



AGENDA
LEBANON CITY COUNCIL
WORK SESSION
TUESDAY, MAY 1, 2018
6:00PM – 8:00PM
COUNCIL CHAMBERS
CITY HALL, LEBANON

1. FINANCIAL OUTLOOK WITH LEN JARVI, FINANCE DIRECTOR

Any person with a disability who wishes to attend this public meeting and needs additional accommodations, please contact the ADA coordinator at City Hall by calling 448-4220 at least 72 hours in advance so that the City can make any necessary arrangements.

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MEMORANDUM

TO: MAYOR AND CITY COUNCIL

FROM: LEN 

DATE: APRIL 23, 2018

RE: OUTCOMES AND WORK PLAN -- FINANCIAL OUTLOOK AND CITY COUNCIL EXPECTATIONS FOR 2019

The City Manager's Proposed 2019 City Budget must be submitted to the City Council no later than October 31 as required by the City Charter. Direction for preparing the 2019 City Budget will be distributed to City departments and outside human service agencies and recreation organizations, Advance Transit and CATV in late June.

Expressed in terms of a Municipal Tax Rate objective or target, an upfront understanding of the City Council's expectations for the 2019 City Budget is an important facilitative measure. So much so that for several budget cycles a special effort has been incorporated into the budget process to project where the Municipal Tax Rate, and its fiscal companion Spendable Fund Balance, may be trending two-years beyond the immediate subsequent budget year.

The difference between last year's (2018 – 2020) and this year's (2019 – 2021) projections is factoring in two years (2020 and 2021) instead of one year (2020) of the estimated debt service surge discussed in the 2018 City Budget (see below).

Considering the future with any semblance of accuracy is inherently difficult as there are many and varying uncertainties. Things change, priorities shift, unforeseen events happen – and so on. Some assumptions and things considered were:

FINANCIAL OUTLOOK 2019 – 2021,

- Neither additional personnel, the reclassification of personnel, expansion of existing services, activities or programs, or new initiatives were contemplated. This was a desk top exercise with no department input.
- Provision continues to be made in all three years of the analysis (2019 – 2021) to actively pursue alternatives to previously authorized but unissued debt issuances; funding of Capital Reserve Funds is incrementally increased over the three-year period; debt management

policy restrictions are introduced on debt issuances to circumstances of \$200,000 - \$250,000 or greater. The plan is to discuss this with the City Council sooner than later. The implication of the latter requires funding, whether through an increase in Capital Reserve Fund activity (not likely) or direct capital improvement fund transfers from operating funds (more likely). In either instance, the tax rate impact is contemporaneous.

- A Fund Balance Policy will be presented to the City Council suggesting a revised maintenance range upward to 19.0% and 24.0% (from 15.0% and 17.0%) of gross current General Fund budgeted expenditures. The result is consistent with New Hampshire Department of Revenue Administration recommended retention levels. The adjustment is overdue.
- It is assumed the City's net assessed valuation (on which the Municipal Tax Rate is calculated) will increase by 0.50% in 2018 - 2021, the same as 2017. Growth of less than 0.50% will exert upward pressure on the tax rate; conversely, growth of more than 0.50% will exert downward pressure on the tax rate. (Alternative growth scenarios are provided of 0.00% and 1.00% growth for 2019 – 2021.)
- The 2018 City Budget has 183.20 full-time equivalent positions of which 121.00 (66.1%) are represented by one of four unions whose labor agreements with the City expire December 31, 2018. Cost impacts related to negotiated settlements have obviously not been taken into consideration.

For 2019, the Financial Outlook suggests a \$11.30 estimated Municipal Tax Rate -- a \$0.33 or 3.0% increase from the estimated 2018 rate; the result is a Spendable Fund Balance of \$11,150,000 or 34.9% of General Fund budget expenditures.

- The estimated municipal tax bill (not including school and county components) based on a property assessed for tax purposes for \$250,000 is \$2,830 -- an increase of \$90 from the estimated 2018 bill.

For 2020, the Financial Outlook suggests a \$11.64 estimated Municipal Tax Rate -- a \$0.34 or 3.0% increase from the estimated 2019 rate; the result is a Spendable Fund Balance of \$9,880,000 or 28.9% of General Fund budget expenditures.

