



Economic Policy Conditions in New Hampshire

Presented by: Natch Greyes

Government Affairs Counsel, NHMA

Municipal Budgets Face Dual Challenges

1. Inflation is rocketing costs.

- Inflation is having a big impact on materials purchased by municipalities
- Inflation is *also* having a big impact on items taxpayers' purchase.
 - Food
 - Energy
 - Housing
- Inflation in certain sectors is likely to continue until, at least, spring 2023.

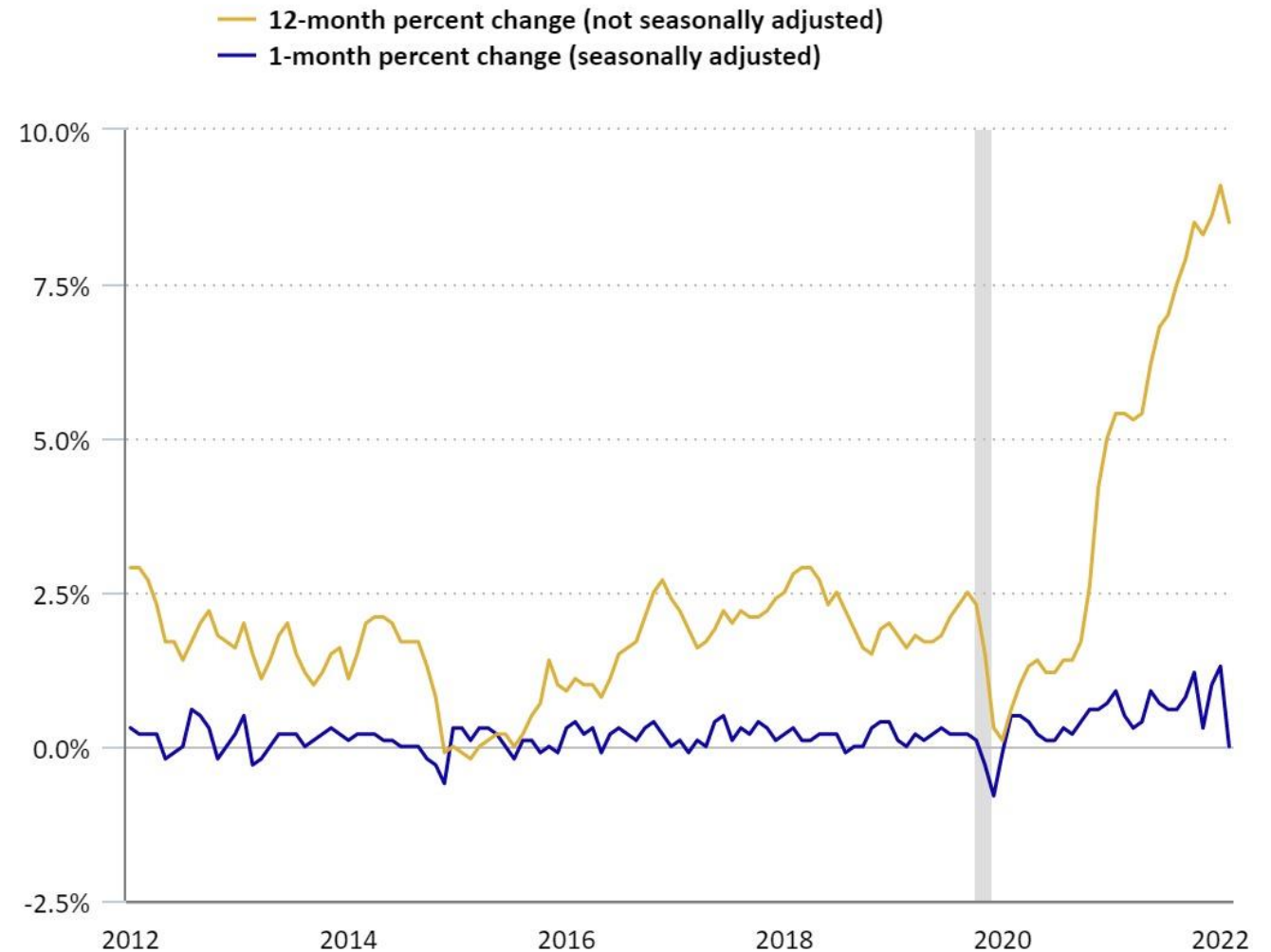
2. Taxpayers real earnings are down.

- Likely to have significant impacts on willingness to increase municipal budgets.
- Could see long-lasting economic impacts depending on what happens next.

Inflation is Significantly Impacting the Price of Goods

- The Consumer Price Index for all Urban Consumers increased 8.5 percent over the year ending July 2022.
- That increases compounds inflationary effects felt in the year ending July 2021.

Consumer Price Index for All Urban Consumers, 1-month and 12-month percent changes, January 2012 to July 2022



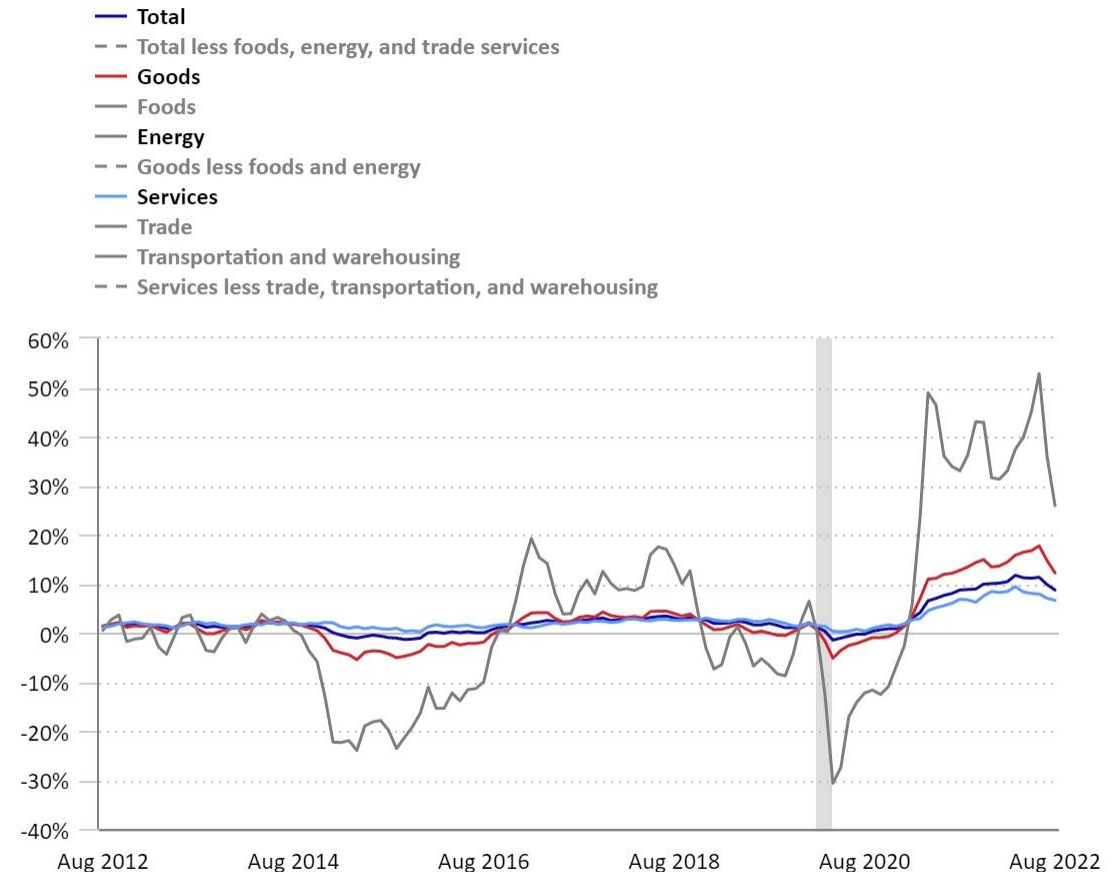
Click legend items to change data display. Hover over chart to view data.
Shaded area represents a recession as determined by the National Bureau of Economic Research.
Source: U.S. Bureau of Labor Statistics.



Total Inflation Is Having Serious Impacts Across the Economy

- The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output.
- The prices included in the PPI are from the first commercial transaction for many products and some services.
- Likely that high inflationary rates will continue for at least several months, although those rates may decrease from current increases.

12-month percent changes in Producer Price Indexes for final demand, August 2012 to August 2022

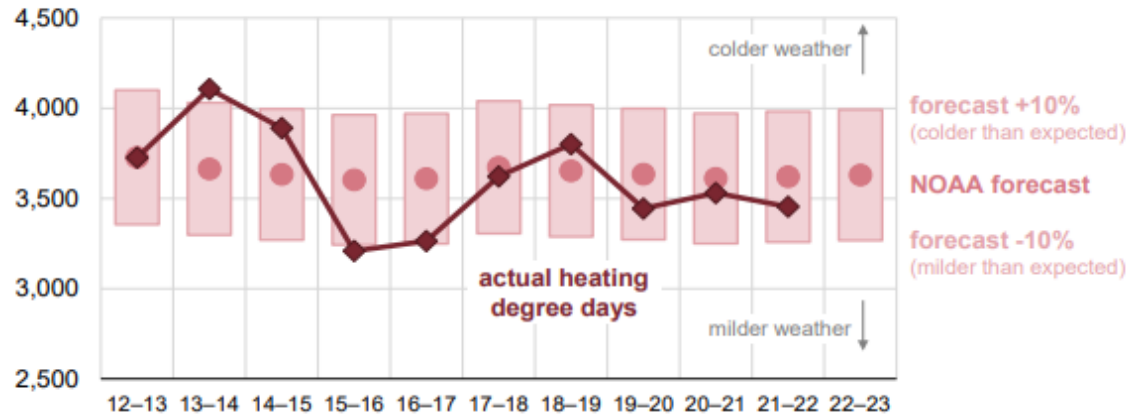


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Shaded area represents a recession as determined by the National Bureau of Economic Research.
Source: U.S. Bureau of Labor Statistics.



