



CITY OF CONCORD

DATE: May 6, 2016

TO: Honorable Mayor James Bouley and the Concord City Council

FROM: Thomas J. Aspell, Jr., City Manager

SUBJECT: Fiscal Year 2017 Budget Transmittal Letter

Herewith, I respectfully submit to you the City of Concord Operating Budget and Capital Improvement Program for the fiscal year July 1, 2016 through June 30, 2017.

As the City Council reviews this proposed budget, consideration should be given to the continued decreases in State funding, the annual downshifting of costs to local communities, and an improving economy although very slow growth in the City's tax base. The City Council and City Administration continue to take a strategic and long-term approach towards budgeting, which allows Concord to take many steps forward in creating a sustainable economic climate. This proposed budget continues that approach by strengthening core services and investing in initiatives, namely public safety and economic development, which will improve the quality of life for our residents, businesses and visitors. The Fiscal Year 2017 budget builds on the City's strong fiscal management record, implements thoughtful reforms that achieve savings and modernize processes, and invests in targeted initiatives to achieve a thriving, healthy and innovative City.

Through long-term planning, conservative spending and the making of sound investments, the City has made progress on many important fronts, while at the same time maintaining high quality services.

This organization has seen many accomplishments during Fiscal Year 2016, including:

- Very successful completion of the North Main Street section of the Downtown Complete Streets Project;
- Major progress on the Sewall's Falls Bridge project;
- Near completion of the final phases of the Route 3 North Project;
- Hiring of a new Wastewater Treatment Plant Superintendent, Downtown Services Manager and Battalion Chief;
- Development of a Parking Strategic Plan for City Council consideration;
- Continuation of a highly successful Problem Oriented Policing (POP) Unit to respond to neighborhood and downtown concerns;

- Successful public-private partnership to develop 31,000 square feet of retail, build a new leg to the D'Amante Drive/Old Loudon Road intersection, and continued expansion of the retail development space;
- Near completion of the Pleasant Street signalization at Concord Hospital;
- Utilization of City Council Agenda Software and a plan to roll out to other City Council committees;
- City Council approval of a Solar Net Metering project at the Hall Street Wastewater Treatment Facility, which is anticipated to begin construction in Fall 2016 and be put into service in Spring/Summer 2017;
- Successful implementation of 24-hour shift schedules at the Fire Department;
- Design of the Interstate 93 Exit 16 Roundabout;
- Replacement of the Concord Public Library roof;
- Renovation of the Green Street Community Center gym floor;
- Relocation of Information Technology Department offices; and
- Implementation of the first year of the Enhanced Neighborhood Street Paving Program.

The City has focused on improving communications and has provided for considerable public input opportunities on a wide array of policy topics and projects. The continued success of the "Report a Concern" module on the City's website, the daily use of social media, planning design workshops associated with major capital projects and street improvements, and the numerous speaking engagements undertaken by City staff all point to a local government fully engaged with its community.

As the weather has warmed, we have added more police officers on foot and bike patrol to expand our commitment to community policing. Officers will patrol regular beats where their presence will make a difference, building deep relationships with the neighborhoods they protect, and sending a strong message to those who would sell dangerous drugs in Concord.

We know, however, that law enforcement alone will not solve our opiate problem, nor is it the most effective tool for community members struggling with addiction. We must confront the opiate crisis as a broad public health challenge, requiring a coordinated response by our medical institutions, drug treatment and recovery agencies, corrections professionals, and child welfare services, as well as by multiple law enforcement agencies.

Fiscal Year 2017 Budget

This proposed budget focuses on five significant objectives which will continue the process of creating a more sustainable and economically viable community.

Citizen Safety – Public safety is the foremost responsibility of City government. All Concord residents deserve to be secure in their homes, safe in their neighborhoods and able to explore their city without threat or intimidation. To help achieve this goal, the proposed budget includes greater investments in the Concord Police Department, the Concord Fire Department and dispatch centers as highlighted below:

- Continues to fully fund the Problem Oriented Policing (POP) Unit;
- Adds two additional full time police officers;
- Increases resources for the Drug Enforcement Unit;
- Replaces Police Department communications equipment;
- Replaces Fire Engine #7 apparatus;
- Enhances the management structure of the Fire Department;

- Replaces Forestry Vehicle #4 and a support vehicle;
- Implements Phase 2 of the Fire Department Portable Radio Initiative;
- Replaces the roof at the Manor Fire Station; and
- Provides additional hours for the part-time Victim Witness Advocate position in the Legal Department.