- The estimated municipal tax bill (not including school and county components) based on a property assessed for tax purposes for \$250,000 is \$2,910 -- an increase of \$80 from the estimated 2018 bill.

For 2021, the Financial Outlook suggests a \$11.99 estimated Municipal Tax Rate -- a \$0.35 or 3.0% increase from the estimated 2020 rate; the result is a Spendable Fund Balance of \$7,580,000 or 21.1% of General Fund budget expenditures.

- The estimated municipal tax bill (not including school and county components) based on a property assessed for tax purposes for \$250,000 is \$3,000 -- an increase of \$90 from the estimated 2018 bill.

Year	Municipal Tax Rate			\$ Chg. v. Prior Year			% Chg. v. Prior Year			Spensible Fund Balance			% of Budgeted Expenditures		
	0.00%	0.50%	1.00%	0.00%	0.50%	1.00%	0.00%	0.50%	1.00%	0.00%	0.50%	1.00%	0.00%	0.50%	1.00%
2018	-	\$10.97	-	-	\$0.27	-	-	2.5%	-	-	\$11,090,000	-	-	36.1%	-
2019	\$11.36	\$11.30	\$11.24	\$0.39	\$0.33	\$0.27	3.5%	3.0%	2.5%	\$10,940,000	\$11,150,000	\$11,350,000	34.2%	34.9%	35.5%
2020	\$11.76	\$11.64	\$11.52	\$0.40	\$0.34	\$0.28	3.5%	3.0%	2.5%	\$9,570,000	\$9,880,000	\$10,180,000	28.0%	28.9%	29.8%
2021	\$12.18	\$11.99	\$11.81	\$0.42	\$0.35	\$0.03	3.5%	3.0%	2.5%	\$7,170,000	\$7,580,000	\$8,000,000	20.0%	21.1%	22.2%

The following analysis is based on a 0.50% growth in net assessed valuation for 2019 to 2021. Other projection scenarios summarized in the table immediately above assume 0.00% growth and 1.00% growth.

