



CITY OF CONCORD

New Hampshire's Main Street™

City Manager's Office

Thomas J. Aspell, Jr.
City Manager

May 13, 2021

Honorable Mayor and Council:

I am pleased to present you with the Fiscal Year 2022 proposed budget. As Council will surely recognize, the last year and a half has been a challenge unlike any of us have experienced in our lifetimes. I am extremely grateful for City Council's support of our staff. Council's leadership and direction have afforded our organization the ability to weather the worst of the pandemic's effects while, at the same time, never losing focus on the future. Cognizant of the risks, our employees have stepped up to task and continue to provide outstanding customer service to our community. Thanks to their efforts and your guidance, I am able to submit to you a budget—amidst an on-going global pandemic—that meets the community's short and mid-term needs while still keeping an eye on the Council's long-term vision; all within a 2.5% tax rate increase.

FY 2022 Budgetary Challenges and Trends

This budget provides the necessary resources for the City's continued vigorous public health response to COVID-19 and works to establish our position for a shared recovery. The unprecedented social and economic change wrought by COVID-19 to our City and our State, brings us to a moment where we must responsibly make investments that ensure our public health and economic vitality is best positioned for the future.

It is essential to reinforce that this proposed budget is not exempt from significant structural challenges and countervailing economic trends. Most fundamentally, as the state capital, approximately a 25% of Concord's land value is not taxable. In a community where 63% of the City's General Fund budget relies on ad valorem tax revenue, this poses an ongoing obstacle.

In addition to the structural challenge of the state's taxation system, one of the largest impacts on the FY 2022 budget was from the New Hampshire Retirement System (NHRS). The NHRS employer rate adjustment increased the City's Group I (non-Police/Fire) contributions by 26% resulting in a \$1.2 million increase to the City's required contribution. This level of pension rate inflation is not sustainable in the long term without increased revenue or service reductions.

Recruitment and succession are also proving to be stubborn challenges whose impacts on service delivery will become more difficult with time. Our recruitment experience validates that the recent wage increase for the Concord Patrol Officers has improved the number of viable candidates for the department. Other departments continue to face challenges to fill supervisory and technical positions. Internal succession is also a growing area of concern.

The COVID-19 pandemic created dramatic economic turmoil to all sectors of our local economy, private and non-profit, including the City budget. The City Council had planned for just this moment with years of shared fiscal responsibility that allowed us to be a well-prepared capital city.

Fiscal responsibility is and has been the foundation of the proposed Operating and Capital budget, and will help accelerate our community's recovery during the coming year.

While there remains weakness in certain sectors of our economy, property tax revenue has proven strong over the past year. Other important local revenues like building permits and motor vehicle registrations also remain strong and are projected to grow slightly as the economy further reopens over the coming year.

The COVID-19 pandemic, of course, has also posed a significant challenge for the FY 2022 budget. In FY 2021, the City relied on the use of \$1.5 million in unassigned fund balance to achieve a 0% tax rate increase. A balanced budget is the City Council's top priority since it is vital for the proper health of the City's finances and its bond rating which, in turn, affords the City with the financial flexibility to pursue community-wide projects. However, it is also important not to lose sight of the fact that the continued use of unassigned fund balance diminishes the City's fiscal health and poses future challenges. Despite this measure, the City's unassigned fund balance on June 30, 2020 was 20.1%. Use of \$1.5 million of Unassigned Fund balance for the FY 2021 budget would have the effect of reducing the fund balance percentage. This year, I am recommending the use of \$1.75 million in unassigned fund balance. My expectation is to return the City to a balanced budget in a phased approach over the next few years.

A new dynamic to this budget is the recently passed federal legislation known as the American Rescue Plan Act that will provide more than four million dollars in federal funding to the City. While formal notice has not yet been received, the funding will be made available over the next two years. These funds can be used to offset revenue declines due to the pandemic to ensure the City's stability and fiscal resiliency over the next few budget cycles.