Quality of Life – The City’s vibrancy depends on the complementary roles of the business community providing employment opportunities for a workforce of diverse skills, and the residential neighborhoods offering attractive places for individuals and families to build their lives. For example, fostering livable, walkable, mixed use neighborhoods and nearby parks are key strategies to enrich Concord’s neighborhoods. At the same time, action by the City can also help support growth among the City’s businesses, both large and small. This proposed budget includes several investments designed to protect and enhance Concord’s vibrancy as highlighted below:

- Renovates former Dame Elementary School into a Multi-Generational Community Center on the Heights;
- Builds a new multipurpose building at White Park to replace the dilapidated skate house;
- Replaces the Kimball Park pool;
- Increases Library staffing;
- Includes funding for Heritage Commission photo documentation of historic buildings;
- Includes funding for the installation of public art in Downtown Concord; and
- Includes funding for a third share for the Americans for the Arts Survey.

An Interconnected City – The investments included in the Fiscal Year 2017 Proposed Budget move toward an improved overall transportation system, while at the same time “taking care of basics,” including funding for repair and maintenance of the road system, and greater emphasis on the needs of individual neighborhoods. The proposed budget includes the second installment of the total \$6.8 million Annual Highway Improvement Program for Fiscal Years 2016 and 2017. This more than triples the Fiscal Year 2016 and 2017 planned appropriation of \$2.2 million. Projects and initiatives in this proposed budget include:

- Continuation of the Annual Neighborhood Paving Program;
- Addition of ½% on the tax rate to fund increases to the Annual Neighborhood Paving Program;
- Construction of the Main Street “bookend” improvements;
- Replacement of the North Pembroke Road Bridge;
- Improvements to the School Street Parking Garage;
- Phased rehabilitation of the Airport’s Taxiway A; and
- Phased replacement of Concord Area Transit buses and supplemental funding for staffing.

An Innovative City – To ensure that government keeps pace with the private sector for innovation, the proposed budget enhances the resources available for information technology, and security and compliance with new and emerging IT standards. Significant projects include:

- Implementation of Enterprise Resource Planning Software;
- Replacement of the telephone system;
- Upgrades to credit card reader technology;
- Network penetration testing and two factor authentication procedures; and
- The rollout of an agenda management system to appropriate boards and committees.

A Well Maintained City – One of the largest financial challenges before us is to properly steward our infrastructure. Like many New England cities, we face a major challenge in maintaining our water distribution and waste water collections systems, sidewalks, streets, buildings, and other physical infrastructure. Providing proper stewardship to this physical infrastructure is a core responsibility to local government, and our degree of success will have a great impact on the quality of life and economic future of our City. To ensure that city government provides good stewardship to the physical assets entrusted to the governing body, the proposed budget dedicates resources to appropriately maintain the existing building infrastructure. Projects include:

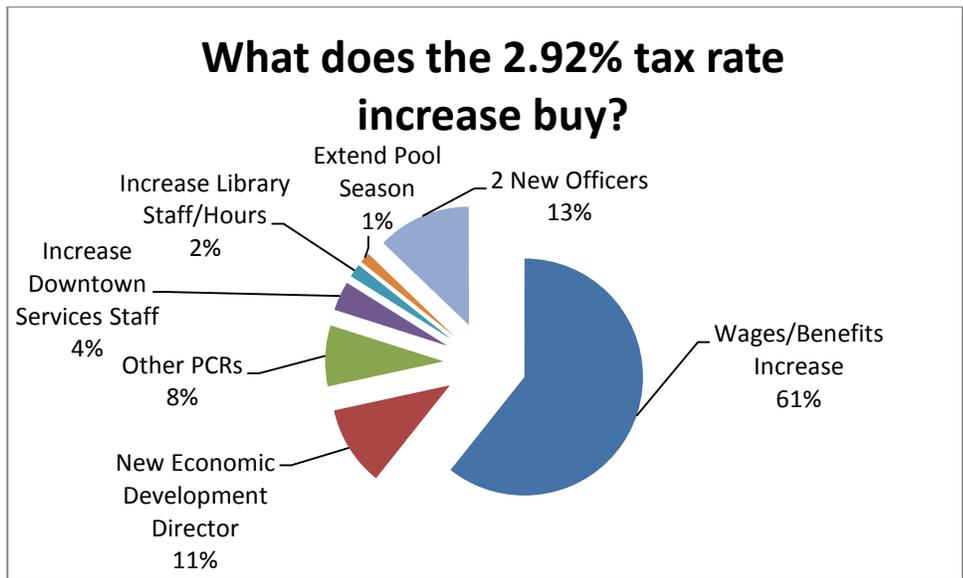
- Fire Station Improvements;
- School Street Parking Garage Improvements;
- City Hall Complex Renovations;
- Combined Operations Maintenance Facility Improvements;
- Cemetery Improvements;
- Storm Water System Improvements;
- Water Plant Improvements;
- Water Main Replacement and System Improvements;
- Water Meter Replacement Program;
- Sewer Main Rehabilitation and Construction;
- Hall Street Waste Water Treatment Plant Improvements;
- Sewer Pump Station Improvements; and
- Expanded Downtown Services Team.

