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NHMA
NEW HAMPSHIRE MUNICIPAL ASSOCIATION
1892

Understanding the Budget Process

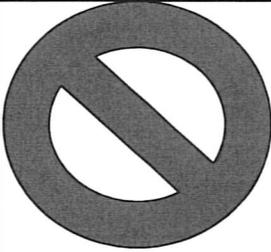
Stephen C. Buckley, Legal Services Counsel
Margaret M.L. Byrnes, Staff Attorney
Barbara T. Reid, Government Finance Advisor

1

Overview of the *Basic Law of Budgeting*

- Glossary
- Seven Key Concepts
- Other Important Topics
- Appendices

75
NHMA
2



Home Rule!

- *Girard v. Allenstown*
- RSA 31:4

75
NHMA
3

Pg 116

Budgeting Law:

- RSA Ch. 32
- RSA 40:13
- Town/City Charters
- RSA Ch. 33 (Bonds)
- RSA Ch. 35 (Capital Reserve Funds)



NHMA 75 4

Violations of Budget Law

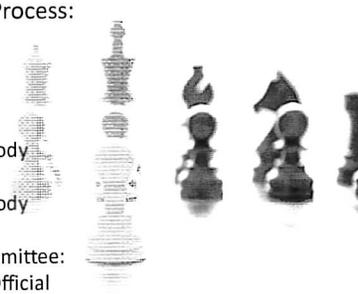
- Removal, RSA 32:12
- DRA Disallowance



NHMA 75 5

**The Budget Process:
Key Players**

- Legislative Body
- Governing Body
- Budget Committee:
Advisory v. Official



NHMA 75 6

*32:14-34 BC.
32:5-Town
179*

Duties of the Official Budget Committee

- Review current year's expenditures
- Review proposals of governing body
- Prepare budget
- Schedule and hold budget hearings
- Forward final proposed budget to governing body for posting with warrant
- **Does not control spending**

75 NHMA 7

The Budget Cycle

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The Basic Law of Budgeting

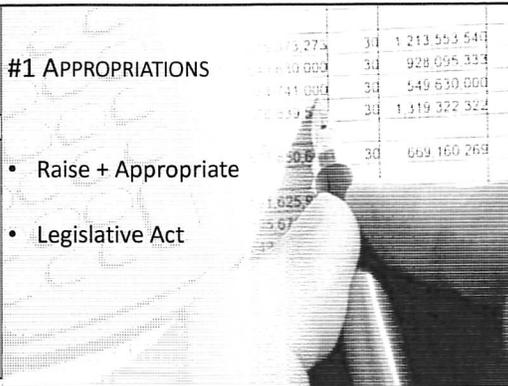
7 Key Budget Concepts

1. Appropriations
2. Gross Basis Budgeting
3. Warrant Notice and Amendments
4. No Spending Without an Appropriation
5. Lapse of Appropriations
6. Transfer of Appropriations
7. 10% Limitation in Budget Committees
Towns

75 NHMA 9

#1 APPROPRIATIONS

- Raise + Appropriate
- Legislative Act



1,213,553.54	30	1,213,553.54
928,095.33	30	928,095.33
549,630.00	30	549,630.00
1,119,322.32	30	1,119,322.32
669,160.26	30	669,160.26

75 NHMA 10

For what *purposes* may a municipality spend?

RSA 32:3, V & RSA 31:4

75 NHMA 11

Warrant Articles: Specificity, Flexibility

“To see if the town will raise and appropriate \$30,000 to purchase the black Ford F250 currently for sale at Greg’s Use Auto.”