Coupled with the pandemic, efforts by the Federal Reserve to stimulate the economy via record low interest rates have had dramatic negative consequences for the City's investment income. Interest revenue was budgeted at \$390,000 in FY 2021. The actual is anticipated to be \$48,000. For FY 2022, only \$45,000 is contemplated.

One positive from the national macroeconomic picture is that there is a significant amount of liquidity in the marketplace. When combined with extremely low interest rates, this is encouraging many developers to move forward with building and construction projects. To date, there are nearly ten different housing developments in various stages of planning and due diligence currently underway in Concord, which will help address the City Council Priority Goal 2e, Housing. Although it is unlikely that all will come to fruition, if even a fraction are built, the community would start to see the most significant housing growth in well over 20 years.

FY 2021 Recap

This year was one of tremendous resilience shown by City Council, staff and the public. Staff committed to strict COVID protocols including staggered shifts, remote work, plexiglass shields, and masks to ensure that City services could be provided in a consistent and quality fashion. Thanks to this diligence there were very few gaps in City services. The use of online services for payment rose by 34% citywide with dramatic increases of 65% in the City Clerk's office and nearly 89% in the Parking Fund. City Council also took the lead in holding their meetings virtually which, in some respects, actually provided the public with greater access than in the past. The City's myriad boards and commissions followed suit.

City Hall and the Annex were open to the public through most of FY 2021 thanks to the great work and leadership provided by staff's "Return to Work Committee." This group consistently found ways to adapt to changing state and federal protocols in order to ensure that residents could transact their municipal business in a safe manner. One of these measures was the creation of the City Hall Greeter who not only helped screen visitors to the building, but also served as an informational ambassador for the entire City organization.

The City received \$604,000 in reimbursements from the Federal government (through the State) in FY 2021 to address many of its COVID-19 related expenses.

The City reached a major milestone to contain its health insurance costs further addressing City Council Priority Goal 1a and 1b this past year. Council accepted the contract with the Concord Fire Officers Association thereby bringing the last of the City's six collective bargaining units onto a high deductible health plan as the cost driver. The City's non-contractual staff were folded into this plan earlier in the year. This action, over time, should reap increased savings.

Although the Manager's budget is usually dominated by fiscal considerations, I would be remiss not to mention the great work done by the Concord Fire Department to address the very real physiological threat that was the COVID-19 virus in FY 2021. The Department pioneered the use of a "COVID" ambulance for calls where there were suspected COVID infections to reduce the likelihood of cross-contamination of other fire apparatus and, therefore, to better protect our residents and staff. The COVID ambulance was used during significant outbreaks, primarily at the New Hampshire State Prison and when Concord Hospital was on diversion. The Department also coordinated with State and Federal authorities to secure PPE for the entire City organization. Ultimately, when the vaccines became available, it was Concord Fire that was on the front lines leading local public health network efforts to ensure that as many people in our community were vaccinated as possible. A lot of credit for our City's success is attributable to the advocacy and foresight of former Chief Guy Newbury and new Chief Sean Brown and their entire team.

Of course, the pandemic's effects were not just limited to biological threats. Many small businesses struggled to stay afloat with lost customers and reduced contracts. To assist local businesses reeling from these financial impacts, the City Council re-authorized the temporary, expanded outdoor dining program. Across Concord, nearly 30 restaurants took advantage of this initiative to install tables and chairs on sidewalks, bump-outs, in parking lots and in on-street parking spaces. The City also appropriated \$15,000 to provide small grants, through the Greater Concord Chamber of Commerce, to 10 restaurants to reimburse them for facility upgrades needed to address COVID.