Budget Details

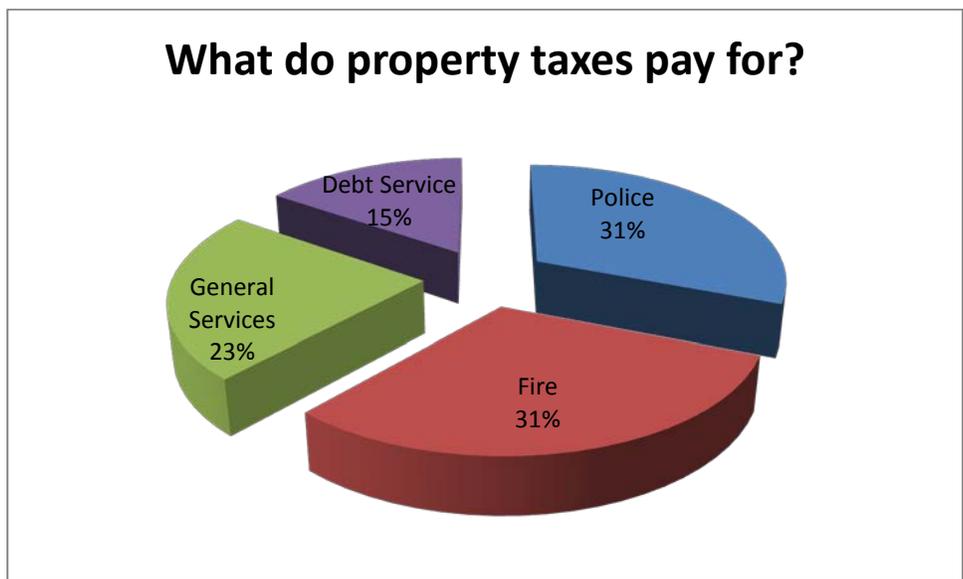
This budget is presented with a 2.92% proposed tax rate increase.

- \$159,000 for two new Police Officer positions.
- \$135,400 for an Economic Development Director.
- \$49,700 addition to the Downtown Services Team for a Senior Maintenance Aide.
- \$22,500 in additional Library staffing/hours.
- \$56,300 in increased workers comp and property/liability insurances costs.
- \$17,800 to extend the pool season for one week.
- \$752,300 additional wage and benefit changes.
- \$103,200 all other program change requests (PCRs).
- \$(57,800) Beneflex net savings primarily due to the 10% contribution from employees for medical insurance starting July 1, 2016. This savings is realized after applying the 6% overall health insurance premium increase, the inclusion of dental insurance, and includes the Beneflex costs for the new positions included in the Fiscal Year 2017 budget.
- \$280,100 for all other items.

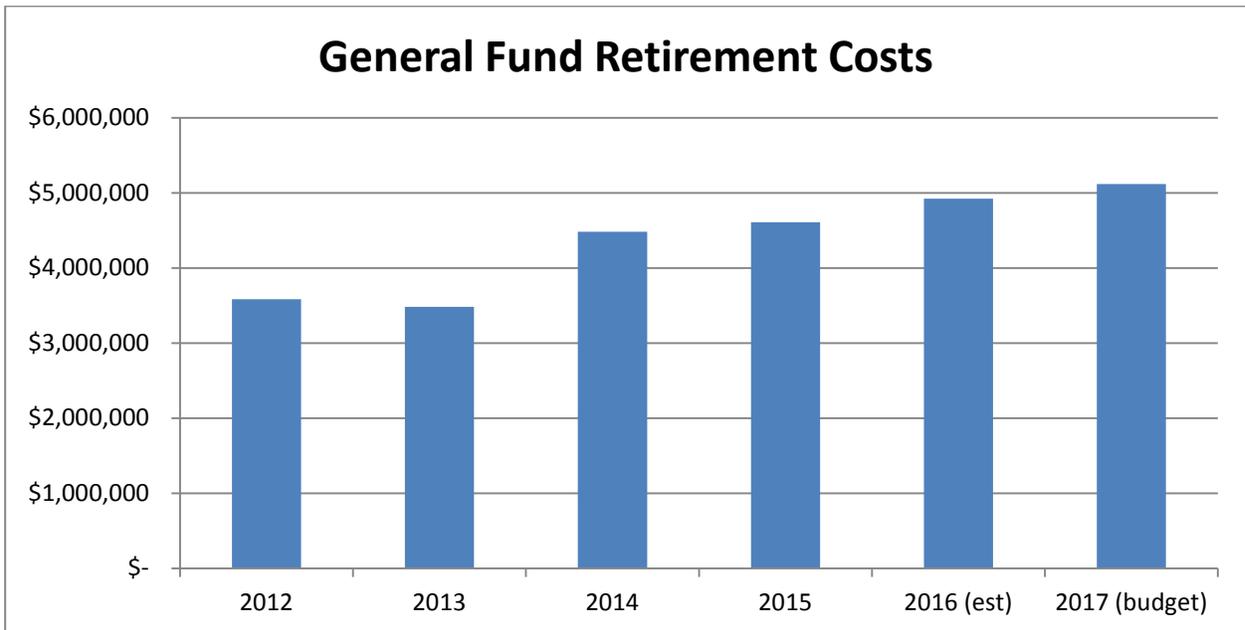
With this budget, the City continues to achieve its fiscal goal of maintaining debt service under the Council's fiscal goal of 10% of appropriations.