75 NHMA 12

Contingency Funds, RSA 31:98-a



NHMA 13

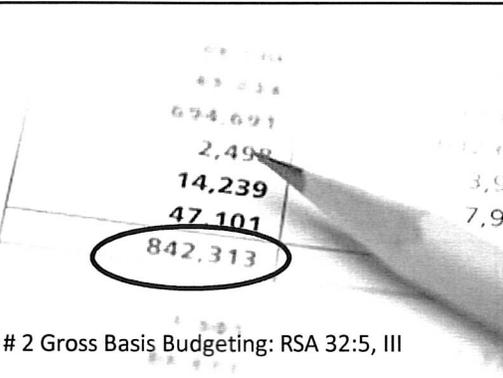
"Discussed or Disclosed"
RSA 32:5, II



NHMA 14

PG 22

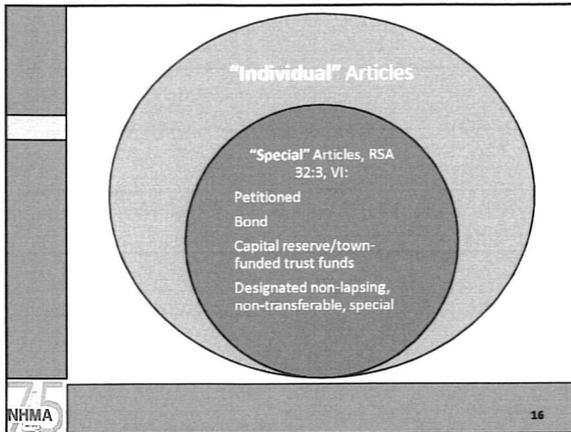
2 Gross Basis Budgeting: RSA 32:5, III



694,691
2,499
14,239
47,101
842,313

NHMA 15

PG 23



Page 16

Recommendations & Numeric Tallies

ARTICLE II:

To see if the Alton School District will vote to raise and appropriate the sum of **FOUR MILLION TWO HUNDRED THOUSAND EIGHT HUNDRED TWENTY-FIVE DOLLARS AND NO CENTS (\$4,200,825.00)** for renovation, reconstruction, repairs and construction of an addition to the Alton Central School and for furnishing and equipping the school, and to authorize the issuance of not more than **THREE MILLION NINE HUNDRED SEVENTEEN THOUSAND TWO HUNDRED DOLLARS AND NO CENTS (\$3,917,200.00)** of bonds or notes in accordance with the provisions of the Municipal Finance Act (RSA 33) and to authorize the School Board to issue and negotiate such bonds or notes and to determine the rate of interest thereon and to take all other actions necessary or convenient to carry out this vote; furthermore, to authorize the withdrawal of \$221,765.00 from the Fire Suppression Capital Reserve Fund, \$61,411.00 from the Bathroom Refurbishment Expendable Trust Fund, \$449.00 from the Electrical Service Upgrade Expendable Trust and further to raise and appropriate an additional sum of **EIGHTY-FOUR THOUSAND EIGHT HUNDRED SEVENTY THREE DOLLARS AND NO CENTS (\$84,873.00)** for the first year's interest payment on the Bond. (The Alton School Board recommends \$4,200,825.00 by a vote of 3-0. The Alton Budget Committee recommends \$4,200,825.00 by a vote of 6-0-1.) (Three-Fifths (3/5) ballot vote required.)

NHMA 75 17

Page 17

#3
Warrant Notice & Amendments

"Stay at Home" Rule

NHMA 75 18

Page 18

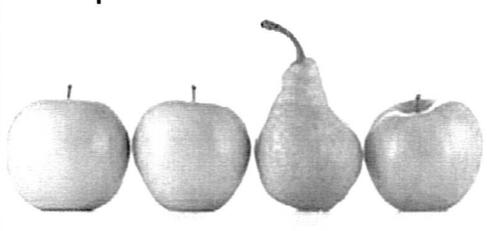
No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.
U.S. Const. art. 1, § 9, cl 7