Additionally since the start of the pandemic and shifting work priorities, City staff, while paused for a period of time, continue to work on the strategic implementation of several new computer software applications. The Community Development Department remains focused on the Energov Software and has been working on implementation sessions remotely. This program is now scheduled to “Go Live” in November 2021. The new financial software (ERP) also continues to move forward. The current phase, Human Capital Management (HCM), is scheduled to “Go Live” on July 1, 2021. The next phase that started in February 2021 is the Utility Billing Module, is expected to “Go Live” in April 2022. The last phase of the main ERP software solution is the Tax Module and is expected to start implementation in February 2022.

Although COVID influenced much of what the City did in FY 2021, it did not limit the City from reaching significant milestones in terms of public infrastructure. Work began on replacing Pump Station #4 at the Water Treatment Facility. This \$4.8 million upgrade is critical to ensuring that the City’s water supply is not interrupted. The City also continued its paving program consistent with the adopted budget and carried out maintenance activities during 27 winter events. The City also moved forward with the replacement of three bridges: Hooksett Turnpike, Birchdale Road and North Pembroke Road bridges.

Addressing City Council Priority #2 of expanding community-wide development, the Council approved the construction of two roundabouts on Hoit and Whitney Roads in Penacook as well as improvements to the nearby I-93 on-ramp. The City’s lead on this \$4.7 million project will not only provide a much-needed safety improvement for motorists, pedestrians and cyclists, it will also open up the Whitney Road corridor to new tax-generating development and ensure that Penacook secures a full-service supermarket; long a priority for the Village.

The City also provided a \$287,000 loan from the City’s revolving loan fund to local company, Eastern Analytical, to afford them the ability to remain and expand in Concord. The City Council entered into a development agreement with the John Flatley Company for construction of 64 units of rental housing at the former Employment Security site, and helps to achieve the City Council’s Priority Goal 2a.

In the northern portion of downtown bounded by Main Street, I-393, I-93, and Loudon Road, the City purchased a property at 10-12 Higgins Place and began negotiations with the State of New Hampshire to acquire the former NHDOT garage property on Stickney Avenue as first steps toward redevelopment of this gateway to our city (*City Council Priority Goal 5*).

Addressing City Council Priority Goal 8c, the Council set for public hearing in June, the potential purchase of 5.7 miles of the discontinued Pan Am rail line with a goal of converting that corridor into the Merrimack River Greenway Trail.

Despite the fact that the City was not able to operate its pools in FY 2021, other recreational amenities saw record utilization. The City’s trail system exploded in popularity as residents and visitors sought out COVID-friendly activities. Beaver Meadow Golf Course saw tremendous usage allowing the Golf Fund to post revenues \$290,000 ahead of FY 2020 as of March 31st.

Alternatively, the Parking and Arena funds realized losses due to the pandemic. As of March 31st, the Parking Fund revenues were down \$397,000 or 54% compared to FY 2020. For the same reporting period, the Arena showed a \$125,000 decrease in revenue as compared to FY 2020.

The past year has also been marked by a greater awareness locally and nationally of socio-cultural issues such as systemic racism and police brutality. Gaining a better understanding of diversity, inclusion and equity is essential for our organization to succeed. In the spirit of Council Priority #3, the Police Department reviewed and refreshed its Use of Force Policy that for years had already included many of the limits on force requested by those protesting other Police departments across the country. The Human Resources (HR) department hosted a series of DEI (diversity, equity, inclusion) training sessions for department directors, division managers and supervisors. City Council also appropriated dollars for its own training through the National League of Cities. Recruitment efforts have also been expanded to use more diverse resources for job solicitations such as the Local Government Hispanic Network and the local “Overcomers” community organization. The City is also designated as a Recovery Friendly Workplace, as such we have been able to provide free Opioid Workplace Training for supervisors virtually. The City is utilizing the State of New Hampshire bonding program for justice involved individuals as we explore employment opportunities for those in recovery. The City’s Human Resources Director participates on the Greater Concord Chamber of Commerce’s Equity Committee.

