



# City of Franklin, New Hampshire

## **Budget 101**

Presented By Judie Milner,  
City Manager

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# What Governs the Budget Process?

- Not GGAAP Accounting – not governed by GASB
- Municipal Budget Law – RSA 32
- Department of Revenue Administration Rules (Rev 1100 Schools; Rev 1700 Municipalities)
- Best Practices – Government Finance Officer's Association
- City Charter/Code/Policy



# Public Vs Private Sector

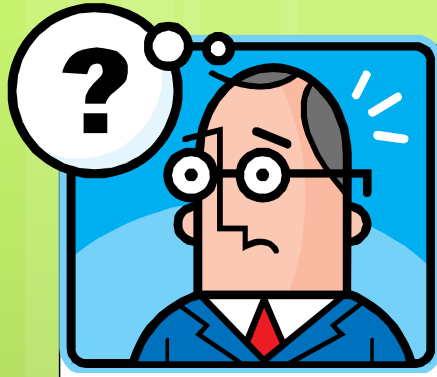
- Differences
  - Fund Accounting
    - Exchange Transaction – enterprise funds, revolving funds
    - Non Exchange Transaction – general fund
  - Measurement Focus
    - Modified accrual
    - One year outlook



# Fluid Budget Process

- After previous rules are met, the City has some “play” in the process
  - Make the process better for interested parties and the public
    - Manager’s Proposal
    - Committee vs council meetings
    - Statistical sections
    - Detailed descriptions – cross referencing exp & revenue lines
    - Recent change – added vehicle listing by department
  - Feedback always welcome





When does  
the budget  
process start?

# When does the budget process start?

- It never stops!
  - Long term planning
  - Trend analysis
  - Projections
  - Cost savings ideas
  - Grant opportunities
  - Troubleshooting/Strategic Planning
  - Often thinking about 2 years at one time



OK. Now that we've discussed the ongoing budget related items – let's talk about the process to prepare a budget for the upcoming fiscal year.....When do you think the City begins preparing the budget for the upcoming fiscal year?



Budget Preparation for  
following fiscal year starts in.....

January of the  
current fiscal  
year



# Budget Timeline



- Prior to Council Adoption
  - Jan – payroll projections
  - Feb – departmental operating budgets
  - March – Finance puts together departmental proposal
  - April – Manager gets budget under operating tax cap w/ management team assistance
  - May – Manager's proposal to Council, budget meetings commence
  - June – Clean up/Wrap up, set public hearing
  - July – adoption by July 27th

# Budget Timeline

- After Council Adoption
  - August 31 MS-232 & MS-434 due
  - September Actual County Tax Amount Received
  - October MS-1 due (extended deadline)  
Tax Rate Setting Process
  - Ongoing - Monitor & Adjust; Transparency

# Let's Look at FY2024 Budget

Now that we know what governs the budget, the budget timeline and some baseline info, let's look at a budget.....

# *CITY OF FRANKLIN, NEW HAMPSHIRE*

## *FISCAL YEAR 2024 COUNCIL ADOPTED BUDGET*



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# Tax Cap Calculation – easy numbers

• Taxes From Prior Year	\$100
• CPI-U (1%)	<u>\$ 1</u>
• Subtotal	\$101
• Pick Ups	
• Value \$10,000/1000	
• Tax Rate <u>\$2</u>	<u>\$ 20</u>
• Tax Cap Operating	\$121
• P&I Payments & Capital	<u>\$ 0</u>
• Total Tax Cap	\$121

Franklin City Charter C-32 & NH RSA 49-C:33

# Tax Cap Distribution – easy numbers

• Statewide Property Tax	\$ 8
• Local School	35
• Merrimack County	13
• TIF Districts	.6
• Veteran's Credit	1
• Overlay	.2
• Municipal Operations	<u>63.20</u>
• Total Taxes	121