#4 No Spending Without An Appropriation

75 NHMA 19

BBB

Exceptions to the Rule



75 NHMA 20

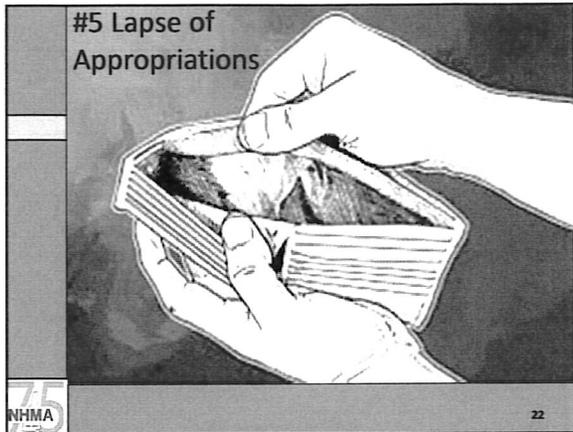
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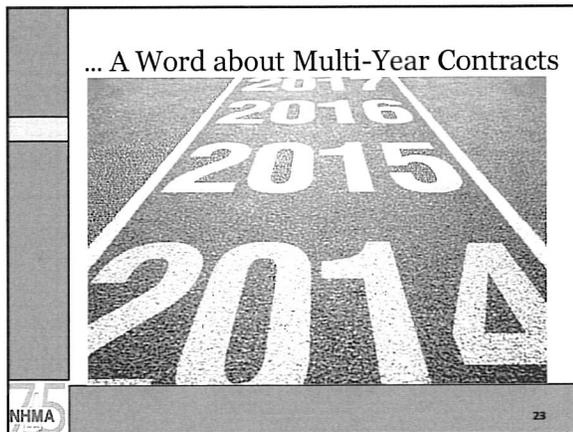


More Exceptions

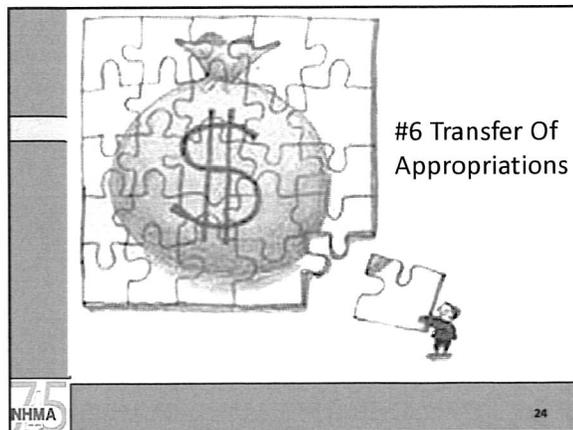
75 NHMA 21

BBB

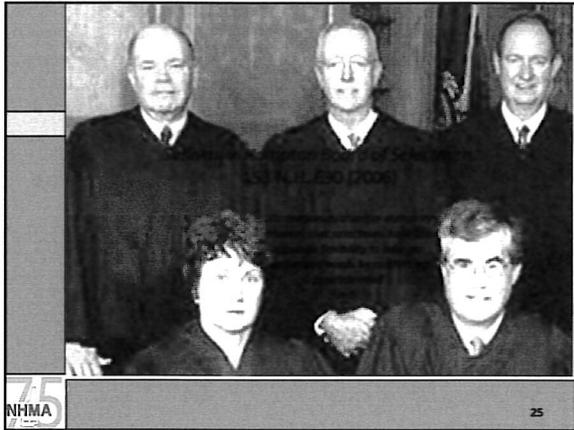




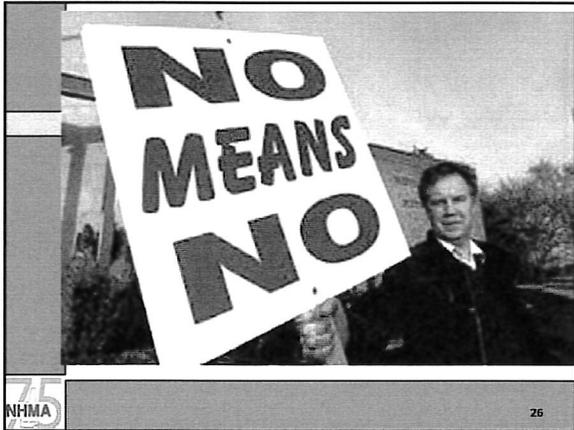
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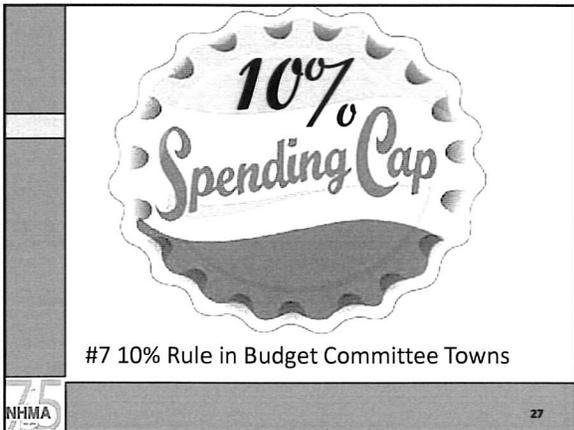
2949-51