Another issue of particular sensitivity for our community is the lack of housing. Concord is presently experiencing a “seller’s market” with a robust appreciation in housing prices and residential rental rates. Housing supply is extremely limited relative to demand creating challenges in terms of employee recruitment, quality of life, etc. To incentivize greater housing development in FY 2021, the City Council adopted a change in how water and sewer special investment fees are paid providing developers with greater flexibility to pay these fees over time. The City also sold its former Water Tower lot in Penacook to CATCH which allowed it to break ground on a 42-unit development of workforce housing. This is in addition to the Caleb Penacook Landing development which earlier added another 34 units of affordable housing at the former tannery site, again addressing Council Priority Goal 2e. Several new housing proposals are currently being reviewed by the City that—if built—should greatly relieve some of the pressure on the market.

FY 2022 Budget Overview

The FY 2022 budget I present to you totals \$109.3 million across all funds and results in a projected 2.5% tax rate increase. Reflective of the on-going pandemic, this is a conservative budget that does not propose any significant new programs but meets Council priorities for economic development, recreational opportunities, and capital investment in public infrastructure. This budget also continues the City’s paving program, provides for robust winter maintenance, and includes limited dollars for targeted staff training.

Assumptions

This budget relies on the use of \$1.75 million in unassigned fund balance to limit the tax rate increase to 2.5%. It anticipates \$40,000,000 in real growth and a budget-to-budget increase of \$196,000 in building permit revenue and of \$100,000 in motor vehicle registrations. It holds constant what is anticipated from the State Highway Block Grant program as well as the State Meals and Rooms tax based on the City’s FY 2021 experience. It also includes a reduction in PILOT payments to the City of approximately \$90,000 largely attributable to the effect of the pandemic on the economy, and a reduction of \$48,000 in Recreation Department revenues.

Of particular note, the budget projects a \$26,200 loss for the Arena Fund and a \$210,000 loss for the Parking Fund. The budget also includes a reduction of \$263,000 in State Aid Grant funding for the Wastewater Fund. In terms of the capital budget, the proposed FY 2022 program is a total investment of approximately \$12 million.

Positions

In FY 2021, the City Council voted to move the City's economic development efforts away from a generalist approach to one more project-centered. This methodology is more in line with Concord's successful history with projects such as Capital Plaza, Capital Commons, Smile and Love Your Neighbor buildings, Main Street, etc. To accomplish this, City Council provided funding for a Fellowship position, through ICMA's Local Government Management Fellowship Program, for the remainder of FY 2021. The City interviewed several candidates as part of the ICMA program and has hired a Fellow to start in July. This position will report directly to the City Manager. The total budget for this position is \$95,000. This budget also eliminates funding for the Economic Development Director position; a savings of \$170,000.

Position changes are also included for the Community Development Department within the Code Administration Division. The part-time Licensing Coordinator position has been in furlough status since March 2020. This position was largely focused on special event coordination and running the City's banner program. The pandemic has dramatically reduced that workload and what little events have occurred have been coordinated by the Health and Licensing Officer. Where there has been a growing need, however, is for additional health inspection services. With only one full-time and one part-time employee, the Health Office of Code Administration has, for years, struggled to inspect food service establishments at the intervals recommended by best practice. With the increase in outdoor dining, the Health Office's tasks have increased. This budget eliminates the Licensing Coordinator position and proposes that the City hire an additional part-time Health Services Inspector. Tasks traditionally associated with the Licensing Coordinator position would be shared by the entire Health Services staff. The Health Services Inspector and Licensing Coordinator positions are in the same labor grade and the proposed work hours (19 per week) would remain the same. These two changes result in a net decrease from FY 2021 of \$4,600.