EIA's Prediction of US Average Winter Heating Costs

U.S. population-weighted winter heating degree days (winter = Oct–Mar, 2011–2022)
heating degree days



Data source: National Oceanic and Atmospheric Administration (NOAA), S&P Global, and U.S. Energy Information Administration

Forecast U.S. average energy household expenditures this winter by fuel and case (nominal)

	U.S. average household expenditures Base Case (Oct–Mar total)		U.S. average household expenditures 10% Colder (Oct–Mar total)		U.S. average household expenditures 10% Warmer (Oct–Mar total)	
	winter 2022–23	Change from last winter	winter 2022–23	Change from last winter	winter 2022–23	Change from last winter
Natural Gas	\$931	+28%	\$1,096	+51%	\$862	+19%
Heating Oil	\$2,354	+27%	\$2,543	+37%	\$2,087	+12%
Electricity	\$1,359	+10%	\$1,482	+20%	\$1,337	+8%
Propane	\$1,668	+5%	\$2,157	+36%	\$1,396	-12%

Source: U.S. Energy Information Administration



NH CURRENT FUEL COSTS

Heating Current Averages - October 5, 2022

- *Updated monthly.*
- Natural Gas 1st Tier (<100 Therms)
Current Average Price is \$2.00 / Therm
 - Btu 100,000
 - Conversion Efficiency 0.8
 - \$/MBTU \$25.02
- Electricity Resistance Heat Current Average Price is \$0.2880/ kwh
 - Btu 3,412
 - Conversion Efficiency 1
 - \$/MBTU \$84.41
- Electricity Heat Pump Current Average Price is \$0.29 / kwh
 - Btu 3,412
 - Conversion Efficiency 2.5
 - \$/MBTU \$33.76

Biomass Fuels Current Heating Averages – September 8, 2022 *Updated quarterly.*

- Wood (Bagged ton) Current Average Price is \$327.82
- Cord Wood Current Average Price is \$422.50

Motor Fuels Current Averages – October 5, 2022 *Updated monthly.*

- Gasoline (per gallon) - \$3.38
- Diesel (per gallon) - \$4.77

Source: <https://www.energy.nh.gov/>

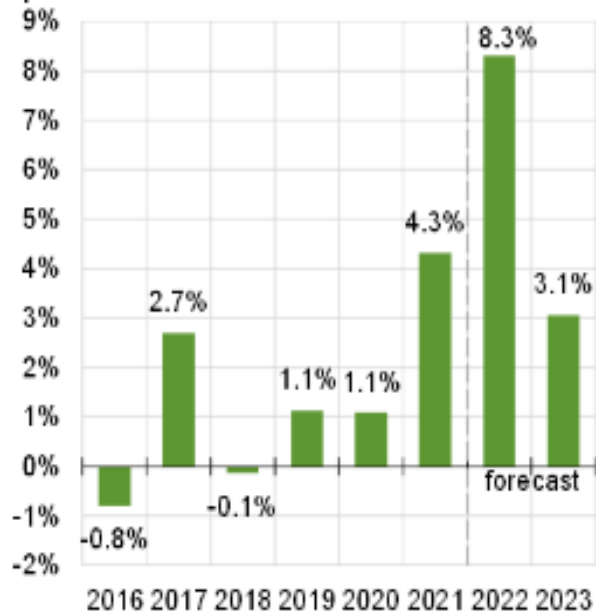
Energy Costs Predicted to Continue to Rise Before Moderating in 2023

U.S. monthly nominal residential electricity price
cents per kilowatthour

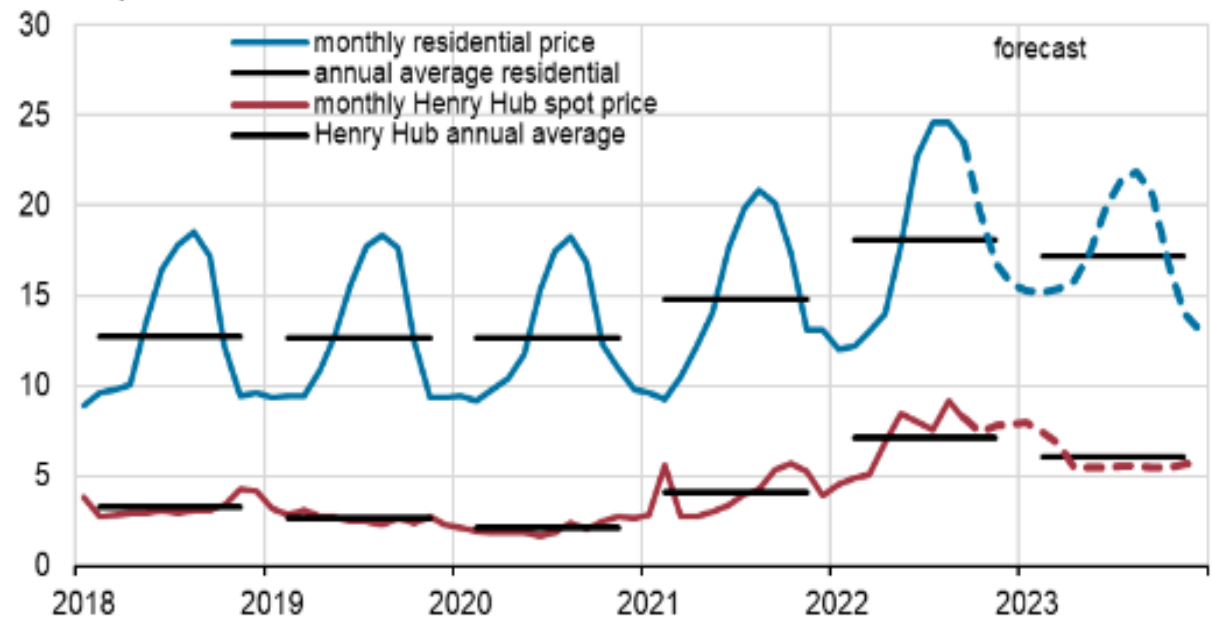


Source: U.S. Energy Information Administration, Short-Term Energy Outlook, October 2022

Annual growth in nominal residential electricity prices
percent



U.S. natural gas prices
dollars per thousand cubic feet



Sources: U.S. Energy Information Administration, Short-Term Energy Outlook, October 2022, and Refinitiv an LSEG Business



ENERGY- Average Fuel Prices in New Hampshire

Petroleum Fuels Current Averages – October 19, 2022

- Fuel Oil (#2) Current Average Price is \$5.63 / Gallon
 - Btu 138,500
 - Conversion Efficiency 0.8
 - \$/MBTU \$50.81
- Propane Current Average Price is \$3.89 / Gallon
 - Btu 91,333
 - Conversion Efficiency 0.8
 - \$/MBTU \$53.29
- Kerosene Current Average Price is \$6.51 / Gallon
 - Btu 135,000
 - Conversion Efficiency 0.8
 - \$/MBTU \$60.26
- * Due to current global factors, petroleum fuel prices are experiencing a high rate of fluctuation. This may mean the averages may not be representative of current prices.

ENERGY- NH ELECTRICITY COSTS



The average New Hampshire commercial electricity rate is 19.96 ¢/kWh (51% higher than the national average).

The average New Hampshire residential electricity rate is 21.88 ¢/kWh (41% higher than the national average).

- UPDATED 10/2022 -Source: New Hampshire energy data from The [U.S. Energy Information Administration \(EIA\)](#)

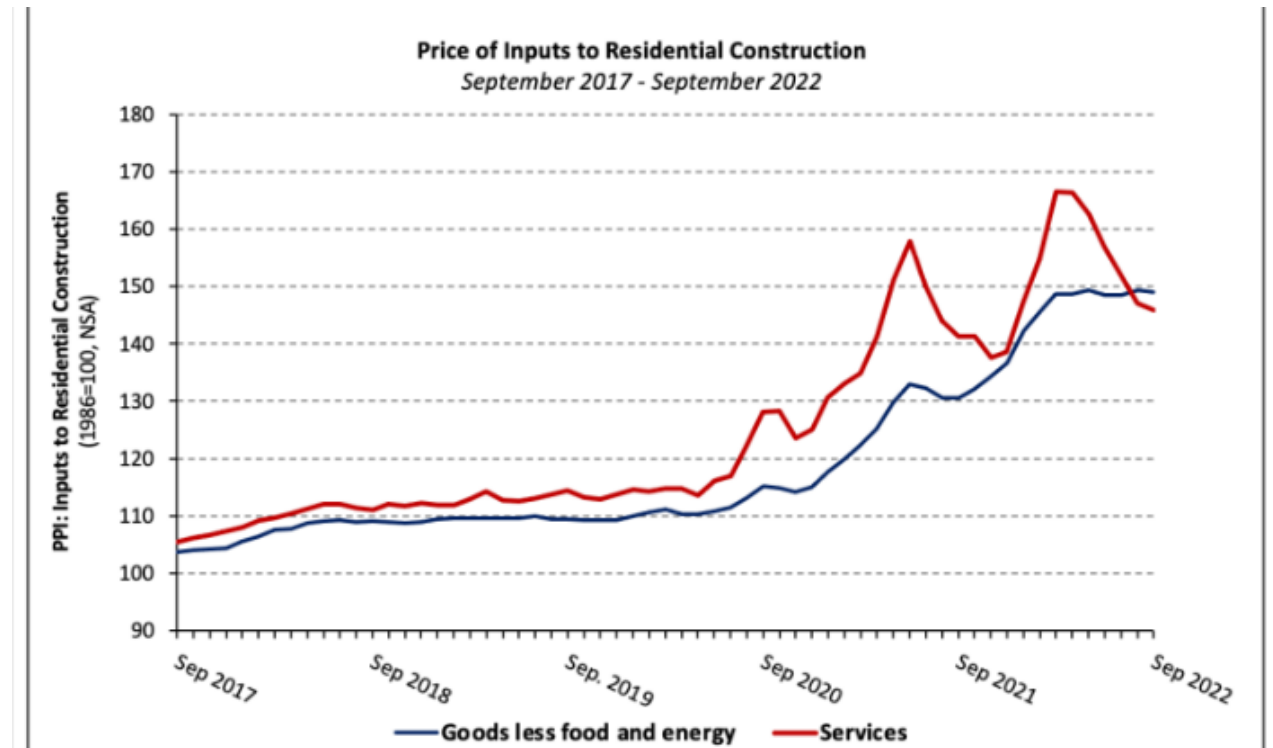
How to shop for a competitive energy supplier

<https://www.puc.nh.gov/Consumer/Switch%20Energy%20Suppliers.html>

Source: <https://www.energy.nh.gov/>

The Cost of Building is Getting Cheaper, But Not By Much

- The PPI for softwood lumber (seasonally adjusted) declined 2.9% in September following a 5.2% drop in August. Softwood lumber prices are 14.5% higher than they were a year ago but have fallen 39.6% since March. The index remains 41.9% above pre-pandemic levels.
- Steel mill products prices decreased 6.7% in September and have fallen 16.1% over the past four months. The index is at its lowest level since June 2021, but prices of steel mill products are nearly double their pre-pandemic levels, on average.
- The PPI for gypsum building materials edged 0.2% lower in September—just the second monthly decrease in two years. Prices have increased 20.2% over the past year and are up 46.0% since January 2020.



