



TOWN OF EXETER
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TO: SELECT BOARD MEMBERS AND RUSS DEAN, TOWN MANAGER
FROM: DOREEN RAVELL, FINANCE DIRECTOR
SUBJECT: BUDGET VS ACTUAL RESULTS (UNAUDITED) AS OF 06/30/16 & 06/30/15
DATE: JULY 25, 2016

Second Quarter 2016 vs. 2015 Budget vs Actual Analysis

General Fund Budget vs. Actual Revenues and Expenses

General Fund Revenues

For the quarter ended, June 30, 2016, (“current year”) General Fund (“GF”) actual revenues are \$ 9.9M versus \$9.7M as of June 30, 2015 (“prior year”). General fund revenues have increased for the current year by \$ 224K or 2% over the prior year. Revenue increases are due to the first half property tax billing and allocation of taxes to the Town (not final until NHDRA tax rate setting November 2016), less property tax abatements and increased collection of interest and penalties on property taxes which amounts to a net increase of \$ 412K in property taxes. Motor Vehicle Revenues have increased by \$ 110K, Other Permits and Fees have increased by \$ 6K, Highway Block Grant increased by \$ 16K, Income from Departments is up by \$ 62K, and Sale of Town Property is up by \$ 6K. These increases are off-set by decreases in HealthTrust refunds of \$ 202K received in the first quarter of 2015, but not anticipated in 2016. Building Permits and Fees and revenue transfers-in have decreased by \$ 135K and \$58K, respectively, over the prior year.

General Fund Expenditures

Overall General Fund expenditures have decreased by \$ 205K or 2% compared to the prior year. Current year GF expenditures are \$ 8.4M or 48% spent against budget compared to \$8.5M or 50% spent in the prior year. Items of note as of June 30, 2016 are as follows:

- **General Government Group Expenses** (BOS, TM, HR, Legal, TC, EL, and MO) have increased by \$ 37K or 10% over the prior year. The biggest driver of increases is related to Town Clerk and Elections Departments’ expenses that are higher due to more elections and election preparation in the current year versus the prior year. Other contributions to the increase are budgeted wages, benefits and taxes for union and non-union employees.
- **Finance Group Expenses** (Finance, Tax, Assessing and IT) have increased by \$23K or 7% over the prior year. Increases are related to wage and benefit increases in all departments that total \$13K, a \$ 6K timing difference in IT contract and a \$ 7.5K timing for audit expenses and increases of \$ 6.5K in the Tax Department in legal, postage and supplies

- **Planning and Building Inspection Departments** show decreased expenses of \$ 17K or 8% for the second quarter of 2016. A \$17K decrease is directly attributable to the vacancy of the Planning Director for the first 2 months in the first quarter of 2016 and a \$12K decrease for dues, because of timing of payments over the prior year. Decreases are offset by increases for budgeted wage and benefit increases of \$ 12K in the Building Inspection Department.
- **Police Department** expenditures have decreased by \$ 13K or 1% for the second quarter of the current year. Police Administration Division wages and benefits have decreased by \$9.6K due to the retirement of the Police Chief in the first quarter. Decreases in this division are offset by slight increases of \$ 1.3K in G&A expenses. The Police Staff Division's expenses are down by \$ 42K which is directly related to staff vacancies of \$ 42K offset by an increase in Prosecutor's services of \$ 2K and net increases in G&A expenses. The Patrol Division's expenses have increased by \$ 25K over the prior year which is mostly due to contracted wage and benefits increases of \$19K and increases of \$6K in G&A expenses. Police Communication expenses have increased by \$ 11K of which \$ 10K is directly related to contracted wage and benefit increases.
- **Fire Department** expenses have increased by \$65.5K or 4% over the prior year. Increases are due to Fire Suppression overtime of \$18.5K which is related to more call volume this year versus last year. Contracted and budgeted wage and benefits increases of \$6.6K also contribute to the increase in Suppression expenses for 2016. Wages and benefits in Fire Administration have decreased by \$5K due to retirement of an Assistant Fire Chief last June 2015.
- **Public Works Department** expenses have decreased by \$ 228K or 15% and are mostly due to a decrease in the snow/ice budget of \$281K and \$ 15K savings in the street lights account due to lower electric rates. These decreases are offset by increases in Administration and Engineering of \$ 13.8K due to increased wages and benefits and G&A expenses, Highway has increased by \$ 30K and is mostly due to timing of road paving that occurred in the second quarter of 2016 versus the third quarter of 2015, Solid Waste has increased by \$23.5K this quarter due to the timing of landfill monitoring expenses and electronic waste disposal and construction debris disposal costs.
- **Public Works Maintenance Department** (including Town Building, Structures and Garage) had a slight increase of \$ 1K. Increases in contracted wages, benefits, maintenance projects and other G&A expenses were largely offset by decreased utility costs described below.