This budget also proposes the addition of a Trails Ranger position within Community Development. Concord has over 80 miles of trails. The pandemic illustrated the incredible popularity of the City's trail system with record numbers of users and the unfortunate side effects of illegal parking, trail wear and tear, trespassing issues, and litter. To address this, this budget includes a 20 hour per week Trails Ranger position. The Conservation Commission has agreed to fund this position in FY 2022 from the Conservation Fund. This position would provide basic trail maintenance, monitor trail usage, report on violations and problems, and, overall, provide a City presence on the growing trail system. The addition of the Trail Ranger directly addresses Council Priority Goal 8d. The FY 2022 budget for this position is \$22,600.

With the expansion of technology and remote work across the City, the IT department has been pressed to address many more requests for service. Due to limited staff, a number of those requests have been delayed or turned down. This budget includes a Help Desk Technician which will allow system administrators to address the backlog of documentation needed to properly support the growing IT enterprise, as well as address the lack of many applications. The budget for this position is \$75,000.

This budget also adds a part time Equipment Operator position in the Wastewater Fund, an increase of \$12,000, and provides funding to increase the General Services Division Head labor grade from 22 to 23.

This budget also includes the elimination of funding in FY 2022 for:

- Assistant City Prosecutor: \$131,000 (will reconsider in FY 2023)
- Temporary wages for employees not hired in Recreation: \$18,000
- Vacant Parking Enforcement Officers and a part time Parking Meter Technician: \$166,000

Paving

In FY 2021, the City programmed \$2.2 million for the paving program. The General Fund transfer to the Highway Reserve is proposed to be reduced by \$126,000 for FY 2022 and no increased funding for the FY 2022 allocation. Despite this, the amount of dollars programmed for paving in the FY 2022 capital budget increases to \$2.3 million and remains consistent with City Council's plan.

Recreation

This budget includes funding for the operation of five of the City's seven pools for a programmed savings of \$31,300. Securing a sufficient number of lifeguards has proven to be problematic. One of the five pools proposed to operate this summer is the recently reconstructed Merrill Park pool.

Water/Wastewater

The two utility funds continue to provide the City with critical services to meet the growing demand in future years. A 3.5% water rate increase for FY 2022 and an 8% increase for the Wastewater fund is proposed.

The rate increases are necessary to meet the ongoing operational cost increases and capital infrastructure needs. The Wastewater fund has a number of capital projects planned. Additionally, these funds have undergone a rate structure review and a proposal to City Council is forthcoming to revise the structure to include a fixed fee based on meter size and align the billing with industry norms and best practices. This will also allow for a seamless transition to the new Munis billing software currently in the implementation stages. This new rate structure change is revenue neutral to the funds. Also, as mentioned earlier in this letter, the State of New Hampshire has notified the City that the Wastewater State Aid Grant revenue is being eliminated and that represents a loss of \$263,000 for FY 2022.

Special Revenue Funds

Parking Fund

The Parking fund realized a significant decline in revenue in FY 2021 (\$745,000 projected) as the pandemic took hold. Employees of downtown businesses worked remotely, and customer visits to restaurants, and local retail stores declined dramatically. Additionally, recreational venues for movies and live performances closed completely for a significant period of time and reopening has been gradual and in accordance with Governor Sununu's executive orders. While the Parking fund worked to reduce expenses in FY 2021, the fund will still realize a significant loss (\$480,000). For FY 2022, the Parking Fund is presented with a significant realignment of revenues and expenses but will still budget a loss for the fiscal year (\$210,000). This fund will continue to manage struggle until revenues return to normal and may require support from the General Fund in the near term.

Arena Fund

The Arena has typically been and still is a very solid operation. FY 2021 saw some obstacles that had operational and budgetary impacts. Overall revenue reductions at the Arena total \$191,000 including ice and facility rentals, Governor shutdown (\$36,000), lost snack bar, pro shop and advertising sales. General Services managed these revenue reductions effectively and adjusted expenses accordingly. Despite this, the Arena fund will still realize an annual loss of approximately \$134,700. The FY 2022 budget contemplates a loss of \$26,200 as it anticipates revenues to recover as operations work their way back to normal.