The Municipal Cost Index (MCI),

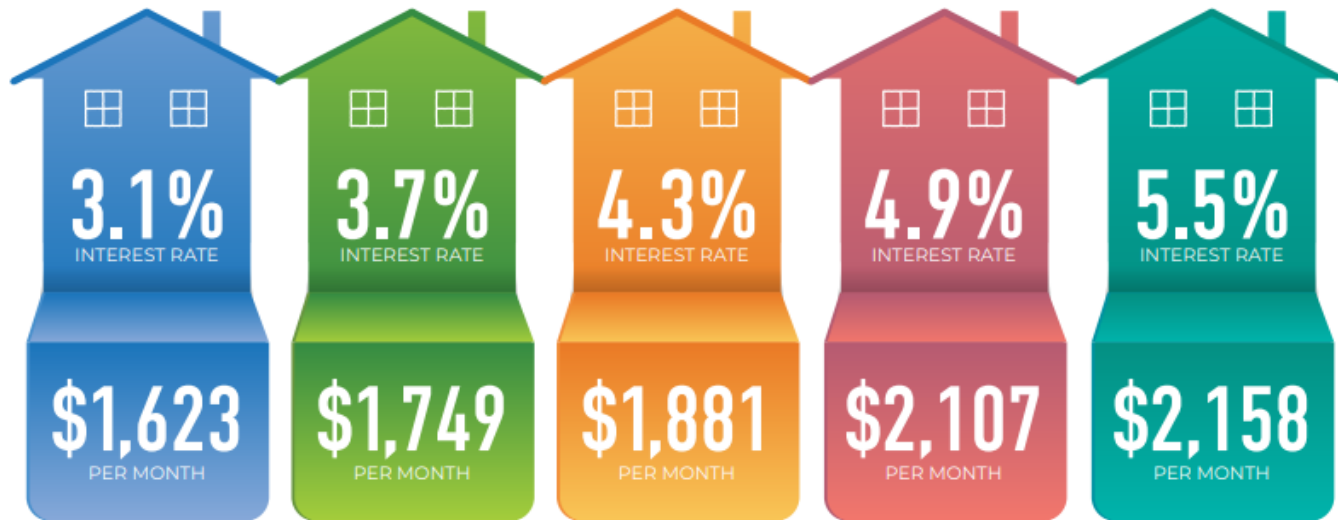
by *American City & County*, is designed to show the effects of inflation on the cost of providing municipal services.

Month (2022)	Municipal Cost Index (MCI)	MCI Yr-Yr % Change	Construction Cost Index (CCI)	CCI Yr-Yr % Change	Consumer Price Index (CPI)	CPI Yr-Yr % Change	Producer Price Index (PPI)	PPI Yr-Yr % Change
Jan	290.21	11.16%	329.00	9.70%	281.93	7.51%	244.26	19.56%
Feb	294.80	11.99%	332.68	10.29%	284.18	7.99%	252.84	21.27%
Mar	299.02	12.16%	336.09	10.82%	287.71	8.66%	259.00	19.74%
Apr	302.31	12.51%	339.58	10.97%	288.66	8.18%	264.67	21.69%
May	306.96	12.45%	342.97	10.46%	291.47	8.54%	273.21	21.75%
Jun	312.09	12.24%	346.31	8.76%	295.33	8.98%	282.36	23.57%
Jul	309.81	9.89%	348.18	7.07%	295.27	8.45%	271.63	17.48%
Aug	309.30	9.40%	348.38	7.07%	295.62	8.28%	269.11	15.55%
Sept	309.72	9.14%	348.38	7.07%	296.76	8.25%	269.29	14.40%
Oct								
Nov								
Dec								

(Note: the consumer and producer price indexes are published monthly by the U.S. Department of Labor's Bureau of Labor Statistics. The PPI figure used is the number for all commodities. The municipal cost index incorporates the construction cost index, the consumer price index and the production price index.)

Home Payments Soaring

INTEREST RATE AND PAYMENTS CALCULATED BASED ON
\$400,000 HOME WITH 5% DOWNPAYMENT



- The average rate on the 30-year fixed mortgage jumped to over 7%.
 - Monthly Payment = \$2,528
- That's not including property taxes, homeowners' insurance, or PMI.

Home Sales Softening

- 1,588 closed sales in September 2022 compared to 1,775 in September 2021.
- Median sales price \$440,000 in September 2022 compared to \$400,000 in September 2021.
- Total value of closed sales down 1.3% in September 2022.



Monthly Snapshot

- 10.5% **+ 10.0%** **- 1.3%**

One-Year Change in Single Family Closed Sales	One-Year Change in Single Family Median Sales Price	One-Year Change in Single Family Sales Volume
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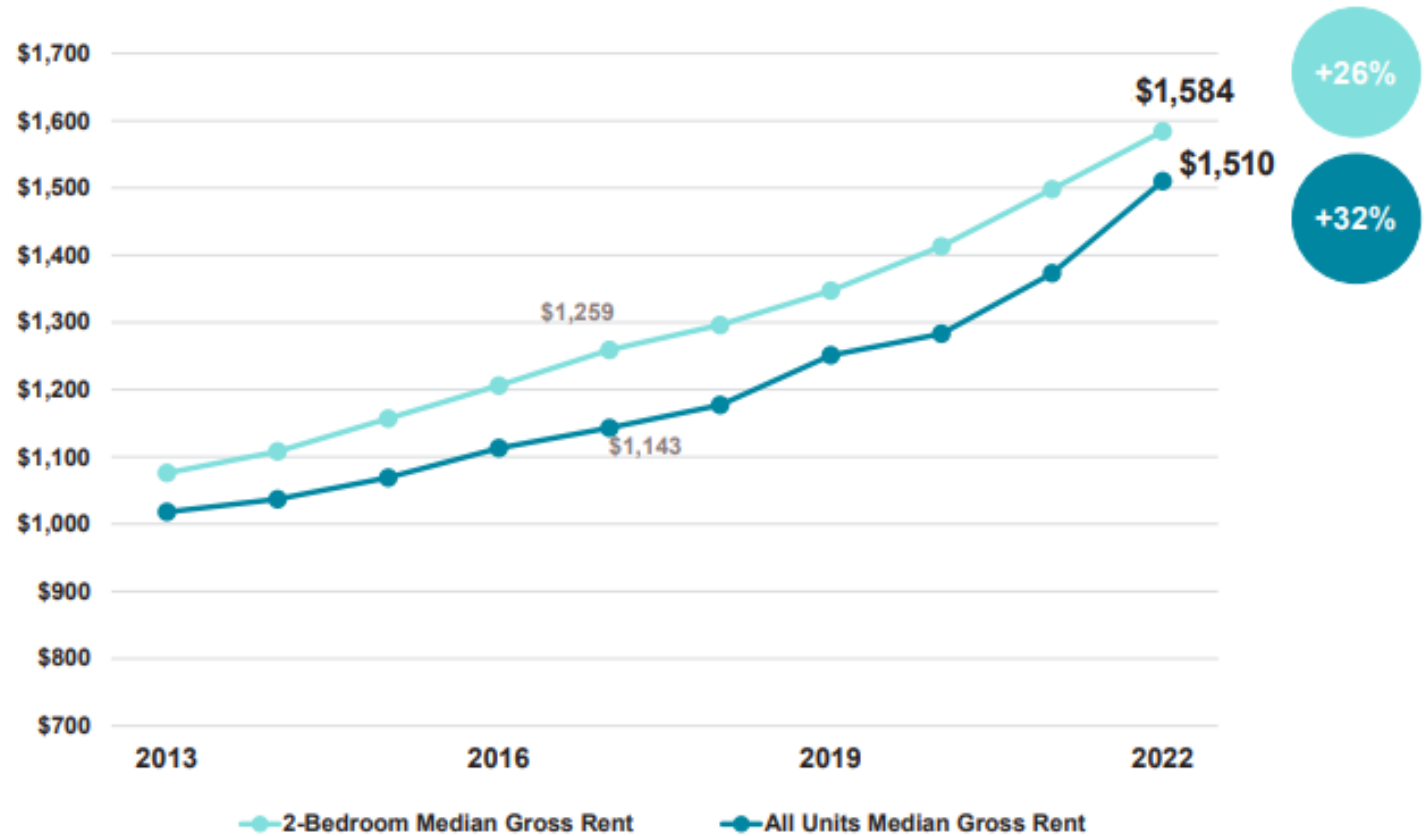
This is a research tool provided by New Hampshire REALTORS® covering residential real estate activity in the state of New Hampshire.. Percent changes are calculated using rounded figures.