- **Utilities Expense**
 - **Natural Gas** expenditures within the general fund have decreased by \$ 3.6K or 7% from the prior year 2015. Total natural gas expenditures for the Town (including water and sewer departments) have decreased by \$2.7K or 3% over the prior year. Total natural gas expenditures are \$78.7 K in 2016 versus \$ 81.4K in the prior period.
- **Electricity** costs have decreased by \$40K or 28% in the general fund. Town-wide electricity including water and sewer departments experienced a \$ 54K or 17% decrease over the prior year. Year-to-date town-wide electricity costs expended are \$271K in 2016 versus \$ 325K in the prior year. Most departments realized a large decrease in electricity costs which nets to \$ 88K in savings. These savings are offset by higher than prior year electric costs in the Water Distribution and Sewer Treatment Departments which had increases of \$ 5.8K and \$27.8K, respectively.
- **Fuel** costs have decreased by \$ 22K or 25% over the prior year due to lower fuel contract rates. The 2016 fuel budget is expended by \$ 67K versus the prior period expended by \$89K.
- **General Fund Net Income** is \$ 1.5M vs \$ 1.1M as of June 2016 has increased by \$ 428K or 28% from the prior year. All of the factors affecting net income are described above in the revenue and expense sections.

Water Fund Budget vs. Actual Revenue and Expenditures

Water Fund Revenues

- Water Fund (“WF”) revenues for the current year increased by \$ 111K or 10% over the prior year. The increase is due to a combination of increases in water consumption and increased water rates in April 2016. Water consumption charges, were up by \$100K, water service charges increased by \$3K, water impact fees and water assessment fees increased by \$14K and \$ 6K respectively and there was a slight net increase in miscellaneous revenues of \$3K.. These increases were offset by a decrease in state grant revenue of \$ 14K for a water asset management grant received in the prior year.

Water Fund Expenses

- Water Fund expenses have decreased by \$ 70K or 5% versus the prior year. Below is a breakdown of expense increases and decreases by division within the Water Department.
- **Water Administration** expenses have decreased by \$33K or 13% below the prior year. Decreases are mostly due to a drop in legal expense of \$ 41K offset by an \$11K increase in property taxes and other net increases and decreases G&A expense.
- **Water Billing & Collection** expenses have increased over the prior year by \$12K or 19%. Increases are related to a \$ 6K increase in budgeted wages, benefits and taxes, a \$4K increase in audit fees due to timing of payments and a \$ 2K increase in phone utilization

- **Water Distribution** expenses have increased by \$9K or 3% over the prior year due to increases in contracted maintenance for the water tank of \$29K, an \$ 8K increase in natural gas and electric offset by a \$ 10K decrease in overtime wages, a \$14K decrease in system maintenance and various other G&A expense decreases of \$4K.
- **Water Treatment** expenses have decreased by \$ 79K or 21% below the prior year. Decreases are mainly due to lower cost of chemical purchases by \$52K, lower electricity costs of \$35K which are offset by an increase in equipment maintenance of \$5K, software of \$ 2K and contracted wages, taxes and benefits of \$1K and other miscellaneous G&A expense increases. .
- **Water Debt Service** expenses have decreased by \$ 15K or 3% due to the declining interest amortization of second year bond interest payments for waterline projects on Lincoln & Main Streets and the Water Meter Project. Total debt service expense as of June 2016 versus last year is \$430K versus \$ 445K, respectively.
- **Water Capital Outlay** has increased by \$ 28K over the prior year due to timing of WTP maintenance.
- **Water Appropriations from Reserves** has been used to fund the current Water & Sewer Rate Study with a cost split of 50% Water and 50% Sewer in the amount of \$ 6,250 for each fund.

Water Fund Net Income/ (Deficit)

- Water Fund Net Income for the current year has increased by \$180K or 52% from the prior year. All of the factors affecting net income are described above in the revenue and expense sections above.

Sewer Fund Budget vs. Actual Revenues and Expenditures

Sewer Fund Revenues

- Sewer Fund (“SF”) revenues for the current year have increased by \$22K or 2% over the prior year. Revenue increases are due to the receipt of \$ 7K more in state grants from PTAP and Wastewater Grants, increases in sewer impact fees of \$ 27K, sewer assessment fees of \$ 7K offset by decreases in sewer usage fees of \$ 17K and industrial pre-treat fees of \$2K.