Golf Fund

The Golf Fund has excelled in operations and revenues during the pandemic. In FY 2021 through March 31, the Fund has recognized \$290,000 more in revenue than in FY 2020. The course has been extremely busy in all areas. Membership to date has increased by 78 as of May 4, 2021, as compared to all memberships through June 30, 2020. Tee time utilization is currently running at 70% compared to 42% in previous years. Tent rental golf outings were postponed from spring and summer 2020 to fall 2020 (FY 2021) and the schedule of outings for FY 2021/2022 has generated four new outing groups. For the first time in many years, Beaver Meadow will defer a portion of the membership revenue collected through June 30, 2021 to FY 2022 and will more closely align this revenue stream with actual course utilization. The Golf Fund is projected to end FY 2021 with a \$179,000 gain.

Airport Fund

General aviation was not immune from the impacts of the pandemic. Fuel sales continue to be down reflecting less flights to and from the facility. Rental income remains consistent. The Airport is expected to end FY 2022 with an operating loss of \$112,000. Based on current trends, the fund's position is expected to go negative in FY 2025.

Per the Airport Advisory Committee's recommendation, the Airport continues to bank its annual allocation of State grant funding to off-set the proposed construction of a new terminal building in FY 2026. With the exception of \$10,000 in CIP 75 (General Maintenance) no other significant capital investments are projected in FY 2022.

Solid Waste Fund

The Solid Waste Fund continues to operate effectively and anticipates an operating loss in FY 2021 of \$78,000, somewhat better than the \$166,000 budgeted loss. The FY 2022 budget projects a loss of \$174,000. A bag price increase continues to be projected in FY 2023. It is important to keep in mind that the 10-year contract with Casella expires in December 2024. This means that the FY 2025 budget will need to consider the new agreement terms with Casella or their successor.

Capital Improvement Program

The City is planning a comprehensive \$12 million Capital Improvement Program budget for FY 2022 that continues to invest in revitalizing the community and providing for responsible maintenance and repair of the City's infrastructure. As in other previous economic downturns, the Capital Improvement Program continues to make investments with long-terms needs and costs in mind.

This year's Capital Improvement Program continues to pay attention to the direct needs of the community by investing in city roads and bridges, equipment for public safety and infrastructure maintenance, to include parks and outdoor recreation consistent with strategic plans that have been developed with the community. The program continues to make civic and open spaces, which the community enjoys, more active and vibrant.

Bonded capital projects, across all funds are planned to increase by \$987,000 for FY 2022.

TIF Districts continue to be an integral part of the City's economic development portfolio. Use of these districts allows the City to spur development that likely would not have occurred without the City's participation in the infrastructure needed to move projects forward. This is evidenced by the ongoing success of the North End Opportunity Corridor District and planned future expansion and development along Storrs Street. The Sears Block District continues to bring new projects forward with the likely redevelopment of the former New Hampshire Employment Security site and the Penacook District with the current development that is occurring at Exit 17 and Hoit Road. While these are long term projects that take years to pay dividends, the NEOC TIF has been returning a portion of its value back to the tax rolls for more than a decade and it is projected that the other TIF districts will do the same in the future.

Conclusion

While the pandemic's total fiscal impact still remains to be seen and will play itself out over the coming years, this budget identifies a course for a sustainable and equitable recovery and maintains the high level of programs and services the community has come to expect.

The FY 2022 budget recognizes the current challenges while remaining grounded in fiscal responsibility avoiding reductions in service and making significant strides in the accomplishment of City Council priorities. As the City reopens we will continue to make important investments with both the Fiscal Year 2022 Operating Budget and Capital Improvement Program.

I am very proud of the dedicated city staff that work for this organization. As we move forward toward a successful recovery, we will remain focused on all parts of the community and create opportunities and avenues for long-term success.

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas J. Aspell Jr.", written over a horizontal line.

Thomas J. Aspell Jr.
City Manager