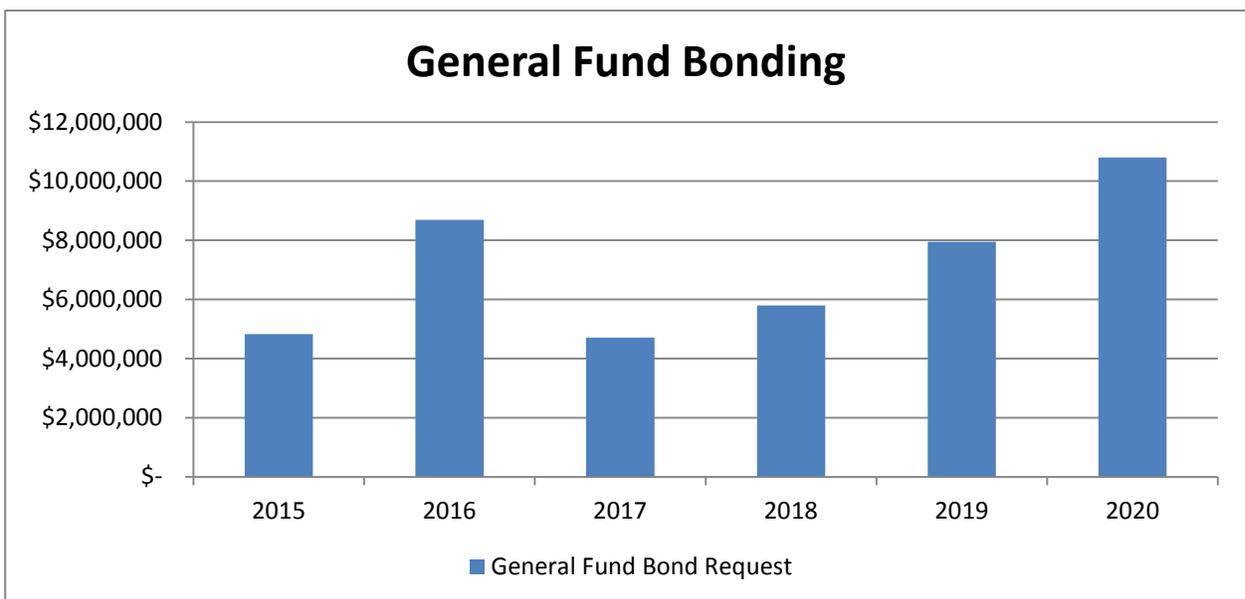
The total Fiscal Year 2017 General Fund Operating budget is \$59,578,112. The amount to raise in taxation, excluding overlay and veterans credits, is \$38,209,263. This amount essentially supports Police, Fire and General Services operations (less associated revenues), plus debt service, totaling \$35,750,445.



Due to State funding changes in the Retirement System, the City's retirement expense has grown considerably in the past few years and now consumes 8.6% of the overall General Fund budget and just over \$5.1 million for Fiscal Year 2017.



For Fiscal Year 2017, the General Fund CIP budget presents total bonding needs of \$5,234,000. This amount includes the following projects: Fire Department Replacement of Engine #7, White Park Multi-purpose Building, New Pool at Kimball Park, City Hall Renovations, General Services Vehicle and Equipment Replacement, New Enterprise Resource Planning (ERP) Software, Fire Department Radios, Police Department Communications Equipment, Downtown Complete Streets Bookend funding, North Pembroke Road Bridge Replacement (Concord match only), match funding for CAT Bus Replacement and other smaller projects. The graph below illustrates the bond projections from Fiscal Years 2015 through 2020.