# FY2024 Tax Cap Calculation

<b>City of Franklin, New Hampshire</b>			
<b>Tax Cap Calculation</b>			
<b>FY2024 Budget</b>			
Taxes from Prior Year Including TIF's			\$17,169,934
CPI-U (Dec-Dec)		6.5%	1,116,046
	Subtotal		18,285,980
Pick Up in Value			
	Assessed Value/1000	10,548	
	PY Tax Rate	24.39	257,263
Tax Cap Operating per C-32A (Manager's Proposal)			18,543,242
Principle & Interest Payments & Capital per C-32B (Council Adopted)			0
<b>Total Taxes Allowed to be Assessed</b>			<b>\$18,543,242</b>

10. *Journal of the American Medical Association*, 2000; 284: 2689-2695.

<b>Tax Cap Breakout:</b>			
School Statewide Property Tax		\$1,217,843	7%
School Local School District		5,384,379	29%
Merrimack County		1,931,238	10%
TIF Districts		134,614	1%
Veteran's Credits		128,525	1%
Overlay		31,000	0%
Municipal Operations		9,715,643	52%
Principle & Interest & Capital		0	0%
<b>Total Property Tax Supporting Current Budget</b>		<b>\$18,543,242</b>	<b>100%</b>

Property Tax Support For:	Amount	% of total					
				How does this look on my tax bill?			
School District Operations	6,602,222	35.6%					
Merrimack County	1,931,238	10.4%		Statewide Education			1,217,843
Veteran's Credits	128,525	0.7%			School		5,384,379
Overlay	31,000	0.2%			County		1,931,238
Municipal Operations	9,715,643	52.4%			Town		9,875,168
Tax Increment Financing Districts	134,614	0.7%					
Total City of Franklin Property Tax	18,543,242	100.0%		Tax Increment Financing Districts taxes are paid by the taxpayers in the district who have added value to that district since inception			



# Tax Cap vs Tax Rate

- Tax cap is the total taxes we can collect – this is a **constant**
- Tax Rate Formula

$$\text{Total Taxes}/(\text{Assessed Value}/1000) = \text{Tax Rate}$$

# Tax Cap vs Tax Rate- easy numbers

**Total Taxes/(Assessed Value/1000) = Tax Rate**

**A.  $121 / (100,000 / 1000) = \$1.21$**

**B.  $121 / (90,000 / 1000) = \$1.35$**

**C.  $121 / (120,000 / 1000) = \$1.01$**

# Tax Cap vs Tax Rate- 2023

## assessed value affect on taxes

Assessed Value

Tax Rate

\$690,758,249

\$26.77

\$1,137,815,610

\$16.26

\$1,500,000,000

\$12.25

**\$18,543,242 taxes**

**2022 tax rate \$24.39**

**2023 tax rate \$16.26**

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## Gross Budgeting

Revenues =  
Expenditures

# Gross Budgeting – easy numbers

## • Revenues

• Taxes	\$121
• State	70
• Dept	20
• Other	<u>29</u>
• Total	\$240

## • Expenditures

• Gen Govt	\$ 16
• Public Safety	40
• School	134
• Muni Services	<u>50</u>
• Total	\$240

# Gross Budgeting – easy numbers

- Revenues

• Taxes	\$121
• State	70
• Dept	20
• Other	29
• Grants	<u>60</u>
• Total	\$300

- Expenditures

• Gen Govt	\$ 16
• Public Safety	40
• School	134
• Muni Services	50
• Grants	<u>60</u>
• Total	\$300



# FY2024 General Fund Gross Budget as Adopted

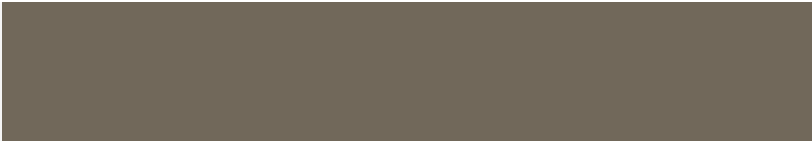
## Revenues

- Taxes \$16,317,865
- Muni – Other \$6,595,112
- School – Other \$17,363,417
- Total \$40,276,394

## Expenditures

- Municipal \$16,310,755
- School \$23,965,639
- Total \$40,276,394

Tax Cap Breakout:			
School Statewide Property Tax		\$1,217,843	7%
School Local School District		5,384,379	29%
Merrimack County		1,931,238	10%
TIF Districts		134,614	1%
Veteran's Credits		128,525	1%
Overlay		31,000	0%
Municipal Operations		9,715,643	52%
Principle & Interest & Capital		0	0%
Total Property Tax Supporting Current Budget		\$18,543,242	100%



Ok, let's look at some  
scenarios utilizing our easy  
numbers!

