding		State & Federal	Capital Reserve	Grants, Trade & Other	Total
			Town	UNH				
<b>General Fund</b>								
Fire Department								
New Fire Station			\$ 4,000,000	\$ 16,000,000				\$ 20,000,000
Thermal Imaging Camera						\$ 12,000		\$ 12,000
Replace 2013 Chevrolet 2500 (Utility Truck)						\$ 65,000		\$ 65,000
Refurbish 2015 Marion Pumper			\$ 80,000	\$ 80,000				\$ 160,000
Replace 2016 Chevrolet Tahoe (Chief's Car)						\$ 95,000		\$ 95,000
GIS								
GIS Program	\$ 30,000							\$ 30,000
Information Technology								
IT Equipment Replacement	\$ 29,500							\$ 29,500
Police Department								
Vehicle Replacement	\$ 127,000							\$ 127,000
Public Works								
Buildings & Grounds Division								
Seasonal Decorative Lighting	\$ 2,500							\$ 2,500
Courthouse/Old Town Hall Restoration								\$ 367,000
Operations Division								
Road Resurfacing	\$ 488,000							\$ 488,000
Crack Seal Program	\$ 25,000							\$ 25,000
Sidewalk Improvement Program	\$ 40,000							\$ 40,000
Drainage System Rehabilitation Program	\$ 85,000							\$ 85,000
Stormwater Management Permit Compliance	\$ 30,000							\$ 30,000
Facility Infrastructure Preventative Maintenance	\$ 25,000							\$ 25,000
Madbury Roadway, Sidewalk, Drainage Const.			\$ 2,298,000					\$ 2,298,000
Dump Truck Replacement			\$ 185,900					\$ 185,900
Mobile Air Compressor Replacement	\$ 30,000							\$ 30,000
Longmarsh Road Bridge Replacement			\$ 1,300,000					\$ 1,300,000
Sanitation Division								
Recycling Collection Vehicle Replacement			\$ 299,000					\$ 299,000
<b>Total General Fund</b>	<b>\$ 912,000</b>	<b>\$ -</b>	<b>\$ 8,529,900</b>	<b>\$ 16,080,000</b>	<b>\$ -</b>	<b>\$ 172,000</b>	<b>\$ -</b>	<b>\$ 25,693,900</b>

# Who Cares about Fiscal Capacity?

Taxpayers

Elected Officials

Ratepayers

Investors

Municipal Management

Rating Agencies

Credit Enhancement Providers

# UNDERSTANDING THE FISCAL CONDITION

**After Revenue has been Analyzed and Forecasted But *Before* Expenditures can be determined-**

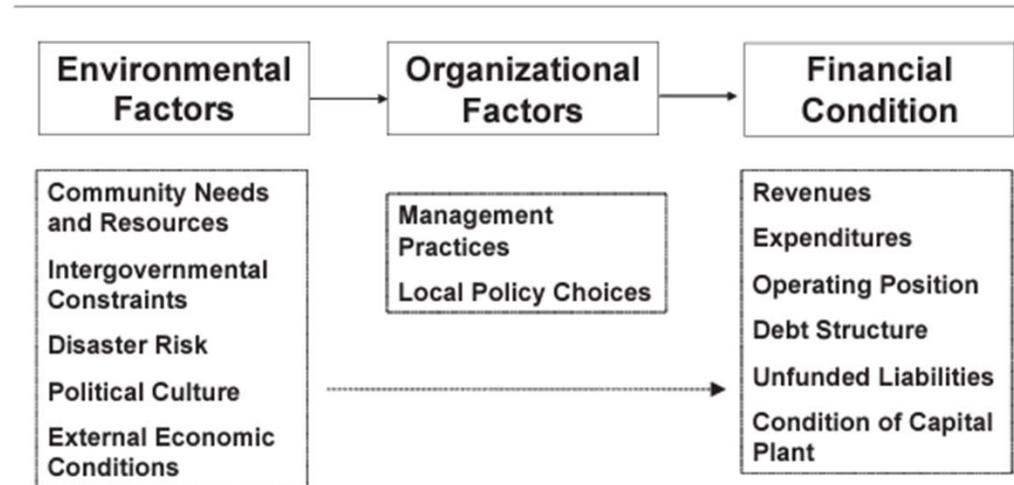
Fiscal Capacity is affected by a combination of environmental, fiscal and organizational factors, including decisions and actions of the governing board.



Local governments and School Districts can take a comprehensive approach that focuses on both external and internal fiscal indicators that are easy to measure, evaluate and understand.



Use a financial indicator system that is comprehensive enough to match the complexity of your government (cities and counties might have a very different fiscal indicator system than rural towns) to produce regular, reliable reports for decision making.