The City of Concord has been successful in maintaining a stable budget while continuing to provide very high quality services. Considering the State's finances, it is uncertain what the Legislature's move will be to balance the State's budget in the coming years and what costs may again be passed down to local municipalities.

Balanced Budget Financial Position and Improved Services

This is the eighth year in a row of proposing a balanced budget to the Concord City Council without using Unassigned Fund Balance. A truly balanced budget continues to improve the City's overall fiscal health. The strongest indication is the 2015 Fiscal Year End Unassigned Fund Balance of \$10.2 million dollars or 19.1% of operating expenditures, which is ahead of the City Council's revised goal of 18.5%.

Despite the difficult economic environment of the past years, Concord continues to maintain and improve City services and programs. Addressed in this budget document are the priorities of the City Council: a balanced budget; community-wide economic development initiatives to expand tax base; increasing public awareness through branding, marketing and communications; public safety; continued support of the social services network; the Main Street Complete Streets Project; continued increased effort for the Neighborhood Street Improvement Program; and sustainability of municipal facilities and recreational assets. Council priorities also include the completion of the ongoing initiatives that the City has underway.

The City's financial policies continue to pay dividends in the form of a very high credit rating. Standard and Poor's affirmed the City's AA+ rating in January 2016, citing "Very strong management conditions, very strong budget flexibility, and very strong liquidity."

Concord remains in a better financial position than most other communities in New Hampshire, the State government, and the nation. However, significant challenges remain. These challenges include unfunded post-employment liabilities (OPEB), benefit costs associated with an underfunded State retirement system, ever increasing health insurance costs, and ongoing capital needs primarily in public buildings and properties, neighborhood streets, water, wastewater and storm water systems.

Changes in Employee Positions and Improved Operating Efficiency

The Fiscal Year 2017 budget recommends the following staffing changes.

- \$4,897 for increased hours for the Victim Witness Advocate position in the Prosecutor's Office. This funding will increase the hours from 10 to 15 per week and will provide greater coverage and better continuity in victim advocacy.
- \$2,698 to increase the Administrative Technician II in the City Clerk's office from 37.5 to 40 hours per week. This change will allow more consistent coverage in the office and reduce overtime costs during election season.
- \$159,044 for two additional Police Officers in Fiscal Year 2017 as part of a planned three year approach to increase sworn officer positions. These positions will help allocate already scarce resources to deal with criminal offenses related to the drug epidemic here in Concord. The Police Department responds to approximately 60,000 calls annually, cases have become backlogged and follow up times have increased. These positions are a direct response to one of the City Council's 2016-2017 priorities.

- \$0 for the proposed restructuring of the Fire Department will meet both current and future needs. The reorganization will significantly improve service delivery through consistent and high quality training in fire suppression, technical rescue, and emergency medical services. There will be an increased emphasis on prevention and a focus on assuring quality patient care. The new structure allows for a more operative succession planning system to be put into place by developing company officers with training and tangible experience in prevention, training, and emergency medical services. With an emphasis on supporting firefighter safety initiatives we can proactively improve the safety of both our residents and our firefighters. The reorganization proposal eliminates two (2) employee positions, including an employee position at the chief officer level. The proposal includes no layoffs and will be accomplished within the existing budget. Once in place, it is anticipated that a cost savings of approximately \$50,000 will be achieved, which I request be used to provide and augment much needed training within the department. Both the Concord Fire Officers Association Local 3195 and the International Association of Fire Fighters Local 1045 are in full support of the proposal.
- \$49,725 for the addition of a Downtown Services Team Senior Maintenance Aide. This position will help provide continuity of maintenance for Main Street with the planned completion of the southern portion of the project. This lead position will be responsible when the Supervisor is on a different shift or tied up with other issues, and will help keep the project looking new. A portion of this position will be reimbursed from the Sears Block Tax Increment Finance District.
- \$135,422 for the addition of an Economic Development Director. This position will help expand the City's tax base through the retention of existing businesses and attraction of new businesses to the community. This position is in direct response to one of the City Council's 2016-2017 priorities and will be a dedicated associate whose primary focus is to meet and work with C-suite executives, entrepreneurs, site selectors and developers to foster greater investment in Concord.
- \$17,567 for a new part time Library Technician. This position will focus on Circulation and Reference Desk activities, and will allow other staff the opportunity to spend more time on public relations work through social media and the website, and creating brochures to better manage the Library's message.
- \$13,500 is added to this budget for fresh road stripe markings and will allow all roads to be restriped at least once each year. Currently, main roads are striped twice a year and outlying roads are every other year.
- \$14,400 for the maintenance agreement for the new permitting software in the Community Development Department. This program is expected to be rolled out in the summer 2016 and will replace the existing, antiquated permit tracking system, providing a higher level of service to the City's customers.