# Gross Budgeting & Tax Cap

## Revenues

	<b>FY2022</b>	<b>FY2023</b>
Taxes	100	121
State	68	70
Dept	22	20
Other	38	29
Grants	25	60
<b>Total</b>	<b>253</b>	<b>300</b>

## Expenditures

	<b>FY2022</b>	<b>FY2023</b>
Gen Govt	15	16
Public Safety	35	40
School	130	134
Muni Services	48	50
Grants	25	60
<b>Total</b>	<b>253</b>	<b>300</b>

% change

19%

# Gross Budgeting & Tax Cap

## Revenues

	FY2022	FY2023
Taxes	100	121
State	68	70
Dept	22	20
Other	25	29
Grants	20	60
<b>Total</b>	<b>235</b>	<b>300</b>

## Expenditures

	FY2022	FY2023
Gen Govt	12	16
Public Safety	33	40
School	128	134
Muni Services	42	50
Grants	20	60
<b>Total</b>	<b>235</b>	<b>300</b>

% change

28%

# Gross Budgeting & Tax Cap

## Revenues

	FY2022	FY2023
Taxes	100	125
State	68	68
Dept	24	20
Other	26	27
Grants	30	60
<b>Total</b>	<b>248</b>	<b>300</b>

## Expenditures

	FY2022	FY2023
Gen Govt	12	16
Public Safety	33	40
School	131	134
Muni Services	42	50
Grants	30	60
<b>Total</b>	<b>248</b>	<b>300</b>

% change

21%

# Gross Budgeting & Tax Cap

## Revenues

	<b>FY2022</b>	<b>FY2023</b>
Taxes	100	125
State	68	68
Dept	24	20
Other	26	27
Grants	30	40
<b>Total</b>	<b>248</b>	<b>280</b>

## Expenditures

	<b>FY2022</b>	<b>FY2023</b>
Gen Govt	12	16
Public Safety	33	40
School	131	134
Muni Services	42	50
Grants	30	60
<b>Total</b>	<b>248</b>	<b>300</b>

% change

13%

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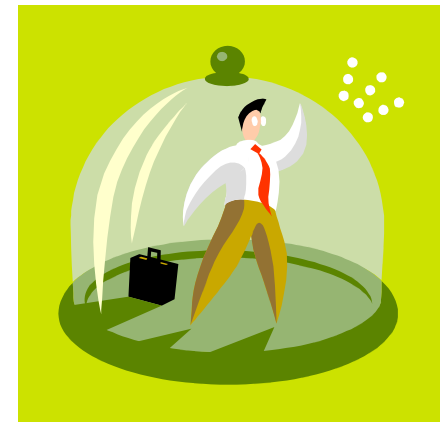
# Challenges.....

- ◉ Unfunded capital/Aging Infrastructure
- ◉ Increases to Costs outpace CPIU
- ◉ Downshifting of costs from State of NH
- ◉ Costs outside of our control
- ◉ Hiring/Retention of Personnel
- ◉ # of Personnel
- ◉ Succession Planning
- ◉ Image
- ◉ Social Media Misinformation



# Common Traps/Misunderstandings

- Relying on % change for previous year
- Taxes and/or Tax Rate
  - Must = total budget
  - Inc appropriation = Inc taxes
  - Only budget drives the tax rate
- Capital Outlay must be within the operating budget
- Lack of Involvement



[www.franklinnh.org](http://www.franklinnh.org)



Questions?????