



RESULTS

FOLLOW-UP COVID-19 FINANCIAL IMPACT SURVEY

August 31, 2020

The results of NHMA's Follow-up COVID Financial Impact Survey will be used to provide state and federal officials with an updated report of actual and projected expenses, revenue shortfalls, and delinquencies causing cash flow issues and budgetary impacts among New Hampshire municipalities. This survey was issued on July 27 and was due August 11, 2020 in follow-up to the initial membership survey completed on April 20 when 127 municipalities responded. The following results represent the responses of 52 of the total 234 New Hampshire towns and cities. The data is reported as of period ending: **July 31, 2020**.

The 52 municipalities who reported range in population category from towns with a population of between 25-1,999 to a city with a population greater than 20,000. Of the 52 responses received, 10 responses were 'incomplete', i.e., not all data fields were completed due to lack of time and staff resources. Therefore, some data is representative of a smaller number of responses.

The following narrative and charts summarize the comprehensive set of data received from the towns' and cities' responses to this follow-up survey.

I. COVID-Related Revenue Loss and Payment Delinquencies

Because CARES Act reimbursement cannot be used for any revenue shortfall, the survey looked at actual revenue losses and increased tax and utility fee delinquencies experienced since the inception of the pandemic and projected through to the end of the federal CARES Act December 30, 2020, deadline, as compared to actual 2019 corresponding period revenue amounts. Revenue losses are projected through December for all revenue types, with the greatest impact in planning, building and other permit fees, recreation, parking and solid waste disposal. A positive result is motor vehicle revenue, the second largest revenue source for most municipalities, which is reported having the smallest percentage decrease. Because state aid (meals and rooms tax and the state fiscal year 2021 municipal aid grant) has been reported by the Governor's Budget Office to be funded at the original budgeted levels, and because newly-enacted legislation allows for the fiscal year 2021 highway block grant to be distributed based on original budgeted amounts, pending further federal aid receipt by New Hampshire, the survey did not question these state revenue sharing amounts.

Property tax delinquencies have increased minimally, thus far. Uncollected property taxes for the first installment of the current year tax bill which was due in June/July have increased, on average, only 0.26%, while uncollected property tax liens have increased 2.95%. However, 80% of those reporting expect the delinquency amount to increase with the December tax billing, especially if the additional unemployment benefits and other federal sources of financial assistance are not continued. A small percentage of municipalities have authorized tax payment agreements and

interest abatements, taking advantage of the Governor's Executive Orders #25 and #56. Twenty-eight percent (28%) reported they were unable to obtain a Tax Anticipation Note (TAN).

As cited above, tax delinquencies in January and thereafter remain a significant concern should we experience a second wave of the pandemic impacting the re-opening process causing a further economic downturn. A potential decline in commercial property values was also cited as a concern which would impact all taxpayers. Forty percent (40%) cited the need to increase their tax abatement overlay amounts, and 85% reported the statutory overlay limit of 5% of amount of taxes billed will be sufficient to refund approved abatement applications.

Water and sewer utility billing delinquent amounts increased significantly—more than 4% from the same period in 2019, and the delinquent amounts are projected to increase an additional 6% above that through December 30. This increase is most likely due to executive orders prohibiting utility service disconnections and collection activities as well as foreclosures. Revenues reported for municipal utilities vary significantly, depending upon the level of commercial, institutional, or residential consumption within the community throughout the pandemic period, with 46% citing commercial consumption as the primary reason for revenue decreases, and 56% citing residential consumption as the primary reason for increased revenue. Unfortunately, 86% of utilities report that decreased maintenance expenses did not result when the consumption and revenue decreased. In fact, more than 30% of those reported decreased revenue will cause a rate increase in 2021 and may require a rate increase in 2021.

II. COVID-Related Expenses

The survey looked at numerous categories of COVID-related expenses, and we asked municipalities to report their actual expenses incurred during the first 5 months of the pandemic March 1 to July 31, as well as their projected expenses for the next 5 months through the December 31 federal deadline of CARES Act funds. We also requested data on GOFERR reimbursements received to date. Expenses are projected to continue to increase in a number of categories, most notably facilities modifications, welfare public assistance, health officers, borrowing costs, and facilities maintenance (including outside cleaning services).

It is important to note that the “COVID-related expenses” are based on and in accordance with US Treasury Guidance. This Guidance has undergone numerous and significant revisions since the inception of the CARES Act Relief Fund issuance making the reimbursement request process complex, time consuming and difficult, with the most recent revision issued August 10, 2020. One such revision was the recognition, as an ‘administrative convenience’, of the ‘entire payroll expenses for public safety, public health personnel and similar employees’ as ‘broad classes of employees’ whose services are deemed to be ‘substantially dedicated to mitigating or responding to the COVID-19 public health emergency.’ As a result, the expenses which have been reported, thus far, are significantly less than the expenses which are now allowed under the revised US Treasury Guidance and the Municipal and County Relief Program established under GOFERR which administers the MRF CARES Act funds in New Hampshire.