Fiscal Resources

Although fiscal resources continue to be scarce, some non-tax revenue sources are showing signs of improvement. Motor Vehicle registrations improved for Fiscal Year 2016 and are anticipated to be even greater for Fiscal Year 2017. Ambulance service charges and Rooms and Meals revenue are both projected to increase for Fiscal Year 2017.

Although there was one increase in the Federal Funds rate in Fiscal Year 2016, it continues to be at historically low levels. Interest income is expected to nearly double to \$111,200 in Fiscal Year 2017; however that is still considerably less than the \$1.5 million dollar range that this revenue item was in the early 2000's.

Demand for Services and Use of Resources

Total service calls for Public Safety over the past year have increased by approximately 0.6%, following a 2% overall increase the previous fiscal year. In Fiscal Year 2017, the volume of service calls is anticipated to climb at the current rate. The demand for Human Services remains steady and the City continues to monitor the impact of changes by other governmental entities very closely. Interest in recreation activities is increasing in the Parks and Recreation Department, particularly in swimming pool usage. Library circulation and request for services is surging with the demand for audio and e-downloads and borrowed items increasing significantly.

It is anticipated that long-term energy costs will continue to increase as the economy improves. The City anticipates continued increases in electricity rates in the long term; however, year over year costs are expected to decrease by 7%. Additionally, the City Council approved a Net Metering Solar Project at the Hall Street Wastewater Treatment Plant which will provide one or two megawatts of electricity to incorporate into the City's electricity purchase portfolio for its G1 accounts. Although the guaranteed twenty year level rate for this purchase is slightly higher than the current short term contract prices, it is approximately 11.3% lower than the utility default price and will provide a potentially significant hedge against future price increases for approximately 25% of the City's electricity purchases for the next twenty years. The location of the solar arrays for this project is also expected to be moved to an area at the Hall Street plant that will dramatically limit any impact to the current farmland and will allow the vast majority of that farmland to be farmed into the future. Natural gas costs are anticipated to remain stable for Fiscal Year 2017.

Economic Development – in creating the Economic Development Director position and rolling out the new Community Development Permitting Portal, the City is making targeted investments to promote a thriving, healthy, innovative business and development ecosystem. The funding will help spur economic development and generate local tax revenues, support new jobs and benefit numerous constituents.

The greatest long-term housing and job creation opportunity before us is the redevelopment of our downtowns and declining mall.

The Parking Committee is carefully studying the City's parking regulatory policies and infrastructure. It is time to maximize the use of this resource to spur job creation and housing investments that expand economic opportunities in our City.

General Fund Highlights

Summary of Fiscal Year 2017 General Fund Budget Appropriations, Revenues and Tax Rate – Compared to the adopted Fiscal Year 2016 budget. For Fiscal Year 2017, General Fund gross appropriations increased by \$1,518,450 or 2.6% of spending.

**General Fund Budget Comparison Summary
 FY 2016 Adopted Budget to
 FY 2017 Manager's Recommended Budget**

Revenues				
Description	FY 2016	FY 2017	Difference	%
All Other Revenues	\$21,676,973	\$21,930,074	\$253,101	1.2%
Property Taxes	\$36,382,689	\$37,648,038	\$1,265,349	3.5%
Total Sources	\$58,059,662	\$59,578,112	\$1,518,450	2.6%

Appropriations				
Description	FY 2016	FY 2017	Difference	%
All Expenses	\$58,059,662	\$59,578,112	\$1,518,450	2.6%
Total Use of Funds	\$58,059,662	\$59,578,112	\$1,518,450	2.6%

Tax Base Growth

This budget reflects a \$14 million real growth increase to the \$3.867 billion City tax base used in calculating property tax revenue. This increase is net of abatements and elderly/blind exemptions. Market value change is not included in the target tax rate calculation.

Use of General Fund Surplus

For the eighth year in a row, this budget does not include the use of any General Fund surplus to offset the tax rate.

State Funding Impacts

The ability to maintain a stable tax rate in the City is challenged regularly due to continued reduction in funds and the downshifting of obligations by the State of New Hampshire. Including the Fiscal Year 2017 budget, if State revenues to the City and New Hampshire State Retirement rates had remained stable since 2009, the City would have recognized an additional \$7.6 million in revenue and \$8.1 million less in retirement costs.