	2017	2018	2019	Chg. v '18	2020	Chg. v '19	2021	Chg. v '20
Personnel Services	\$17,596,880	\$17,964,950	\$18,773,373	4.5%	\$19,618,175	4.5%	\$20,500,992	4.5%
Contractual Services	\$4,863,460	\$5,199,080	\$5,459,034	5.0%	\$5,731,986	5.0%	\$6,018,685	5.0%
Materials and Supplies	\$1,735,680	\$1,850,300	\$1,961,636	3.5%	\$2,030,293	3.5%	\$2,101,353	3.5%
Property	\$50,000	\$100,000	\$100,000	0.0%	\$100,000	0.0%	\$100,000	0.0%
Operations	\$24,248,010	\$25,114,330	\$26,294,042	4.7%	\$27,480,453	4.8%	\$28,720,930	4.8%
Debt Service	\$3,666,970	\$3,672,420	\$3,789,110	3.2%	\$4,841,640	27.8%	\$5,495,290	13.5%
Interfund Transfers	\$1,425,780	\$1,951,620	\$1,871,810	-4.1%	\$1,799,650	-3.9%	\$1,744,460	-3.1%
Water Fund		\$238,500	\$245,700	3.0%	\$253,100	3.0%	\$260,700	3.0%
Emergency Management Fund		\$25,000	\$25,000	0.0%	\$25,000	0.0%	\$25,000	0.0%
Heritage Fund		\$0	\$0	0.0%	\$0	0.0%	\$0	0.0%
Airport Fund		\$340,120	\$244,110	-28.2%	\$344,550	41.1%	\$261,760	-24.0%
Capital Improvements Fund		\$811,000	\$800,000	-1.4%	\$600,000	-25.0%	\$600,000	0.0%
Fire Vehicle/Equipment		\$230,000	\$240,000	4.3%	\$250,000	4.2%	\$260,000	4.0%
DPW Vehicle/Equipment		\$260,000	\$270,000	3.8%	\$280,000	3.7%	\$290,000	3.6%
Recreation Vehicle/Equipment		\$20,000	\$20,000	0.0%	\$20,000	0.0%	\$20,000	0.0%
Parking Maintenance		\$7,000	\$7,000	0.0%	\$7,000	0.0%	\$7,000	0.0%
Police Vehicles/Equipment		\$20,000	\$20,000	0.0%	\$20,000	0.0%	\$20,000	0.0%
Total Expenditures		\$30,738,370	\$31,954,962	4.0%	\$34,121,743	6.8%	\$35,960,680	5.4%
Non-Property Tax Revenue		(\$9,005,610)	(\$9,009,392)	1.0%	(\$9,016,373)	1.0%	(\$8,955,208)	1.0%
Unassigned Fund Balance		(\$1,594,730)	(\$2,075,000)		(\$3,485,000)		(\$4,605,000)	
Appropriated	\$29,338,760	\$30,738,370	\$31,954,962		\$34,121,743		\$35,960,680	
Non-Property Tax Revenues	(\$8,641,112)	(\$9,005,610)	(\$9,009,392)		(\$9,016,373)		(\$8,955,208)	
Fund Balance	(\$1,271,900)	(\$1,594,730)	(\$2,075,000)		(\$3,485,000)		(\$4,605,000)	
Overlay	\$634,156	\$540,000	\$540,000		\$540,000		\$540,000	
War Service Tax Credits	\$55,700	\$60,200	\$60,200		\$60,200		\$60,200	
To Be Raised by Property Taxes	\$20,115,604	\$20,738,230	\$21,470,770		\$22,220,570		\$23,000,672	
Estimated Municipal Tax Rate	\$10.70	\$10.97	\$11.30		\$11.64		\$11.99	
\$ Change from Prior Year	\$0.31	\$0.27	\$0.33		\$0.34		\$0.35	
% Change from Prior Year	3.0%	2.5%	3.0%		3.0%		3.0%	
Estimated Net Assessed Valuation	\$1,880,549,171	\$1,890,056,003	\$1,899,506,283		\$1,909,003,814		\$1,918,548,834	
Assumed Net Assessed Valuation Growth	0.500%	0.500%	0.500%		0.500%		0.500%	
Unassigned Fund Balance 1/1		\$10,640,252	\$11,090,227		\$11,145,421		\$9,876,902	
Appropriated		(\$30,738,370)	(\$31,954,962)		(\$34,121,743)		(\$35,960,680)	
Estimated Expenditures Under/(Over) Budget	6.00%	\$1,506,860	\$1,677,643		\$1,648,827		\$1,723,256	
Estimated Non-Property Tax Revenue		\$9,005,610	\$9,009,392		\$9,016,373		\$8,955,208	
Est. Non-Property Taxes Over/(Under) Budget	1.50%	\$135,084	\$135,141		\$135,246		\$134,328	
Property Taxes to be Raised (Including Overlay)		\$20,678,030	\$21,410,570		\$22,160,370		\$22,940,472	
Overlay (Provision for Abatements)		(\$540,000)	(\$540,000)		(\$540,000)		(\$540,000)	
Estimated Property Taxes (Including Overlay)								
Over/(Under) Budget	2.00%	\$402,761	\$417,411		\$432,407		\$448,009	

	2017	2018	2019	2020	2021
ESTIMATED ACTUAL					
(Use)/Gain Unassigned Fund Balance	\$2,032,031	\$449,975	\$55,195	(\$1,268,520)	(\$2,299,407)
Unassigned Fund Balance 12/31	\$10,640,252	\$11,090,227	\$11,146,421	\$9,876,902	\$7,677,495
Unassigned Fnd/Balance as % of Exp. Budget	36.3%	36.1%	34.9%	28.9%	21.1%
% Change Municipal Tax Rate from Prior Year	3.0%	2.6%	3.0%	3.0%	3.0%

INFLATION,

The Municipal Cost Index (MCI), developed exclusively by American City & County magazine, in use since 1978, is designed to show the effects of inflation on the cost of providing municipal services. Costs of labor, materials and contract services are all factored into the composite MCI. Major indicators of these items used for the MCI include the Consumer Price Index, the Wholesale Price Index for Industrial Commodities (now known as the Producer Price Index) and the construction cost indexes published by the U.S. Department of Commerce, respectively.

The March Municipal Cost Index shows a 4.5% change in March from 12 months ago. The Consumer Price Index - All Urban Consumers Northeast Urban shows a 2.0% change for the same period.