Source: Adapted from Evaluating Financial Condition: A Handbook for Local Governments. ICMA, 2003

*Environmental factors include measures of community needs and resources such as population, property value and poverty, and economic factors such as inflation, personal income and employment.*



NH Community Profiles

MEDIAN HOUSEHOLD INCOME (MHI) IN PAST 12 MONTHS (IN 2020 INFLATION-ADJUSTED DOLLARS) By City /Town : <https://www.des.nh.gov/sites/g/files/ehbemt341/files/documents/2020-01/mhi-table.pdf>

# EXPENDITURES-

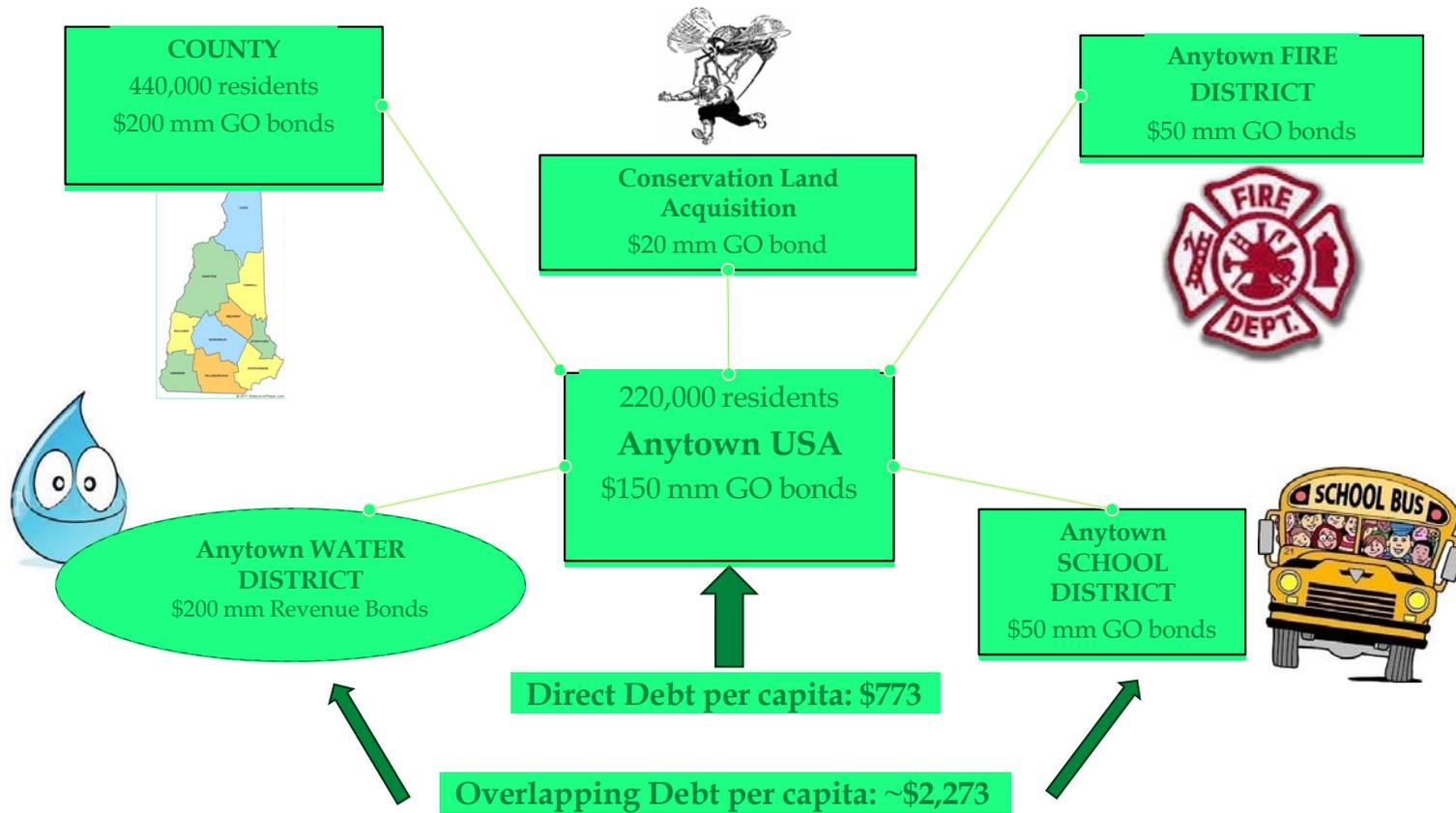
## Understand the General Cost of Services

Example Study- Proposal to offer 24 police protection.  
 What are Operations Costs?

Service	Per-Capita
24 hour police protection	\$19.00
Trash collection and disposal	\$6.50
Road repair snow and removal	\$5.94
Library Services	\$4.60
Capital Improvements (roads, sidewalks)	\$5.32
Parks and Recreation (maintenance)	\$3.40
Fire/EMS/Fire Prevention	\$2.00
Health + Dial-a-Ride	\$1.59
<b>Total</b>	<b>\$48.35</b>
Include both direct and indirect costs associated with Projects, Services and Programs	

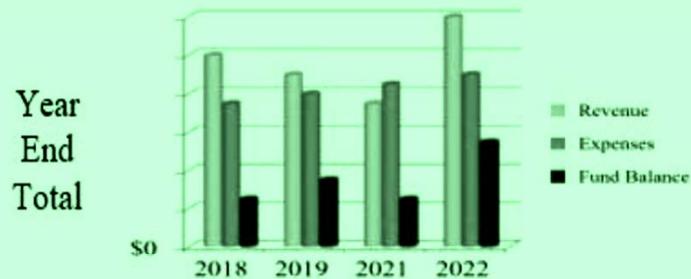


# Impact of Overlapping Debt on “Anytown, NH”



# FUND BALANCE

Fund Balance is the total accumulation of operating surpluses and deficits since the beginning of a local government's existence.