Rental Costs Also Soaring

MONTHLY MEDIAN GROSS RENTS

2-bedroom, all units (2013-2022)

The statewide median gross rent (including utilities) for a 2-bedroom unit has increased almost 26% in the past 5 years.



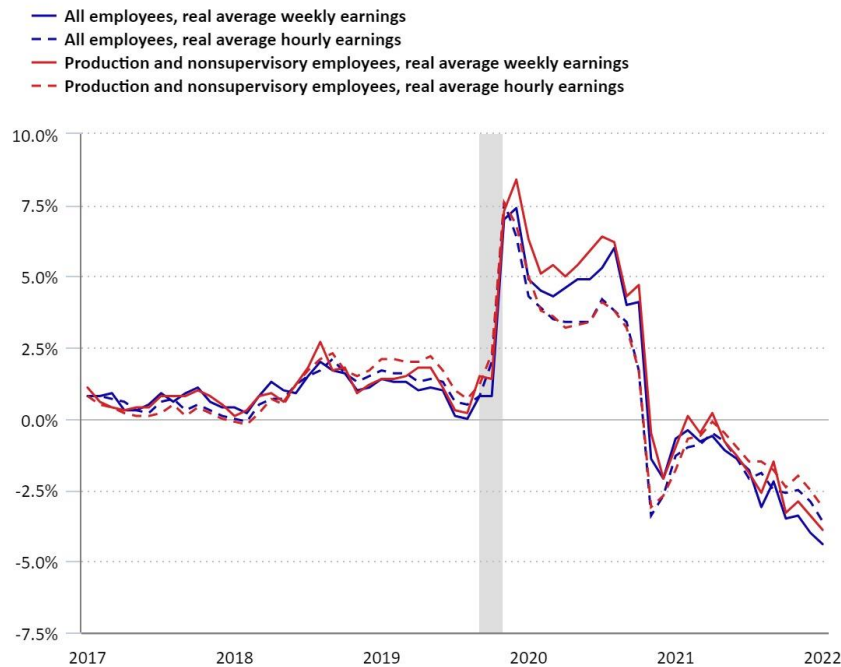


What About Wage Growth?

How Does that Balance Against Rising
Costs?

The Wage Growth That Isn't

12-month percent change in real average hourly and weekly earnings, private sector employees, seasonally adjusted

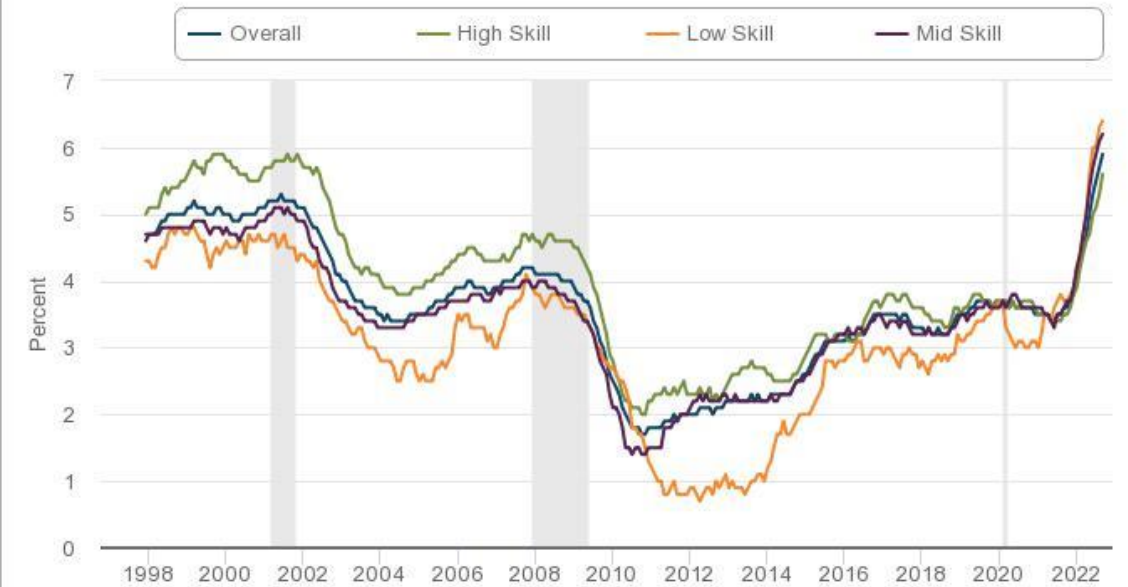


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Shaded area represents a recession as determined by the National Bureau of Economic Research.
Source: U.S. Bureau of Labor Statistics.



Wage Growth Tracker by Occupation

12-month moving averages of median wage growth, hourly data



Sources: Current Population Survey, Bureau of Labor Statistics and author's calculations

EMPLOYMENT TRENDS IN LOCAL GOVERNMENT

Local government employment rates have not recovered from pre-pandemic levels.

In July 2018, *Business NH Magazine* published a list of the five largest employers in each of the State's ten counties- local governments (either counties, municipalities, or school districts) were among the top 5 in 7 counties.

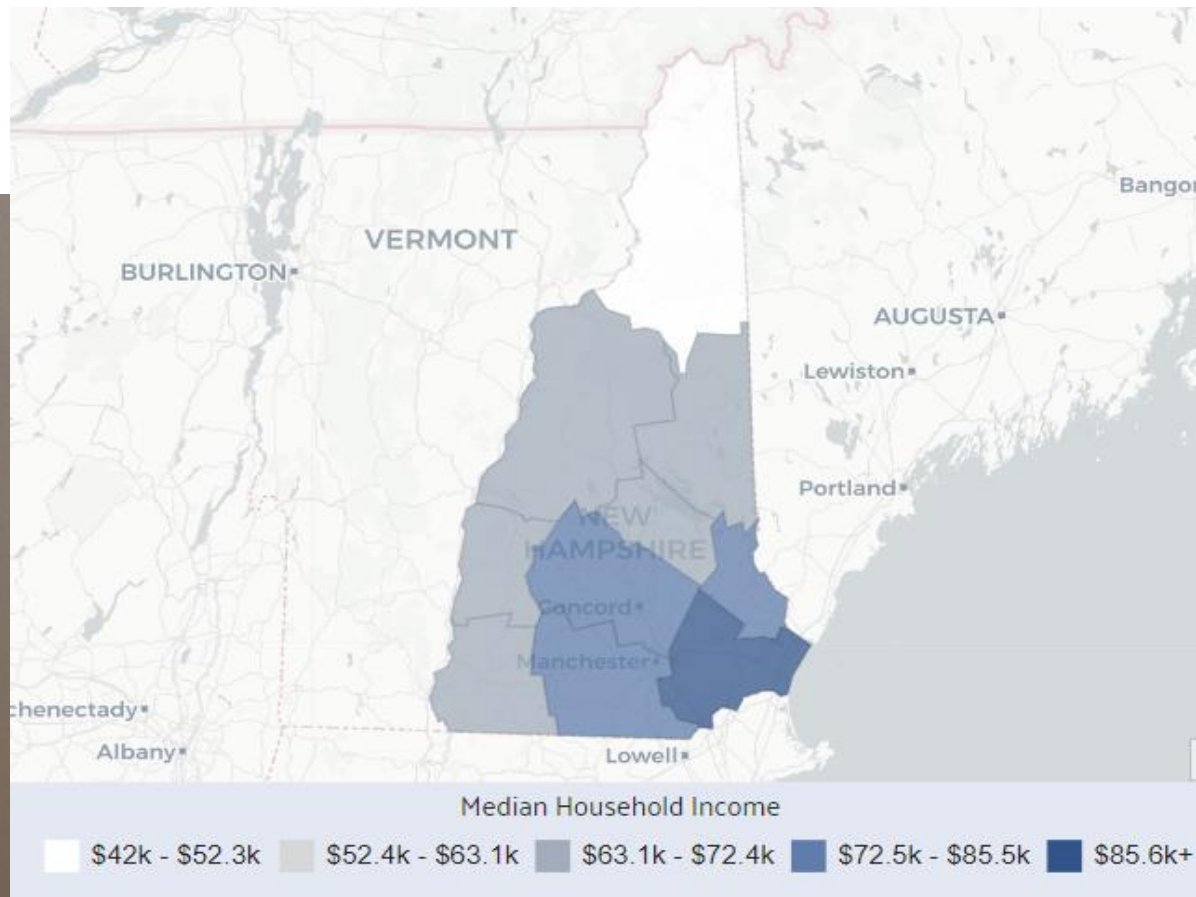
Nationwide, the public sector accounts for 15.4% of all employment. Depending on the state, the share of all jobs in the public sector ranges from less than 13% to over 25%.

In NH, 13.4% of the workforce are employed by the government -- either at the state, local, or federal level -- the fifth lowest share of all states.

Following the national trend, the number of government workers in NH has decreased in recent years. There are currently 85,400 public sector workers in the state, down 10.9% from 2010.

States with a larger than typical share of public sector workers often have higher than average government spending on a per capita basis -- and vice-versa.

New Hampshire is no exception. Per capita state and local government spending in the state totaled \$8,610 in 2019, compared to the \$10,131 national average.



2020 POPULATION

1.36M

0.528% 1-YEAR GROWTH

2020 MEDIAN AGE

43

0.233% 1-YEAR INCREASE

2020 POVERTY RATE

7.42%

1.86% 1-YEAR DECREASE

2020 MEDIAN HOUSEHOLD INCOME

\$77,923

1.5% 1-YEAR GROWTH

2020 MEDIAN PROPERTY VALUE

\$272,300

4.05% 1-YEAR GROWTH

2020 EMPLOYED POPULATION

687,135

0.234% 1-YEAR DECLINE

NH was among 10 states that saw statistically significant increases in household income following the national trend line between 2019 to 2021. New Hampshire increased 7.1 percent, second only to Vermont, which increased by 8.5 percent.