Election-related expenses due to COVID-19 issues are also significant. Towns and cities have reported the need to make a wide variety of accommodations, both in terms of physical changes to municipal structures and to staffing levels necessary to respond to the constantly evolving election voting processes and physical space requirements to safely carry out the State Primary and General Elections. On August 10, the Secretary of State announced the availability of an Election CARES Act Grant where 80% of allowable election costs up to a maximum amount that is proportional to a municipality's share of the total votes cast in the 2016 primary and general election, “to prevent,

prepare for, and respond to coronavirus for the 2020 Federal election cycle” will be reimbursable. As of this writing, preliminary information has been received which suggest that election expenses which exceed this Grant’s maximum reimbursement amount can be reimbursed through the GOFERR MRF up to the municipality’s total MRF allocation.

III. GOFERR Reimbursement

There are four separate rounds of GOFERR MRF reimbursement. Rounds #1 and #2 actual expenses incurred by municipalities are reflected in the results of this survey. Rounds #3 and #4 are expenses which are projected in the next period through the GOFERR deadline: October 15, 2020. The federal deadline for the expiration of CARES Act is December 30. **The expenses anticipated to be incurred by October 15 by the municipalities responding to this survey will greatly exceed the GOFERR MRF allocated grant amount by approximately \$19 million dollars. In addition, total expenses anticipated to be incurred by the responding municipalities through December 30, 2020, would exceed the GOFERR allocated grant amount by more than \$26 million dollars.**

IV. Municipal Responses to Budget Shortfalls

Of the municipalities reporting, the average budget shortfall anticipated is approximately \$426,000, with the primary reason cited being revenue decline. The following actions and responses were provided:

- Plan to seek Department of Revenue Administration (DRA) authorization to exceed budget (Governor’s Emergency Order #23) – 12% reported
- Plan to reduce appropriations (Governor’s Emergency Order #56) – 21% reported
- Plan to delay or cancel infrastructure projects – 41% reported
- Implement a hiring freeze
- Reduce program services including parks and recreation, libraries, social services, etc.
- Reduce safety/police, fire/EMS expenditures
- Draw down reserves
- Increase fees
- Close facilities
- Furlough and lay off employees
- Delay road repairs

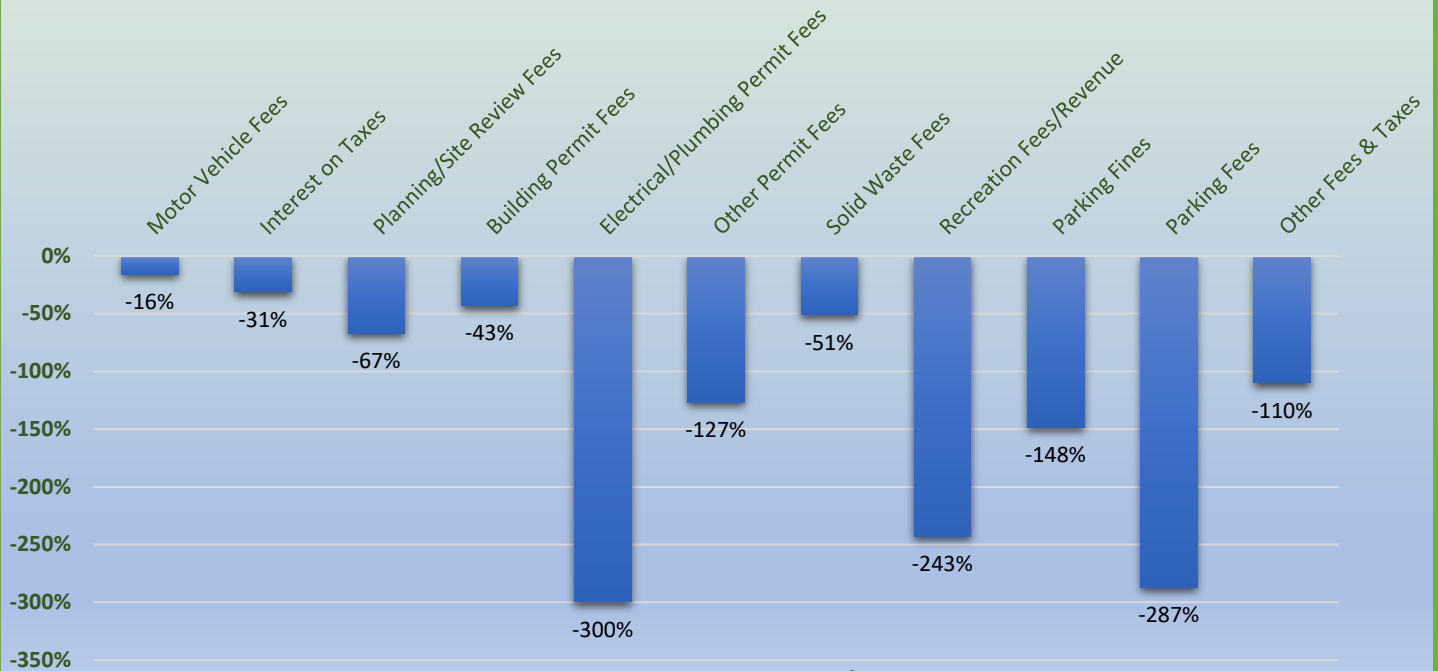
Even though this survey information is based on limited membership response, it is clear the pandemic continues to have a very major impact on municipalities’ revenues and expenses and will require extraordinary measures to address these budget shortfalls. Also, as the 2022-2023 state budget cycle begins, when additional critical information becomes available to municipalities with regard to anticipated state aid revenue shortfalls to address the significant shortfalls in state revenues, further short- and long-range planning changes will most certainly be necessary.