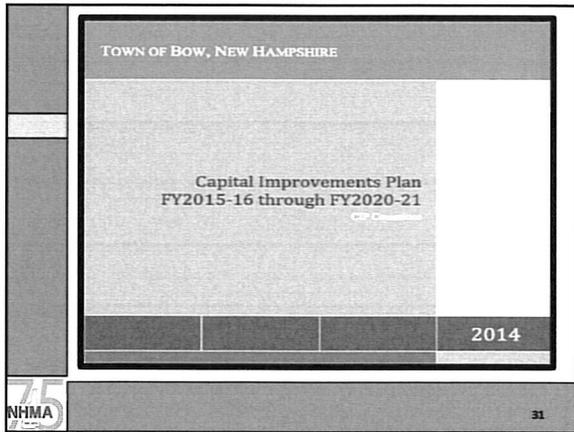
RSJ 80



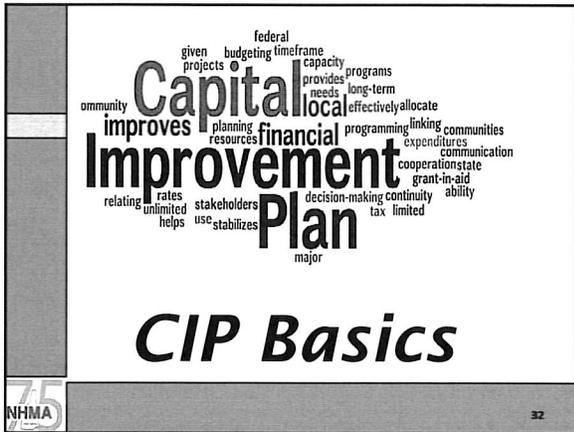
*RSJ
RSA 32:10 110*



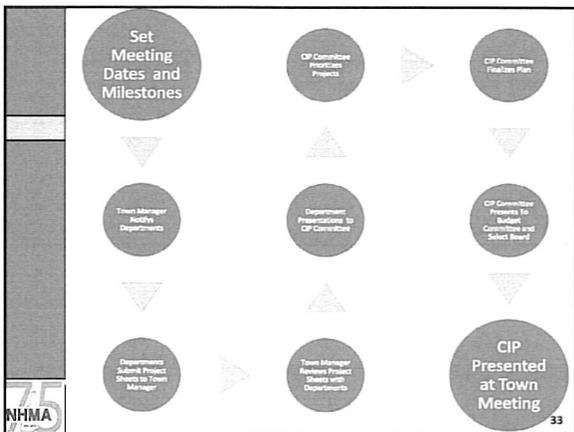
*RSJ 53
RSA 32:18*



Handwritten initials "RS" and a large "45" are written on the first two lines of a set of horizontal lines.



A set of horizontal lines for taking notes.



A set of horizontal lines for taking notes.