	2017					2018				
	MCI	% Chg	CCI	CPI	PPI	MCI	% Chg	CCI	CPI	PPI
Jan	239.46	3.5%	269.9	244.16	190.6	246.71	3.0%	278.91	249.25	197.8
Feb	237.86	2.7%	265.33	244.46	191.1	247.39	4.0%	279.26	249.62	199.3
Mar	237.18	2.1%	264.05	243.75	191.3	247.79	4.5%	280.67	249.46	198.9
Apr	241.63	3.5%	273.64	244.16	193.3					
May	241.68	3.1%	274.09	243.85	192.9					
Jun	241.96	2.8%	274.28	243.79	193.7					
Jul	242.75	3.0%	276.25	244.05	193.4					
Aug	243.63	3.4%	277.45	245.03	193.7					
Sep	244.20	3.4%	277.25	246.37	194.5					
Oct	244.29	3.2%	277.06	246.64	194.8					
Nov	245.45	3.6%	278.50	247.59	195.8					
Dec	245.81	3.1%	278.67	247.96	196.4					

2018 CITY BUDGET,

The 2018 City Budget provides:

- an estimated 2018 Municipal Tax Rate of \$10.97 per \$1,000 of assessed real estate value -- an increase of \$0.27 or 2.5% from 2017. A single-family home assessed for \$250,000 will have an estimated 2018 municipal tax bill of about \$2,742, an increase of \$67. (Four tax rates make up the City's Total Tax Rate: Municipal, School: Local, School: State, and County. This budget concerns the Municipal Tax Rate only.)
- no change in the fee for disposing solid waste at the landfill. The estimated annual cost for an individual is \$36.60.
- an increase of 5.0% to water service rates (base user rate and minimum charge), approved by the City Council (December 6, 2017) effective January 1, 2018. The new water service rate will be \$49.04 per 1,000 cubic feet of metered water consumption; the estimated annualized metered water usage cost for an individual is \$178.16, an increase of \$8.50, for a household \$441.84, an increase of \$21.08.
- an increase of 5.0% to sewer service rates (base user rate, minimum charge and residential flat rate), approved by the City Council (December 6, 2017) effective January 1, 2018. The new sewer service rate will be \$99.00 per \$1,000 cubic feet of metered water consumption; the estimated annual sewage usage cost (based on metered water consumption) for an individual will be \$359.66, an increase of \$17.07, for a household \$891.96, an increase of \$42.34.

DEBT SERVICE,

In an effort to identify future debt associated expenses (debt service), whether that debt is general obligation debt (tax-exempt) or loans through the State Revolving Loan program (taxable), with budgetary and therefore property tax and service rate implications, based on the best information available (projects may be delayed therefore resulting in debt amortization being pushed out a year or possibly more from that currently estimated), projections have been made taking into account debt issued through 2017, debt authorized to be issued by the City Council that has not yet been issued through 2017, debt authorized by the City Council in connection with the 2018 City Budget and debt that may be authorized for issuance for each of the planning years (2019 – 2023) of the six-year 2018 – 2023 Capital Improvement Program.

The City identifies anticipated capital expenditures each year in a six-year Capital Improvement Program (CIP) that has two components: the capital improvements budget (the first year of the program) and the capital plan (the remaining five-years). Not included in the 2018 - 2023 Capital Improvement Program were projects that:

- 1) extend beyond the six-year planning horizon;

- 2) may require further discussion and conceptual development;
- 3) have associated costs, or non-City funding, of a problematic or uncertain nature;
- 4) not know when the 2018 – 2023 Capital Improvement Program was finalized. (As noted in the 2018 City Budget: “An apparent deficiency in sewer interceptor capacity that collects and transports effluent from the City side of Lebanon to the wastewater treatment facility in West Lebanon has been identified. It has not been decided how this will be addressed or the phasing.”)

The 2018 debt service budget for the City is expected to increase about 55.9% to \$11.752 million by 2022: 47.2% or \$1,987,650 of the increase will be supported by the General Fund, 31.5% or \$1,326,420 Water Treatment and Distribution Fund, 19.6% or \$824,390 Sewage Collection and Disposal Fund and 2.9% or \$123,250 Municipal Airport Fund. The Solid Waste Disposal Fund may decline 1.2% or \$48,850.