MEDIAN HOUSEHOLD INCOME (MHI) IN PAST 12 MONTHS (IN 2020 INFLATION-ADJUSTED DOLLARS) By City /Town :

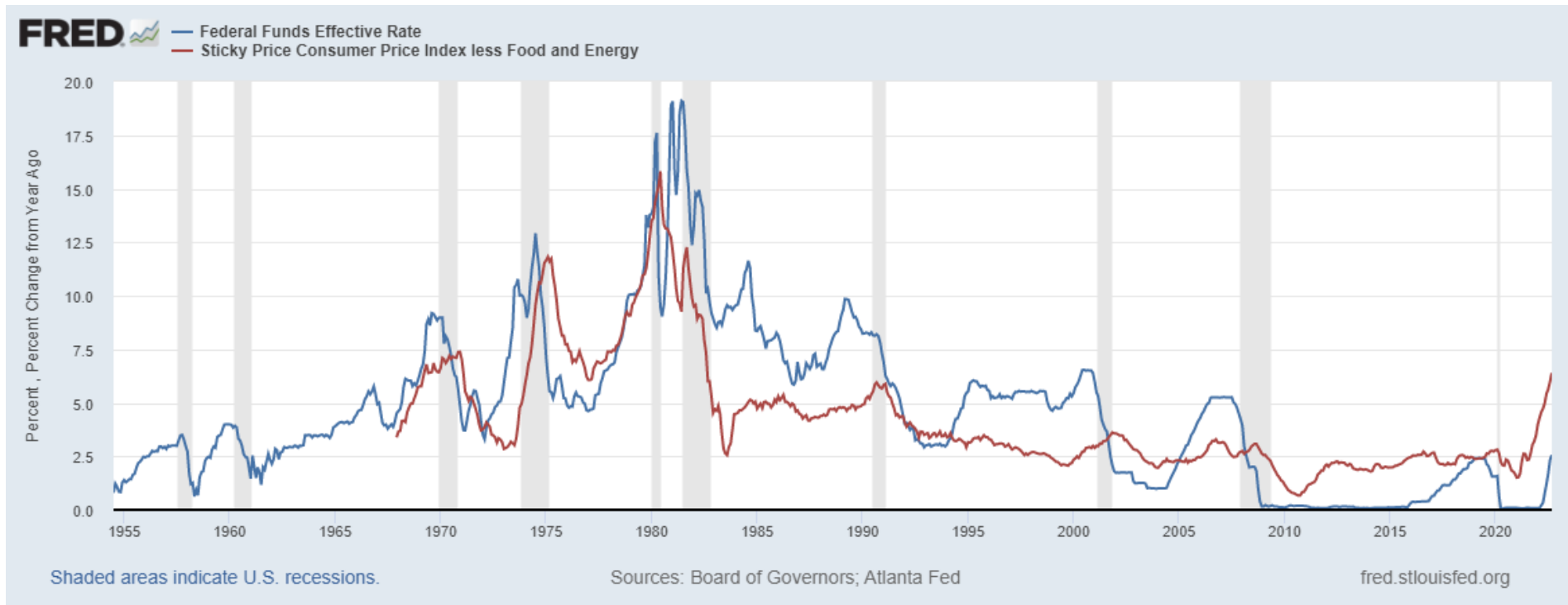
<https://www.des.nh.gov/sites/g/files/ehbemt341/files/documents/2020-01/mhi-table.pdf>

Where Are We Headed?

- EIA predicts that most winter heating fuels will increase in cost, particularly with OPEC slowing production of oil, and while decrease costs are expected in 2023, rates will still likely be higher than pre-2020.
- Although the cost of materials for home building is likely to decrease as supply chain issues ease, home loan interest rates will likely continue to mirror federal interest rates.
- Inflation will likely continue to impact other costs as well, according to economic models.

Interest Rates Likely to Continue to Rise

- The Federal Reserve may need to push its benchmark policy rate above 4.75% if underlying inflation does not stop rising, Minneapolis Federal Reserve Bank President Neel Kashkari said on Tuesday, October 18.



Rents Likely to Continue to Increase

RealPage® Releases 2022 Market-Rate Apartment Affordability Report

The new report shows that market-rate apartment renters signing leases so far in 2022 are spending only 23.2% of income toward rent, up modestly from pre-pandemic norms, but still well below the traditional affordability ceiling of 33%.

By RealPage News | July 18, 2022

PROPUBLICA

On a summer day last year, a group of real estate tech executives gathered at a conference hall in Nashville to boast about one of their company's signature products: software that uses a mysterious algorithm to help landlords push the highest possible rents on tenants.

"Never before have we seen these numbers," said Jay Parsons, a vice president of RealPage, as conventiongoers wandered by. Apartment rents had recently shot up by as much as 14.5%, he said in a video touting the company's services. Turning to his colleague, Parsons asked: What role had the software played?

"I think it's driving it, quite honestly," answered Andrew Bowen, another RealPage executive. "As a property manager, very few of us would be willing to actually raise rents double digits within a single month by doing it manually."

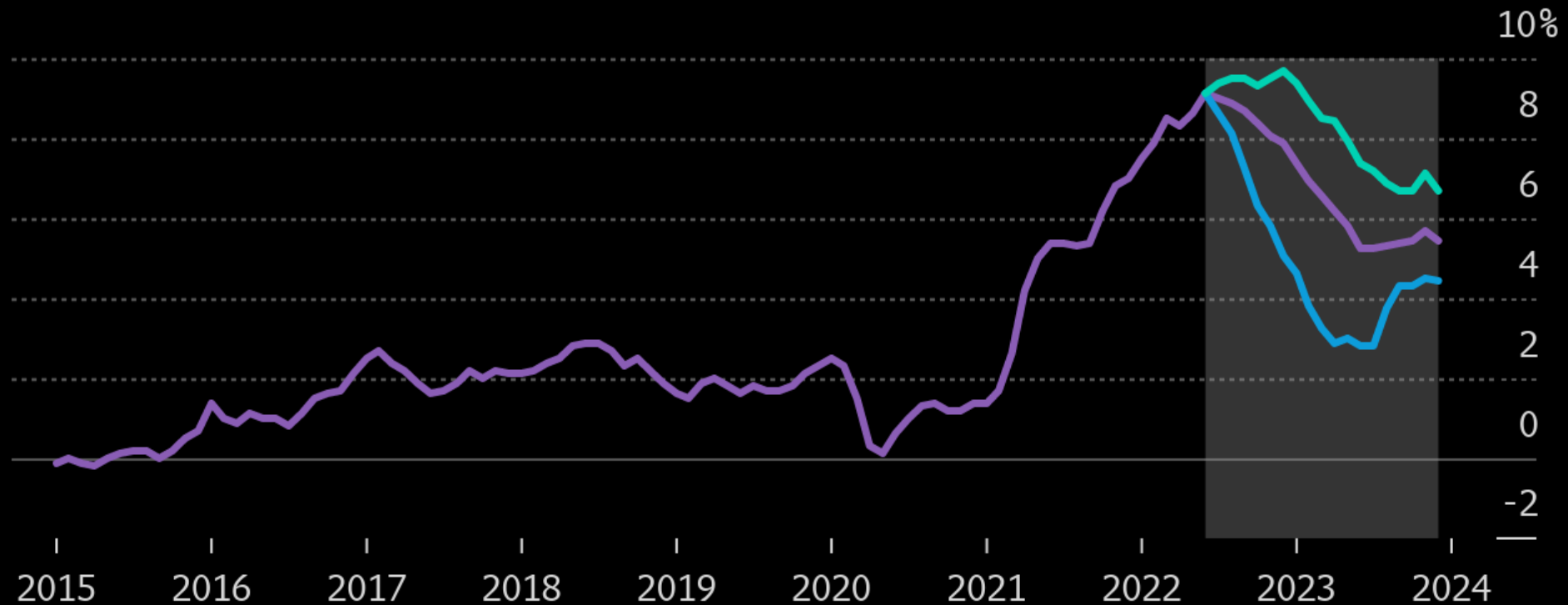
 PROPUBLICA

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US Inflation to Stay Well Above Fed's Target

Model assigns zero probability to a drop below 4% in 2023

— Inflation rate and mean forecast — 95% credible interval lower bound
— 95% credible interval upper bound



Source: Bureau of Labor Statistics, Bloomberg Economics

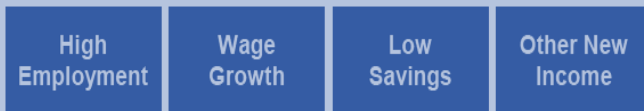
Bloomberg

SUMMARY- Inflation measures price increases AND Inflation is also a measure of purchasing power...

Inflation increases the short- and long-term costs.

Prices often rise when demand increases faster than supply or it gets more expensive to produce goods and services.

Demand-Side Forces

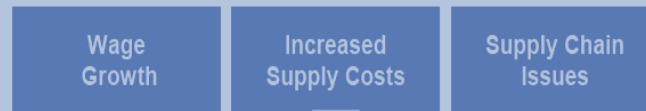


Increases Demand for Goods & Services



Increases Prices

Supply- and Production-Side Forces



Increases Production Costs

and/or

Constrains Supply



Increases Prices

State and local spending decisions could potentially contribute to rising costs in specific areas or industries. For example, NH plans to spend billions on capital projects and infrastructure needs over the next 5 years due to a large state surplus and federal relief dollars. These historic investments could increase competition for construction services and drive up prices and slow supply chain.



BUDGET

Budget Specific Considerations

Presented by: Katherine Heck
Government Finance Advisor, NHMA



Synopsis

- Inflation, which measures price increases and purchasing power continues to climb as demand outstrips supply or when production costs rise.
- Inflation increases operating costs at every level of government – including employee wages, borrowing costs, and long-term pension liabilities.
- The recent jump in inflation stems from a potent mix of overlapping factors – including increased consumer demand, supply chain issues, higher wages, and federal policy.
- Local governments, which depend primarily on property tax in NH, can't keep up with inflation at the same rate as compared to our municipal counter-parts in states with additional revenue streams such as sales and income tax and local option taxes.

KEY CONCEPT

Government budgets are countercyclical:

- ❖ Demand for public services often increases when the economy slows.
- ❖ Inflation can cause a decline consumer spending resulting in decreased revenue, including tax revenue.