Financing Options

- Reserve Funds (Savings Accounts)
- User Fees
- Bonds or Notes
- Tax Increment Financing
- Lease Agreements
- "A Little Help From My Friends"
- Grants
- Special Revenue or Revolving Funds
- State Aid
- General Fund Balance
- Property Tax

75
NHMA
34

Reserve Funds

- Savings Account
- Expendable Trust Fund / Capital Reserve Fund
 - RSA 31:19-a/RSA 35



75
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Special Revenue Fund vs. Revolving Fund



75
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36

29-4540

User Fees

Spectrum

Specific ← → Public

Water/Sewer ← → Police/Fire

NHMA 37

User Fees

NHMA 38

99/100

User Fees

- Statutory authority
- Level of cost recovery (100% reimbursement or a subsidy?)

NHMA 39

*2nd survey - DLP
Bill Simmons
D. K. H. P. T.
J. H. H. H. H.*

Municipal Bonds or Notes

- RSA Chapter 33
- RSA Chapter 33-B (Revenue Bonds)

Tax-Free Bonds



Municipal Bonds or Notes

- Avoid sticker shock
- Intergenerational equity

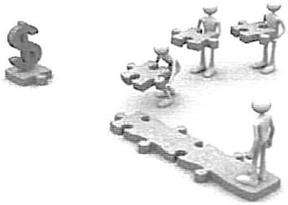


Municipal Bonds or Notes

- Limitations
- How much will it really cost?



Capital Projects
How will projects be financed?



NHMA 75 43

Debt Policy
Define how projects will be financed.



NHMA 75 44

Lease Agreements

- Escape Clause
- No Escape Clause (RSA Chapter 33)



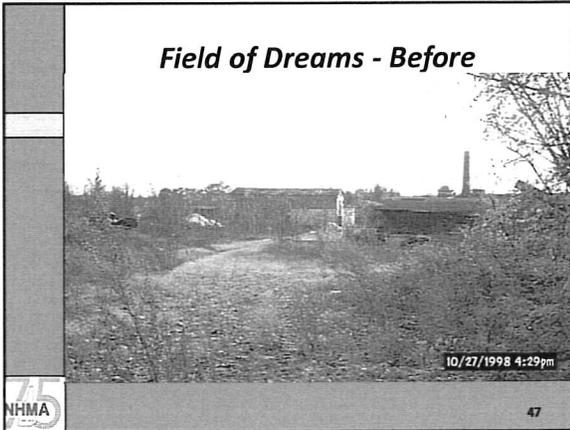
NHMA 75 45

TIF District

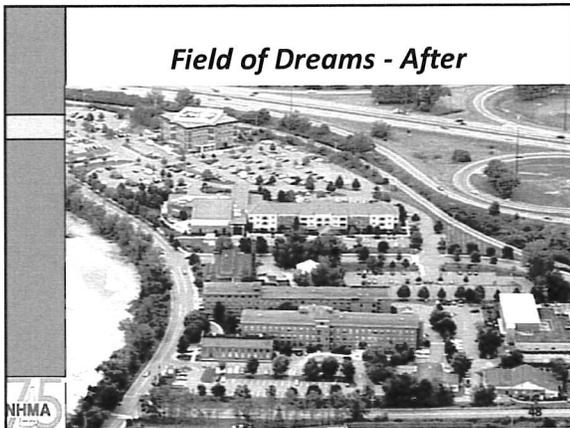
The **(F)**inancing of public improvements with the **(I)**ncremental **(T)**axes created either by new construction, expansion, or renovation within a defined portion (district) of the community.



Field of Dreams - Before



Field of Dreams - After



TIF Districts

- Economic Development Tool
- Self-Financed – General Obligation Bonds
- Local Control – RSA 162-K



75
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TIF Districts

Split revenues:

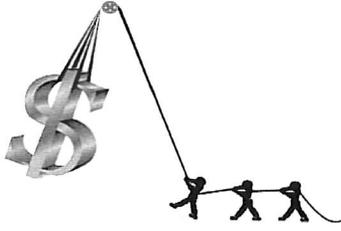
Base Revenue – original assessed value
Incremental Revenue – increased assessed value



75
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“A Little Help From My Friends”

- Separate entity from town
 - 501(c)(3) organization



75
NHMA

51

General Fund Balance

- ❖ Retain (cash flow or emergencies)
 - ❖ Source of revenue for future appropriations
 - ❖ Fund balance policy