Tax Increment Finance (TIF) Districts

Currently, the City has three tax increment finance districts: the North End Opportunity Corridor TIF (NEOCTIF), the Sears Block TIF (SBTIF), and the Penacook Village TIF (PVTIF). Since 1998, the City has invested a combined \$30.5 million in infrastructure improvements in these three districts. This investment has yielded total new development valued at \$78.7 million. The NEOCTIF and SBTIF have exceeded expectations. While still in its infancy, the PVTIF, enacted in 2010, is performing well, despite limited development activity, and is well positioned to support the impending redevelopment of the remaining Allied Leather Tannery site.

Continuing in Fiscal Year 2017, the SBTIF will make financial contributions to the General Fund and Parking Fund for debt service reimbursements. Specifically, the SBTIF will make a contribution for debt service of \$412,560 to the General Fund in Fiscal Year 2017. Of this total, \$85,850 will reimburse the General Fund for debt service payments it supported from 2005 to 2013 for the Capital Commons Project.

These reimbursements will continue through Fiscal Year 2027. An additional \$153,560 represents debt service payments which will be paid by the SBTIF, rather than the General Fund, for non-TIF supported bonds previously issued to support the Capital Commons Project in 2005 and 2007. The SBTIF will also contribute \$127,500 to support the Complete Streets bond, and \$26,000 to support the new Downtown Services Team Senior Maintenance Aide, proposed in this budget. Lastly, \$19,650 is designated for ongoing administrative support.

Relative to the Parking Fund, the SBTIF will transfer a total of \$206,167 in Fiscal Year 2017. The SBTIF will make the third installment of four annual payments intended to reimburse the Parking Fund's equity contribution of \$550,000, plus interest, for the Capital Commons Garage in 2005 and 2007. The Fiscal Year 2017 payment is \$96,000. The 2017 Parking Lease bond cost transfer is \$102,777 and this payment will continue until 2021. The SBTIF will also transfer \$7,390 to support plowing of the former New Hampshire Employment Security Building parking lot.

Lastly, in accordance with standard practice implemented in Fiscal Year 2005, this budget includes the release of a significant portion of the captured tax revenues generated by new incremental development, which has been constructed in the NEOCTIF District since it was enacted in 1997. Sixty-six percent (66%) of the total new incremental assessed value within the District, equating to \$918,864 of tax revenues associated with \$32,949,774 in captured assessed value, shall be released in Fiscal Year 2017.

Enterprise Funds

Parking Fund

The Parking Fund continues to struggle. While a transfer-in from the Sears Block Tax Increment Finance District of \$206,167 is budgeted in the Fiscal Year 2017 budget, the inclusion of necessary maintenance and debt service costs due to major capital improvements adds significant stress to this fund. The Parking Fund is on target to lose almost \$168,000 in Fiscal Year 2016, and a similar amount is expected to be lost in Fiscal Year 2017. A strategic plan for the Parking System was conducted in Fiscal Year 2015. The results of this study, together with recommendations from the Parking Committee and City Administration, will be presented to the City Council in the summer of 2016 for consideration to implement in Fiscal Year 2017.

Golf Fund

Funding of \$19,760 is included in the General Fund budget to support clubhouse debt service, with the bond being fully repaid in Fiscal Year 2017. This fund anticipates a gain of \$2,917 for Fiscal Year 2016, due in part to the new simulators, and is anticipating a gain in Fiscal Year 2017 of \$1,214. Compared to last year, the 2016 golf season has started strong with the simulators and an early opening of the course. Memberships also appear to be off to a strong start and we will have more updates as the remainder of the year progresses.

Wastewater and Water Funds

For Fiscal Year 2017, the contribution to the overhead in the General Fund increased by \$30,000 for Water and by \$28,600 for Wastewater. Additionally, right-of-way maintenance contributions from the Water and Wastewater Funds remain at \$200,000 and \$120,000, respectively. These amounts are significantly more than the annual contributions made from Fiscal Year 2011 through 2015, and are on par with the amounts contributed prior to Fiscal Year 2010. Fiscal Year 2016 remained solid for both utility funds, and they anticipate ending the year with positive budget results.

The Fiscal Year 2017 projected Wastewater rate increase is 2.5%. The projected Water rate increase is 4.5%. The Water rate increase is the same as projected in the Fiscal Year 2016 pro forma projection. Wastewater is lower by half of the Fiscal Year 2016 pro forma projection. In both funds, the driving factor in increasing rates is the need for necessary capital investments in the out years. Regular rate increases will be required in future years in order to maintain the solvency of these funds at the target working capital levels.