BASELINE 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.

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 al of the above.

KEY CONCEPT- FORECASTING Revenue, Expenditures and Cash Flow

Historical and current data should be analyzed for trends and used in revenue forecasting.

Especially important when there is uncertainty about future revenues and expenses.

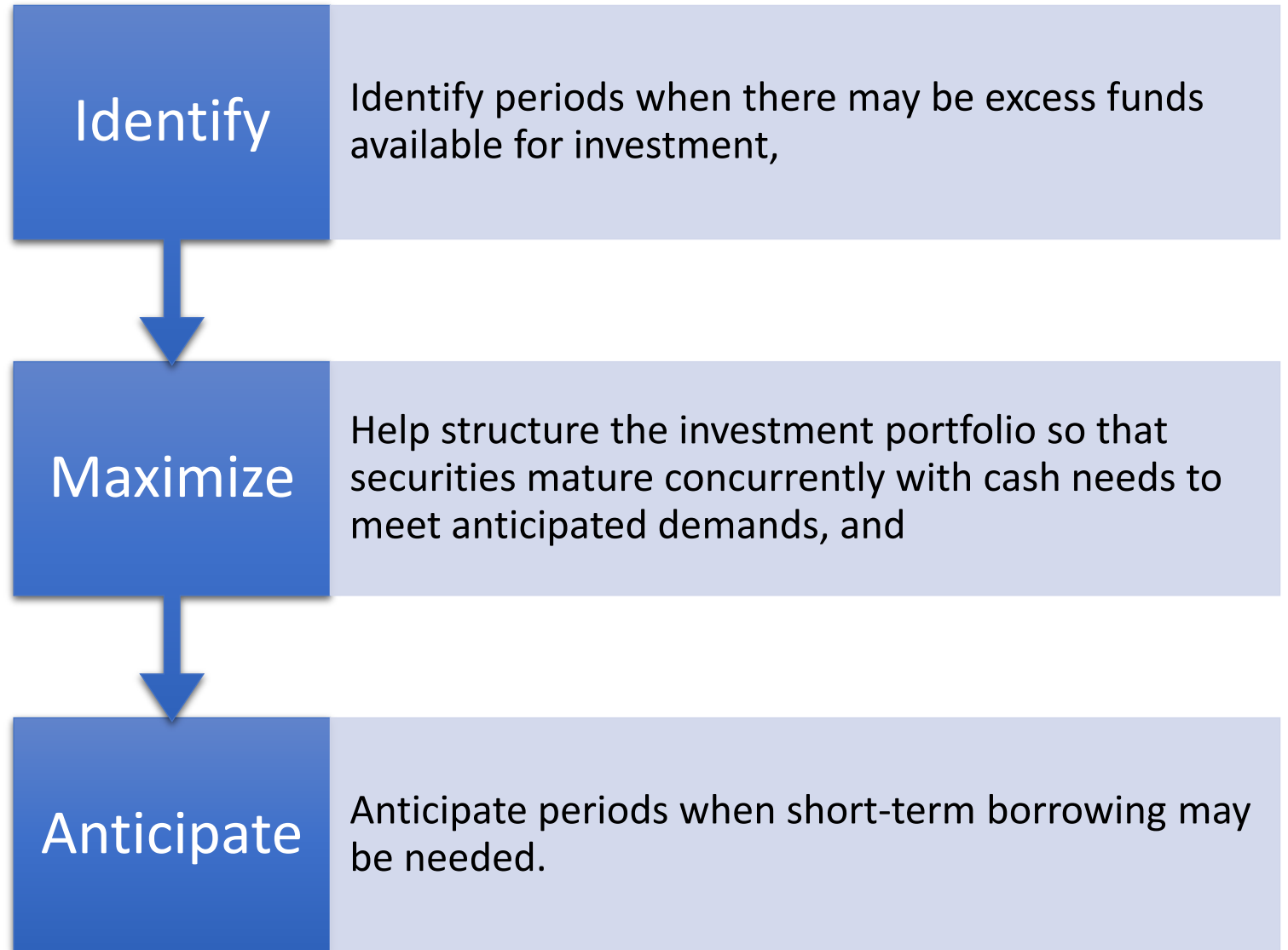
Compile 3 to 5 years of data

Use conservative revenues estimates.

Conduct an ongoing cash flow analysis to ensure sufficient cash liquidity to meet disbursement requirements and limit idle cash.

Cashflow Analysis

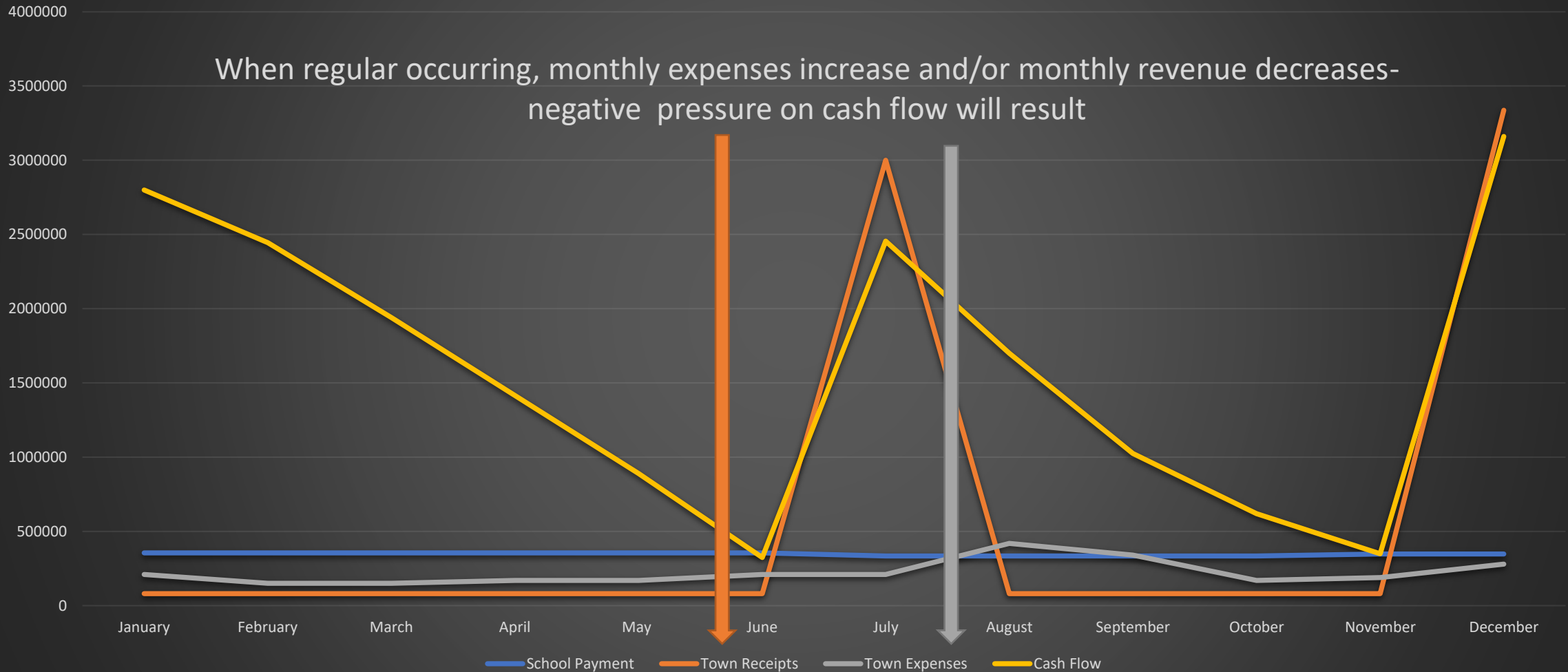
- ✓ Estimate available cash deposits, expected inflows, and required disbursements during a given period so they can ensure sufficient liquidity.
- ✓ Common inflows include tax receipts, bond proceeds, utility payments, grants, other revenue from fees and penalties, and maturities of all securities held in investments that will mature during the forecast time frame.
- ✓ Outflows represent anticipated payments such as debt service, employee payroll or benefits, and payments to vendors for goods and services anticipated during the forecast time frame.



CASH FLOW ANALYSIS

Typical Municipal Cash Flow Cycle

When regular occurring, monthly expenses increase and/or monthly revenue decreases- negative pressure on cash flow will result



REVENUE ANAYSIS AND FORECAST

Inflation reduces the value of revenue collections, which makes it harder to budget. Typically, governments build budgets around projections of future revenue. When inflation grows 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;

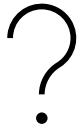
Provides warning about potential imbalances in the government's financial future;