NHMA 75 55

pg 40

*240
1100*

*MAY
2500*



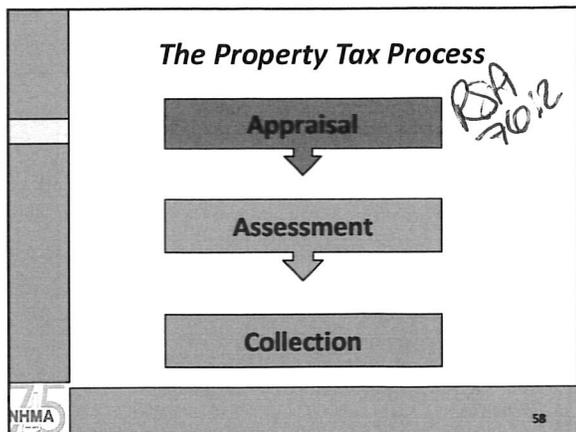
Property Taxes

The tax people love to hate!



NHMA 75 57

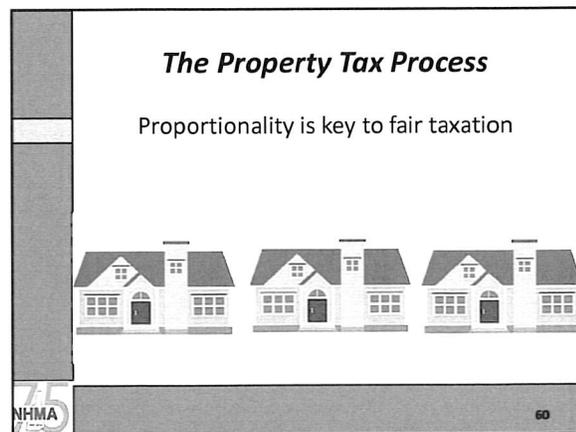
pg 83



P. J. B.

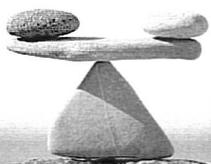
Gross Appropriations		\$20,207,555	
- Revenues	-	\$8,024,656	
+ Overlay	+	\$4,406	
+ War Service Credits	+	\$438,750	
Net Municipal Tax Effort		\$12,626,055	
+			
Local Assessed Property Valuation		\$1,411,324,700	
=			
Tax Rate per \$1,000 valuation		\$8.95	59

NHMA



The Property Tax Process

- Equalization necessary for shared taxes
- DRA adjustment reflects proportionality to other municipalities



NHMA 75 61

The 3-Finger Rule

What will it cost on the tax rate?



NHMA 75 62

\$1,411,324,700 Assessed Value

\$1,411,324 = \$1.00
\$141,132 = \$.10
\$14,113 = \$.01



NHMA 75 63

Estimated Impact on the Tax Rate?

\$400,000 Fire Truck
 $\$400,000 / 1,411,324 = \0.28



collective bargaining \$25,000 CBA Cost Item
 $\$25,000 / 1,411,324 = \0.02



NHMA 75 64

Hill
 Assess. Rate
 Dec 2017
 Budget

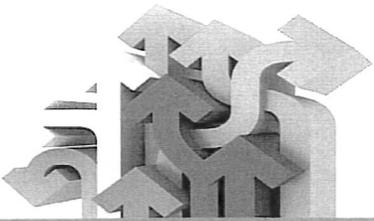
What is the ESTIMATED Cost for Your Municipality?

Net Assessed Valuation = \$ _____
 \$1.00 on the tax rate = \$ _____
 \$.10 on the tax rate = \$ _____
 \$.01 on the tax rate = \$ _____



NHMA 75 65

Financing Options
 Appendix C, page 102



NHMA 75 66

**Governing
Guide to Financial Literacy**

• <http://www.governing.com/papers/A-Public-Official-s-Guide-to-Financial-Literacy.html>

NHMA 67

gfoa.org *BEST PRACTICES*

nhgfoa.org

THANK YOU

Questions?

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NHMA 68