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Fund (Property Taxes)	\$3,672,420	\$3,789,110	\$4,841,640	\$5,495,290	\$5,660,070
Solid Waste Disposal Fund (Landfill Service Rates)	\$379,250	\$367,250	\$354,000	\$342,200	\$330,400
Water Treatment and Distribution Fund (Water Service Rates)	\$866,930	\$846,880	\$1,732,850	\$2,142,770	\$2,193,350
Sewage Collection and Disposal Fund (Sewer Service Rates)	\$2,524,510	\$2,453,240	\$3,074,590	\$3,342,760	\$3,348,900
Municipal Airport Fund (Airport Service Rates)	\$96,350	\$93,250	\$182,630	\$199,110	\$219,600
Total	\$7,539,460	\$7,549,730	\$10,185,710	\$11,522,130	\$11,752,320

Property tax supported (General Fund) debt service is projected to increase about 61.7% during the seven-year period of 2018-2024. The following shows property tax supported budgeted debt service for 2016 – 2018 and projected 2019 - 2031.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Debt Service	\$3,443,150	\$3,666,970	\$3,672,420	\$3,789,110	\$4,841,640	\$5,495,290	\$5,660,070	\$5,795,860
\$ Chg v. PY	(\$142,040)	\$223,820	\$5,450	\$116,690	\$1,052,530	\$653,650	\$164,780	\$135,790
% Chg v. PY	-4.2%	6.5%	0.1%	3.2%	27.8%	13.5%	3.0%	2.4%
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Debt Service	\$5,929,480	\$5,548,260	\$5,215,750	\$4,844,820	\$4,434,000	\$4,258,580	\$3,965,360	\$3,677,900
\$ Chg v. PY	\$133,620	(\$381,220)	(\$332,510)	(\$370,930)	(\$410,820)	(\$175,420)	(\$293,220)	(\$287,460)
% Chg v. PY	2.3%	-6.4%	-6.0%	-7.1%	-8.5%	-4.2%	-6.3%	-7.2%

The City's Fund Balance Policy allows "...taking into account factors or circumstances that may require a higher than normal maximum level of unassigned fund balance..." when considering a balance of more than 17.0%. Planning ahead by maintaining a reasonable, consistent annual Municipal Tax Rate increase, and a slightly elevated General Fund Spendable Fund Balance objective in 2020 than would normally be the case, should help to a certain extent in mitigating the debt service impact.

Water service rate supported (Water Treatment and Distribution Fund) debt service is projected to increase about 137.4% during the seven-year period of 2018-2024. The following shows water service rate supported budgeted debt service 2016 – 2018 and projected 2019 - 2031.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Debt Service	\$838,100	\$940,760	\$866,930	\$846,880	\$1,732,850	\$2,142,770	\$2,193,350	\$2,149,290
\$ Chg v. PY	(\$188,430)	\$102,660	(\$73,830)	(\$20,050)	\$885,970	\$409,920	\$50,580	(\$44,060)
% Chg v. PY	-18.4%	12.2%	-7.8%	-2.3%	104.6%	23.7%	2.4%	-2.0%
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Debt Service	\$2,233,260	\$2,178,920	\$2,098,050	\$2,016,910	\$1,892,880	\$1,811,270	\$1,738,580	\$1,649,330
\$ Chg v. PY	\$83,970	(\$54,340)	(\$80,870)	(\$81,140)	(\$124,030)	(\$81,610)	(\$72,690)	(\$89,250)
% Chg v. PY	3.9%	-2.4%	-3.7%	-3.9%	-6.1%	-4.3%	-4.0%	-5.1%

Sewer service rate supported (Sewage Collection and Disposal Fund) debt service is projected to increase about 46.5% during the seven-year period of 2018-2024. The following shows sewer service rate supported budgeted debt service 2016 – 2018 and projected 2019 - 2031.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Debt Service	\$1,210,910	\$2,230,280	\$2,524,510	\$2,453,240	\$3,074,590	\$3,342,760	\$3,348,900	\$3,364,200
\$ Chg v. PY	(\$26,730)	\$1,019,370	\$294,230	(\$71,270)	\$621,350	\$268,170	\$6,140	\$15,300
% Chg v. PY	-2.2%	84.2%	13.2%	-2.8%	25.3%	8.7%	0.2%	0.5%
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>
Debt Service	\$3,268,070	\$3,167,420	\$3,066,580	\$2,964,380	\$2,859,980	\$2,644,530	\$2,555,820	\$2,389,970
\$ Chg v. PY	(\$96,130)	(\$100,650)	(\$100,840)	(\$102,200)	(\$104,400)	(\$215,450)	(\$88,710)	(\$165,850)
% Chg v. PY	-2.9%	-3.1%	-3.2%	-3.3%	-3.5%	-7.5%	-3.4%	-6.5%