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

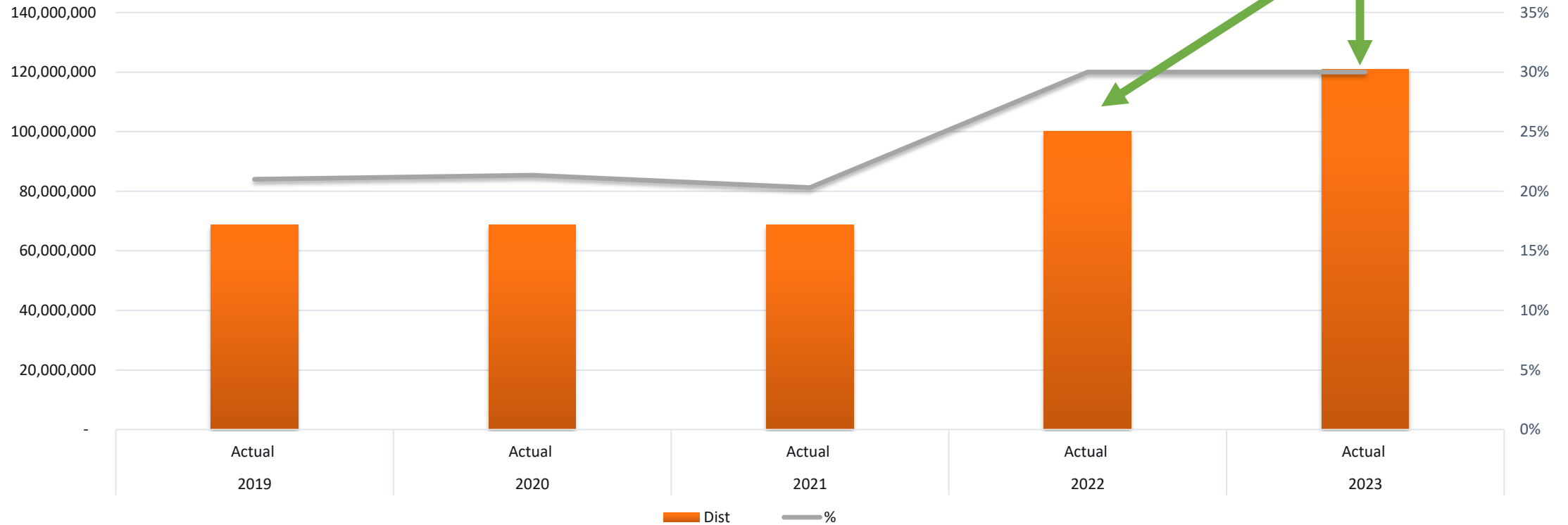


Municipal Revenue

- 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

M&R Distribution- 5 Year Trend

New Distribution Formula



REVENUE ESTIMATES

Meals and Rooms Revenue Sharing

Department of Administrative Services
Accounting Services | Monthly Revenue FOCUS

- In a State Budget Year, State Aid to Municipalities will not be determined until the close of the 2023 legislative session in June 2023.
- Currently, Meals and Rooms revenue continues to come in above Plan (July-September) and is equal to the prior year.
- Due to inflation if the costs of meals and rooms increase the amount of tax will increase if the hospitality, travel and tourism economy in NH remains strong.

https://www.das.nh.gov/accounting/revenue_reports.aspx

New Hampshire Retirement System & Salaries

POLITICAL SUBDIVISION EMPLOYER CONTRIBUTION RATE FYs 2022-25			
			New Rates
	Current Rates	7/1/21-6/30/23 Employer Contribution Rate	7 /1/23-6/30/25 Employer Contribution Rate
GROUP I			
Employees	11.17 %	14.06 %	13.53%
Teachers	17.80 %	21.02 %	19.64%
GROUP II			
Police	28.43 %	33.88 %	31.28%
Fire	30.09 %	32.99 %	30.35%



➤ Employer contribution rates for the four membership classifications – Employee, Teacher, Police, and Fire – will decrease from the current rates over the next 2 years.



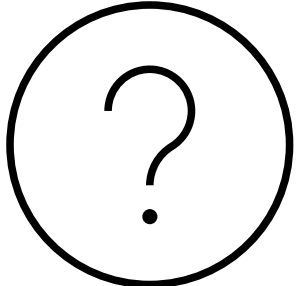
➤ However, local officials will need to navigate through inflationary pressures to calibrate the relationship between salary & wage and pension increases as employee retention is critical.

“The rate decrease is primarily the result of strong investment performance over the five-year period ending June 30, 2021”.-
NHRS

https://www.nhrs.org/docs/default-source/employer-contributorates/2024_2025_contribution_rates_psub.pdf



MUNICIPAL REVENUE ESTIMATES



Are actual revenues tracking equal to or above estimates in the current budget cycle?

- ✓ What is the tax collection rate compared to prior years?
- ✓ What percentage of tax-payers are self-pay vs. escrow?
- ✓ What is the tax and utility delinquency rate compared to prior years?
- ✓ Are you receiving an increased number of foreclosure notices?
- ✓ Are you receiving an unusually high number of abatement applications?
- ✓ Have home sales slowed in your municipality or district?
- ✓ Is motor vehicle registration revenue tracking at or above plan?
- ✓ When was the last time fees were reviewed across all departments to align with cost recovery goals?

KEY CONCEPT- 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.

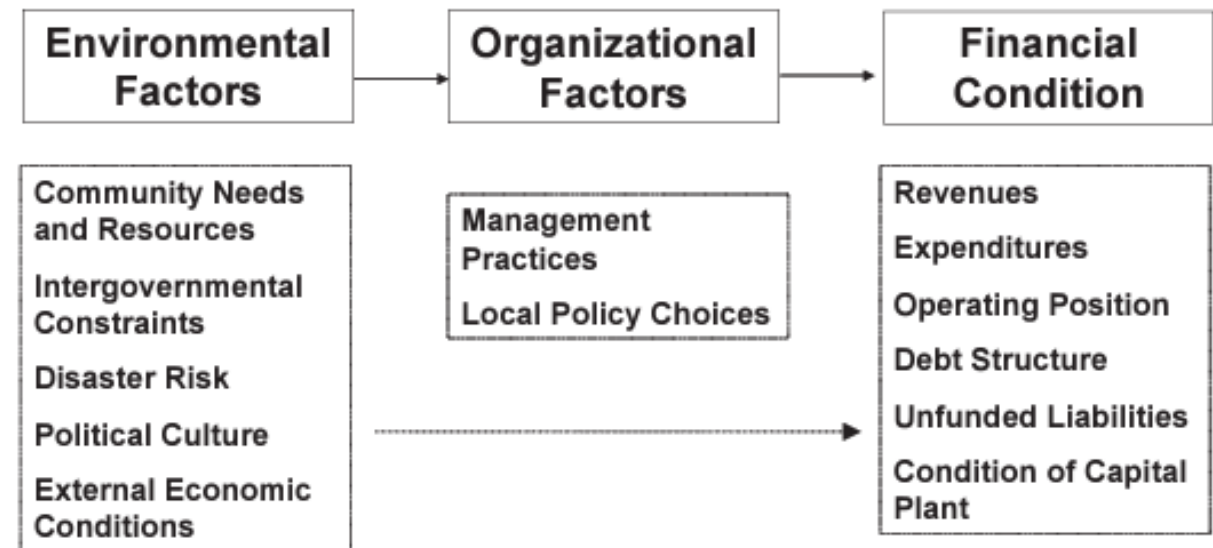


Local governments and School Districts can take a comprehensive approach that focuses on both external and internal fiscal indicators that are easy to measure, evaluate and understand.



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.

[NH Community Profiles](#)



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.

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

Operations costs and Financial History

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
Total	\$48.35

Include both direct and indirect costs associated with Projects, Services and Programs

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.

Expenditures- Ranking Policy Priorities

Using a CIP Model

✓ **Establish a Priority Order:**

🎯 **Need vs Want**

- Required by law
- Public health & safety
- Improves productivity / services/ achievement
- Support Strategic plans, CIP Plans, goals, policies
- Reduces operating costs
- Improves obsolete facility
- Directly benefits local economic base
- Social, cultural, historic or aesthetic value

★ **Aggregate Need Ranking** - based on 'three pillars' of assessment:

📈 Equity

🏢 Facility Condition/Service Outcome

🔄 Capacity Utilization -Greater need = higher priority

📅 Option: to define a formal point system / score card

Scoring Scale

0	1	2	3
The project does not align with any progress indicators or strategies outlined in the strategic plan	The project aligns with one (1) progress indicator or strategy outlined in the strategic plan	The project aligns with two (2) progress indicators or strategies outlined in the strategic plan	The project aligns with three (3) progress indicators or strategies outlined in the strategic plan

DEBT CONSIDERATIONS

Federal policymakers have responded to inflation by raising interest rates, making debt more expensive-affecting local governments.

NHMBB LOAN RATE HISTORY - True Interest Rates													
N-GTD	7/13/2022	2/10/2022	8/11/2021	8/11/2021	5/27/2021	2/11/2021	8/12/2020	8/12/2020	1/8/2020	7/10/2019	2/13/2019	5/22/2018	1/10/2018
	<u>22C</u>	<u>22A</u>	<u>21D</u>	<u>21C</u>	<u>21B</u>	<u>21A</u>	<u>20C</u>	<u>20B</u>	<u>20A</u>	<u>19B</u>	<u>19A</u>	<u>18B</u>	<u>18A</u>
	-	-	Taxable	-	-	-	-	-	-	-	-	-	-
Issue Amt	<u>125.055M</u>	<u>54.61M</u>	<u>10.32M</u>	<u>117.155M</u>	<u>30.42M</u>	<u>34.16M</u>	<u>7.827M</u>	<u>85.615M</u>	<u>38M</u>	<u>9.710M</u>	<u>18.585M</u>	<u>55.475M</u>	<u>11.880M</u>
5	2.36%	1.26%	N/A	0.75%	N/A	0.74%	N/A	0.57%	N/A	1.49%	2.07%	2.22%	2.00%
10	2.64%	1.41%	1.85%	0.96%	0.91%	0.81%	N/A	0.86%	1.47%	1.62%	2.22%	2.57%	2.16%
15	3.10%	N/A	N/A	1.49%	1.48%	1.32%	N/A	1.37%	1.83%	2.13%	2.70%	2.93%	N/A
20	3.38%	2.09%	2.35%	1.74%	1.78%	1.58%	2.04%	1.67%	2.15%	2.60%	3.05%	3.24%	2.86%
25	3.66%	2.34%	N/A	2.01%	N/A	1.76%	N/A	1.97%	N/A	2.70%	N/A	3.55%	N/A
30	3.81%	2.36%	N/A	1.98%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Bond issues and lease/lease purchase agreements will result in cost increases in current and future budgets as rates increase for borrowing compounding the increase in contract services, materials, goods and equipment.

[Weigh against the future cost of deferment.](#)

INVESTMENT REVIEW

Maximize Investments the Rising Interest Rate Environment

Primary objectives of investment activities should be safety, liquidity and yield—in that order!

Review:

- ✓ investment objectives;
- ✓ funds included under the policy;
- ✓ standard of care;
- ✓ authorized investments;
- ✓ diversification and maturity guidelines;
- ✓ collateral requirements;
- ✓ financial institutions authorized to hold deposits/investments; documented deposit/investment internal control procedures; reporting requirements;
- ✓ procedures for annual review and adoption by the governing body.