The Fund Balance Formula:  
 $\text{Fund Balance} = \text{Assets} - \text{Liabilities}$

**Operating Surplus / Deficit**

The difference between a unit's revenues and expenditures for a fiscal year.

$\text{Revenues} - \text{Expenditures} = \text{Operating Surplus} / (\text{Deficit})$

The natural revenue cycle within a local government is directly tied to fund balance reserves allows for the prudent management of financial resources throughout the year.

When cash flow is under stress, a municipality may issue short term debt to cover the gap, requiring an interest cost to maintain steady operations and introducing risk.

Adequate fund balance negates that need, saving resources that would otherwise be spent on servicing the cost of that debt.

A strong fund balance will allow the municipality to meet cash flow needs, complete scheduled projects, and provide a contingency in the case of an emergency or disruption in revenues.

# Other forms of Spending

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Transfers, RSA 32:10

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Legal judgments, RSA 32:9

---

DRA permission, RSA 32:11

---

Spending prior to town meeting, RSA 32:13

---

Unanticipated revenue, RSA 31:95-b

---

Capital reserve/trust funds

---

Other statutory funds

---

Certain multi-year appropriations

# Bond Issues and Borrowing

RSA 32, 33, RSA 40

**Debt Limit** –the total amount of debt that may be outstanding at any one time.

This limit is calculated as a percentage of the total market value (equalized assessed value) of all taxable property in town.

- 3 % for cities,
- 3 % for towns,
- 1 % for village districts and
- 7 % for school districts.

The total debt limit for any municipality that contains an overlapping political subdivision (such as a school district and town that cover the same geographic area) can be limited to 9.75 percent. RSA 33:4-a and 33:4-b.

## Debt limit exceptions-

- Sewer Treatment Plants ordered by NHDES (RSA 33:5);
- Water Treatment Facilities ordered by NHDES (RSA 33:5-a);
- Voluntary Sewer Projects (RSA 33:5-b);
- Qualified Utilities (RSA 33:6-b)
- Solid Waste Management (RSA 33:6-e) Site Cleanups (RSA 33:6-d)
- Qualified Broadband Projects (RSA 33:6-f)

Tax anticipation notes do not count as part of the municipality's total debt limit.

Special debt limits are provided for cooperative school districts under RSA 195.

Tax increment finance bonds issued under RSA 162-K are exempt from debt limit requirements.



# Certain Multi-Year Expenditures

## Lease/purchase agreements, RSA 33:7-e

- With escape clause (simple majority)
- Without escape clause (supermajority vote)

## Capital projects, RSA 32:7-a

- Identified capital projects
- 2/3 or 3/5 majority vote
- Up to 5 years

## Capital Reserve Funds, RSA 35:1

- may be used for lease/lease purchase payments.

# Appropriations for Capital Projects RSA 32:7-a

A “capital project” for this purpose is one for which a town may issue bonds under RSA 33:3 or RSA 33:3-c. These include:

- the acquisition of land;
- planning relative to public facilities;
- the construction, reconstruction, alteration and enlargement or purchase of public buildings;
- for other public works or improvements of a permanent nature including broadband infrastructure;
- for the purchase of departmental equipment of a lasting character;
- for the payment of judgments;
- for economic development (including public-private partnerships involving capital improvements, loans and guarantees); and
- preliminary expenses associated with proposed public work or improvement of a permanent nature (including public buildings, water works, sewer systems, solid waste facilities and broadband infrastructure).

- (a) identify the specific project,
- (b) state the term of years of the appropriation (up to five years),
- (c) state the total amount of the appropriation, and
- (d) state the amount to be appropriated in each year of the term.

The article must pass by a 2/3 vote (3/5 vote in official ballot referendum towns).

For each year after the first year, the amount designated for that year as provided in the original warrant article will be deemed “appropriated” without further vote by the legislative body

Classified as “special warrant articles” RSA 32:3, VI



# Lapse of Appropriations

## RSA 32:7

All appropriations shall lapse at the end of the fiscal year and any unexpended portion thereof shall not be expended without further appropriation, *unless*:

- Encumbered by legally-enforceable obligation;
- Placed in nonlapsing fund: e.g. capital reserve or trust;
- Appropriated to a capital reserve fund;
- Amount is raised through bonds or notes (then lapses upon completion of purpose);
- Money received from state, federal, or private grant (then nonlapsing for as long as program rules)
- Special warrant article:
  - Governing body can vote to encumber for one year; OR
  - Article was labeled as nonlapsing by meeting (specifies lapse, up to 5 years).

# Questions?



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