The long-term objective is to moderate future water and sewer service rate increases by accumulating resources in advance as Spendable Fund Balance sufficient for the Water Treatment and Distribution Fund and Sewage Collection and Disposal Fund to absorb projected operation and maintenance and debt service expenses over the next six-years (2018 – 2023) and beyond. The intent is to balance recognition of future potential financial obligations and the ramifications of those obligations on future service rates and the fiscal integrity and soundness of both those funds by adopting meaningful interim rate adjustments.

2017 CITY BUDGET,

NOTE: A budgetary increase to spendable fund balance occurs when budgeted revenues exceed budgeted expenditures; a decrease when budgeted revenues are less than budgeted expenditures. Expenditure and revenues budget variances, which compare actual results to budget, are monitored during the fiscal year. Favorable (positive) variances occur when actual expenditures and revenues are respectively under and over budget; unfavorable (negative) variances when actual expenditures and revenues are respectively over and under budget.

General Fund: The General Fund is the City's chief operating fund. It is the City's largest fund. It includes such general City services as the Department of Public Works, Police and Fire Departments.

The revenues budget is \$28,066,860; the expenditure budget \$29,338,760, indicating a budgeted use of Spendable Fund Balance of \$1,271,900 to balance the budget. It appears there is a favorable budget variance of \$2,287,807 resulting in an estimated Spendable Fund Balance for 2017 of about \$10,640,252 instead of \$9,891,000 as budgeted.

Solid Waste Disposal Fund: The Solid Waste Disposal Fund is responsible for the operation and maintenance of the landfill, recycling facilities and hazardous waste processing.

The revenues budget is \$3,431,800; the expenditure budget \$3,290,440, indicating a budgeted gain in Spendable Fund Balance of \$141,360. It appears there is a favorable budget variance of \$279,011 resulting in an estimated Spendable Fund Balance for 2017 of about \$4,033,776 instead of \$3,754,765 as budgeted.

Water Treatment and Distribution Fund: The Water Treatment and Distribution Fund is responsible for the provision and distribution of clean and safe drinking water, the planning, maintenance and replacement of water treatment facilities, pump stations, water tanks and the water distribution system.

The revenues budget is \$3,179,480; the expenditure budget \$3,209,740, indicating a budgeted use of Spendable Fund Balance of \$30,260. It appears there is a favorable budget variance of \$601,927 resulting in an estimated Spendable Fund Balance for 2017 of about \$1,730,562 instead of \$1,115,771 as budgeted.

Sewage Collection and Disposal Fund: The Sewage Collection and Disposal Fund is responsible for the safe and hygienic collection and treatment of wastewater, the planning, maintenance and replacement of the wastewater collection system, pump stations and wastewater treatment plant.

The revenues budget is \$5,120,730; the expenditure budget \$6,110,120, indicating a budgeted use of Spendable Fund Balance of \$989,390. It appears there is a favorable budget variance of \$1,266,269 resulting in an estimated Spendable Fund Balance for 2017 of about \$3,155,891 instead of \$2,161,724 as budgeted.

Municipal Airport Fund: The Municipal Airport Fund is responsible for the operation and maintenance of the Lebanon Municipal Airport.

The revenues budget is \$1,097,190; the expenditure budget \$1,244,760, indicating a budgeted use of Spendable Fund Balance of \$147,570. It appears there is a favorable budget variance of \$140,309 resulting in an estimated DEFICIT Spendable Fund Balance for 2017 of about -\$584,226 instead of -\$724,535 as budgeted.

Emergency Management Fund: The revenues budget is \$25,000; the expenditure budget \$25,000, indicating no budgeted use of Spendable Fund Balance. It appears there is a favorable budget variance of \$8,129 resulting in an estimated Spendable Fund Balance for 2017 of about \$64,626 instead of \$56,497 as budgeted.