Governing Statute

RSA 41:9 for Selectmen and RSA 47:6 for City Council or Board of Aldermen
RSA 197:23-a, IV for School Board

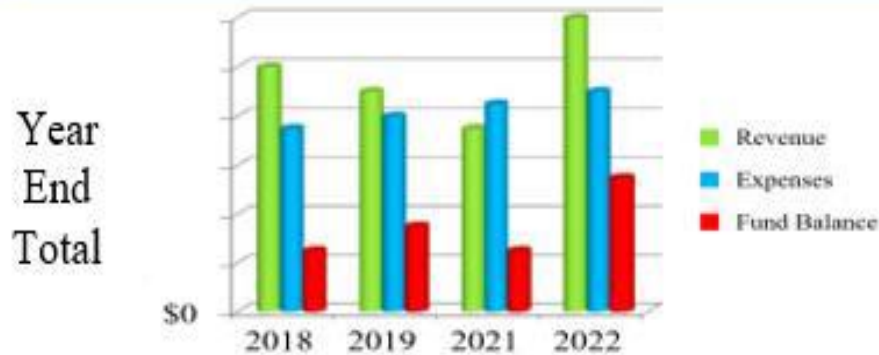
“Whenever the treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the treasurer shall invest the same in accordance with the investment policy adopted by the selectmen/mayor and aldermen/city council...”

“...shall, with the approval of the school board invest the same...”

“...annually review and adopt an investment policy for the investment of public funds in conformance with applicable statutes and shall advise the treasurer of such policies.”

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.

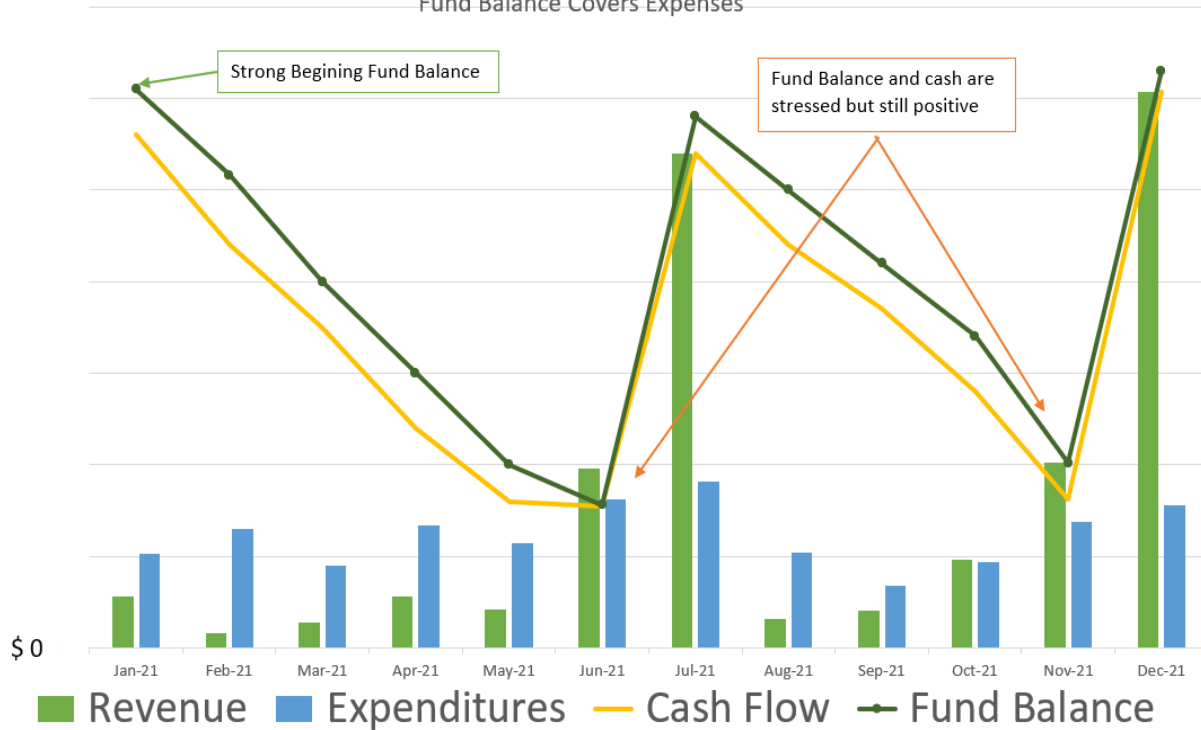
When cash flow is under stress, a municipality may issue short term debt to cover the gap, requiring an interest cost to maintain steady operations and introducing risk.

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

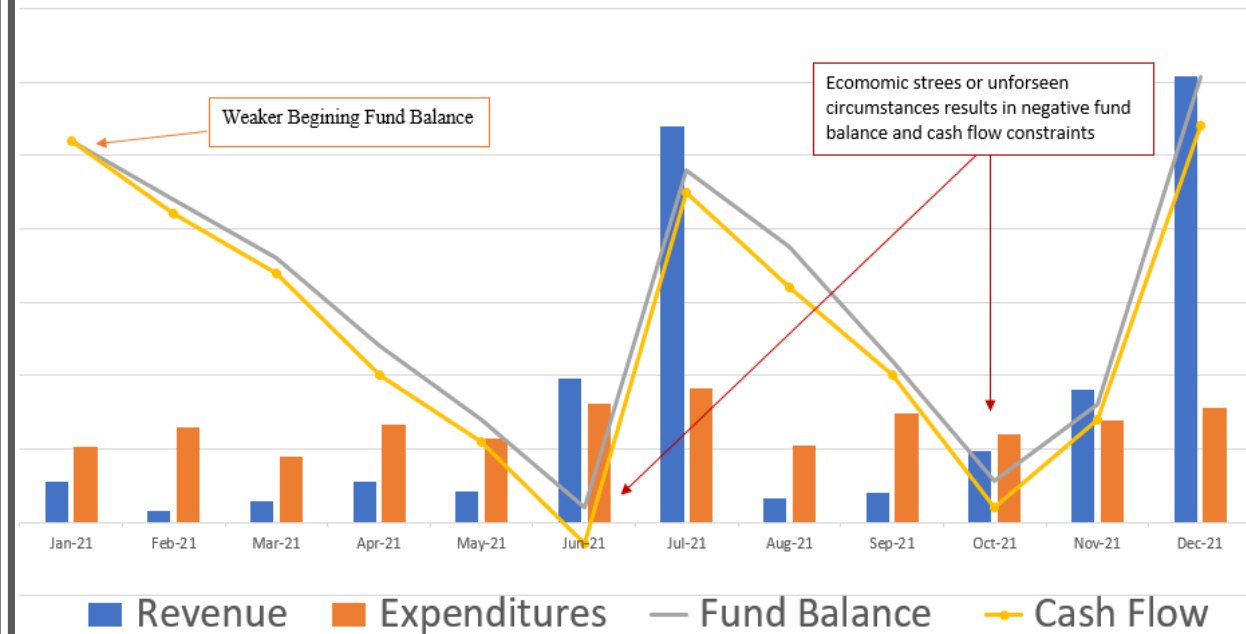
A strong fund balance will allow the municipality to meet cash flow needs, complete scheduled projects, and provide a contingency in the case of an emergency or disruption in revenues.

FUND BALANCE TARGETS

Healthy Municipal Budget Cycle-
Fund Balance Covers Expenses



Strained Municipal Budget Cycle-
Expenditures Exceed Fund Balance





Homeowners at Risk for Losing Their Home: What You Should Know About the NH Homeowner Assistance Fund Webinar

12:00 noon - 1:00 pm, Wednesday, November 9, 2022. Join Marianne Voisine, NH HAF Program Manager at New Hampshire Housing, to learn more about this financial assistance program and how it can help struggling homeowners in your town or city.

REGISTRATION OPEN!

[REGISTRATION OPEN!](#)

NHMA's 81st Annual Conference and Exhibition

Registration Now Open for NHMA's 81st
Annual Conference and Exhibition

Our theme is "*Getting Used to Different.*" This year's conference will be held as a live, in person event in Manchester both days with simultaneous live-streaming for virtual attendees. *Please join us In November!*


[Learn More Here!](#)



November 16-17, 2022

DoubleTree by Hilton Manchester Downtown Hotel

[REGISTRATION OPEN!](#)

A hand holding a green highlighter is positioned over a document. A pen tip is pointing at a table with columns of numbers. The background is a blurred document with text and numbers.

Developing and Adopting Effective Financial Policies: Where to Start? Webinar

12:00 noon - 1:00 pm, Tuesday, December 1, 2022. Join NHMA's Katherine Heck as she explores internal controls, operations, fund balance, revenues, expenditures, investments, debt and CI planning and how these policies fit into the goals of your city or town.

REGISTRATION OPEN!

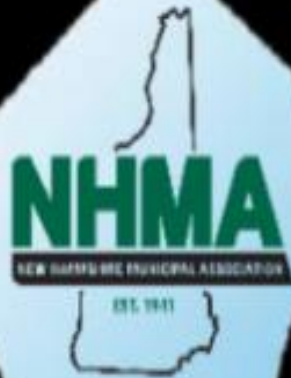
[REGISTRATION OPEN!](#)

MEMBERSHIP


Getting to Know NHMA's Membership Benefits Webinar

12:00 noon – 1:00 pm, Wednesday, December 7, 2022. Join NHMA's Margaret Byrnes and Timothy Fortier as they give a full walk-through of all the membership benefits, including access to a treasure-trove of free resources, available to you as full and associate members.

REGISTRATION OPEN!



[REGISTRATION OPEN!](#)



Default Budgets & How They Work Webinar

12:00 noon - 1:30 pm, Wednesday, December 14, 2022. Join the experts from the New Hampshire School Boards Association and NHMA as they explain the fundamentals of default budgets: what they are, how they're calculated, and more.

[REGISTER NOW!](#)

[REGISTRATION OPEN!](#)

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Questions?

Thank you