Solid Waste Fund

This is the seventh year of the Pay-As-You-Throw (PAYT) program. Although the new contract with Casella Resource Solutions for both collection and disposal of municipal solid waste and recycling will again decrease expenses in Fiscal Year 2017, the fund will not remain solvent without a price increase for PAYT purple bags and containerized dumpsters. Again for Fiscal Year 2017, the City's Solid Waste Advisory Committee undertook an extensive review of all of the revenues and expenses in this fund and researched comparable programs. When the PAYT program was first instituted, the stated goal was to manage the program in such a way as to not require an increase in bag costs for a period of five years. This goal was achieved last year and extended by City Council action for one more year. The Fiscal Year 2017 budget projection includes a recommended 25% increase in PAYT prices, effective July 1, 2016. While Fiscal Year 2017 will have only partial recognition of the increased revenues for this increase, the full recognition of increased PAYT revenues will occur in Fiscal Year 2018. With this increase, it is anticipated that the Solid Waste Fund will remain solvent at least through Fiscal Year 2021.

Fiscal Year 2017 Budget Preparation

A presentation was made to the Fiscal Policy Advisory Committee (FPAC), in March 2016. FPAC again recommended that the City Manager bring a responsible budget to the City Council that is in keeping with the Council's priorities and goals, and cognizant of the continued downshifting of costs from the State.

Below are the major changes that helped to balance the budget

- \$90,000 Police Department reduction to manage vacancies through attrition;
- \$40,000 General Services reduction to manage vacancies through attrition;
- \$57,800 net savings in employee medical insurance (10% contribution by employees and 6% increase in premiums and factoring in insurance);
- \$224,100 net savings in retiree health insurance;
- \$30,300 savings in vehicle fuel;
- \$63,800 savings in electricity;
- \$317,500 increase in Motor Vehicle registration revenue;
- \$247,000 increase in Building and other permit fees;
- \$160,100 increase in Rooms and Meals tax; and
- \$150,000 increase in Ambulance Service charges.

Closing Notes on Fiscal Year 2016

Fiscal Year 2016 experienced very little snow with only 15 weather related events that resulted in plowing, salting and sanding; and only four that fell on weekends or holidays. However, there were still overtime costs related to the events, as crews arrived early and worked late as a result of the storms. As of this writing, General Services' Snow and Ice Control expenses are to be \$280,900 underspent. The sheds will be filled with salt before the end of the fiscal year, so this number will change the resulting surplus in this line. Additionally, only one street snow removal event occurred this year, compared to the typical budget of seven events. Other budgetary items that are putting pressure on the Fiscal Year 2016

budget are the cost of expert witnesses to settle abatement cases (an additional \$23,400); and in the Police Department, a higher than expected number of officers on temporary alternate duty, and vacancies due to retirements and resignations are both driving increases in overtime costs.

On a positive note, the City has realized additional savings in the cost of gasoline and diesel fuels, electricity costs at the Fire Department and for City street lights are lower than anticipated for this time of year, and motor vehicle revenue is 6% ahead of budget or approximately \$357,000 better than expected for this time of year. Additionally, Worker's Compensation Premium Holiday in the Insurance Distribution and Credit line is \$447,500 ahead of budget, and ambulance service charges are ahead of projections by 18% or approximately \$257,000. Based on all these factors, and generally conservative budget management, it is expected that at the close of the fiscal year operational results will exceed expectations. I also anticipate presenting a supplemental resolution to the City Council before the end of the year to reserve a portion of the unexpected revenue to go towards the newly approved Community Center project and/or its future debt service costs to minimize the impact of this expense on future budgets.

Conclusion

The economy is improving in the country, state and in Concord. New construction and improved economic activities are beginning to take hold, and in Fiscal Year 2017, the City is estimating \$14 million in real growth, only slightly less than the \$16 million in Fiscal Year 2016. Note that no net real growth was budgeted for Fiscal Year 2015. As such, this recommended budget reflects moderate growth estimates that will enable us to maintain existing levels of service. Within this constrained financial environment, this budget provides for significant progress in areas important in sustaining and improving the quality of life in Concord.

The City of Concord has established a history of achieving balanced budgets through an extremely difficult economic period. City management places a high priority on adhering to comprehensive financial policies and long-range planning strategies, as well as continuing to exercise strong fiscal discipline. These practices ensure the City's ability to preserve budgetary balance, maintain essential services and address future budget challenges.

The City Council's top priorities, including needed strategic investments, are reflected in this budget. The Fiscal Year 2017 budget is balanced in both the fiscal and policy sense, to ensure Concord's bright future.

Thank you

I wish to recognize the employees that helped bring the many parts of this endeavor together into one document for the City Council and this great community. All Department Heads and their immediate staff have provided creative leadership in shaping their budgets and various alternatives.

I recommend this budget to the City Council.