Sewer Fund Expenses

- Sewer Fund expenses have decreased by \$29.8K or 2% over the prior year.
- **Sewer Administration** expenses have increased by \$3.6K or 2% in the current year. The increase is related to budgeted wage and benefits increases of \$ 5.7K and property insurance increases of \$ 6.9 offset by an \$7K decrease in consulting expenses, \$2K in education and training..
- **Sewer Billing & Collection** expenses have increased by \$ 9.6K or 16% over the prior year. Increases are directly related to \$3K in budgeted increases in wages, benefits, taxes, a \$2K increase in phone utilization and timing of audit expense payments of \$4K.
- **Sewer Collection** expenses have decreased by \$41.5 or 15% which is mostly attributable to decreases of overtime wages by \$ 6K, pump control maintenance of \$ 21K, road repairs of \$2.4K, and electricity, natural gas and fuel of \$16.5K offset by increases in building maintenance of \$3.7K and other miscellaneous increase of .57K
- **Sewer Treatment** expenses have increased by \$7K or 3% and is mostly due to increases in electricity costs of \$ 27.8K, contracted wage and benefit increases of \$6K, SCADA software/hardware of \$2K, building maintenance of \$1.8K and industrial pre-treat costs of \$2.3K offset by decreases in equipment maintenance of \$ 23K, lab testing and chemicals of \$ 9K and pond and lagoon maintenance of .9K.
- **Sewer Fund Debt Service** has decreased by \$ 10.5K or 2% due to declining interest balances of older interest on debt and second year interest payments for sewer line projects on Lincoln & Main Streets.
- **Sewer Capital Outlay** has increased by \$ 2K or 4% and is mostly due to timing capital purchases in 2016 versus 2015.
- **Sewer Appropriations from Reserves** has been used to fund the current Water & Sewer Rate Study with a cost split of 50% Water and 50% Sewer in the amount of \$ 6,250 for each fund.

Sewer Fund Net Income/ (Deficit)

- Sewer Fund Net Deficit has decreased by \$ 51.8K or 14% versus the prior year. Current year net deficit is \$ 329.7K versus prior year net deficit of \$ 381.5K. All of the factors affecting net income are described above in the revenue and expense sections

Revolving Funds - Budget vs. Actual Revenues and Expenses

EMS Revolving Fund

- EMS Revolving Revenue has increased by \$126K or 206% over the prior year. The reason for the large swing in EMS revenue is the change to Comstar, a new third party ambulance billing company. It took a long time for Comstar to get all of the ambulance billing transitioned over from the previous third party biller, insurance companies and Medicare/Medicaid.
- Wages, taxes and benefits have increased by \$ 27K or 39% in the current year due to a \$1K increase in contracted wages and benefits of the fire dispatcher, a \$20K uptick in EMS overtime and corresponding increases in taxes and benefits of \$6K. Overtime has increased due to more ambulance call volume over the prior year.
- General Expenses have increased \$ 82.7K or 153% and is mainly due to the commencement of a new 3-year ambulance lease in 2016. The new ambulance lease differs in both years, (3 vs 5 yr.) and amount by \$ 47K from the prior ambulance lease. Other increases include \$10K for emergency medical supplies, \$9K in ambulance refunds, third party collection fees of \$ 4K, EMS capital outlay of \$4K, contracted training of \$3.6 and other miscellaneous increases of \$ 5K.
- Net income has increased by \$ 126K or 206%. Net deficit was \$61K in June 2015 versus net income of \$65K in June 2016. Increased net income is mostly attributable more revenue received from the 3rd party biller through June 2016 versus year to date June 2015.

Cable Television Revolving Fund (“CATV”)

- CATV revenue is \$38.5k in June 2016 versus \$36.7K in June 2015 which is \$ 1.8K or 4.9% higher than the prior year.
- Wages and benefits in the current year are lower by \$ 9.8K or 30% due to the departure of a part-time, 29 hour per week CATV employee earning more hourly than current staff.
- General expenses are slightly higher by \$1K or 5% and is due to a slight increase in the E-Channel Assessment in the current year.
- Net Deficit has decreased by \$10K or 48% over the prior year from \$21K to \$11K.

Recreation Revolving Fund (“RR”)

- Recreation Revolving Fund Revenues have increased by \$63K or 23 % over the prior year. The revenue increase is due to greater Program Revenue of \$ 45K, Swimming Revenue of \$ 4.5K, revenue transfers in of \$ 8K from recreation impact fees, a new Sponsorship Revenue category of \$ 6.1K, Trips Program of \$3.5K and other net decreases of \$4.1. Program revenue increased due to expansion of the number of registrants permitted to the Teen Camp Program and slightly increased fees for other camp/swim programs. Contributors to sponsorship revenue are: Convenient MD, Sweetheart Dance, Granite State Track, Lacrosse and Flag Football.
- Wages, taxes and benefits have increased slightly over the prior year by \$4K or 14% due to wage increases given to seasonal staff. Increases to wages are offset by raising program and swimming fees. General expenses have decreased by \$ 3.7K or 3% over the prior year. Increases in Capital Outlay of \$ 30K over the prior year are offset by lower program expenses of \$25K. Other expenses making up the decrease are conferences and meals of \$ 1.5K which is timing and other net decreases of \$.5K.
- Net income has increased by \$62.8K or 63% over the prior year from \$ 99K in the prior year to \$ 162K in the current year. Revenue increases is the main driver affecting the bottom line for the Recreation Revolving Fund.