Thank you to all New Hampshire municipalities who spent the necessary time to complete this comprehensive financial impact survey!

TOTAL 10 MONTH REVENUE CHANGE

2020 v. 2019

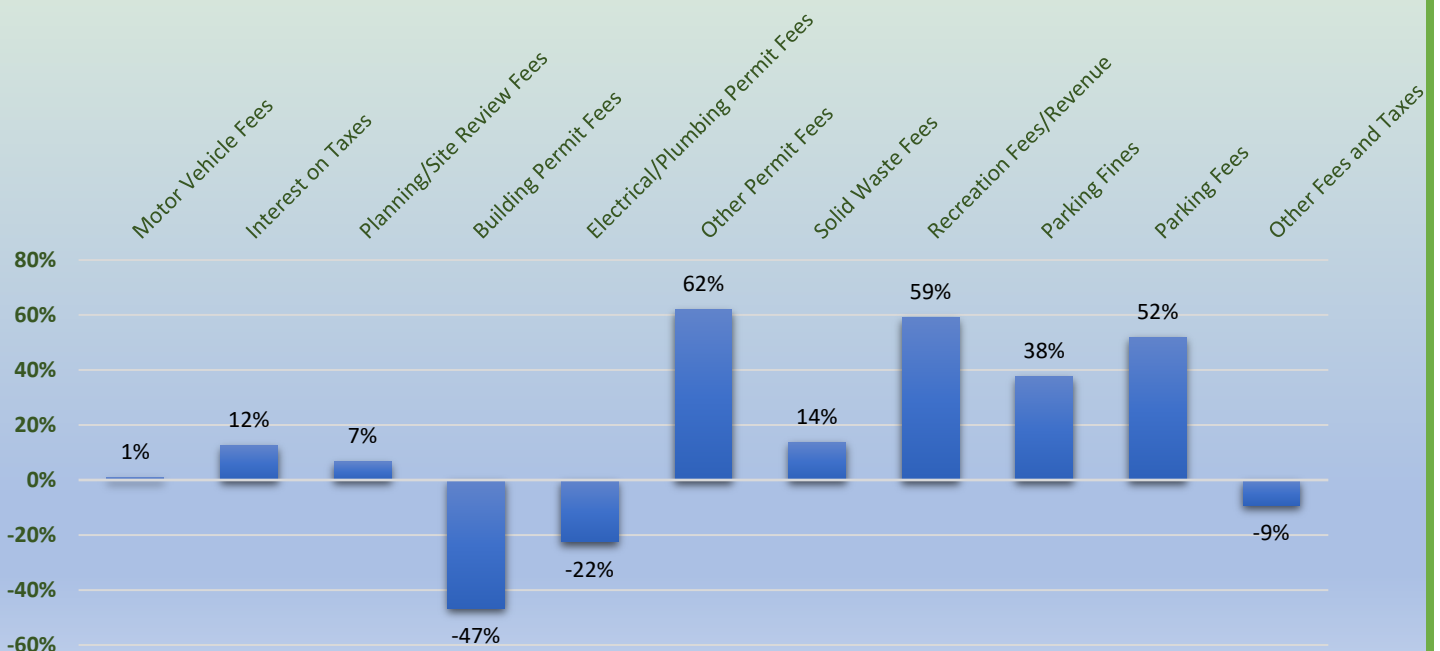
Periods Compared: March-December



2020 Revenue Decrease Compared to 2019 Revenue

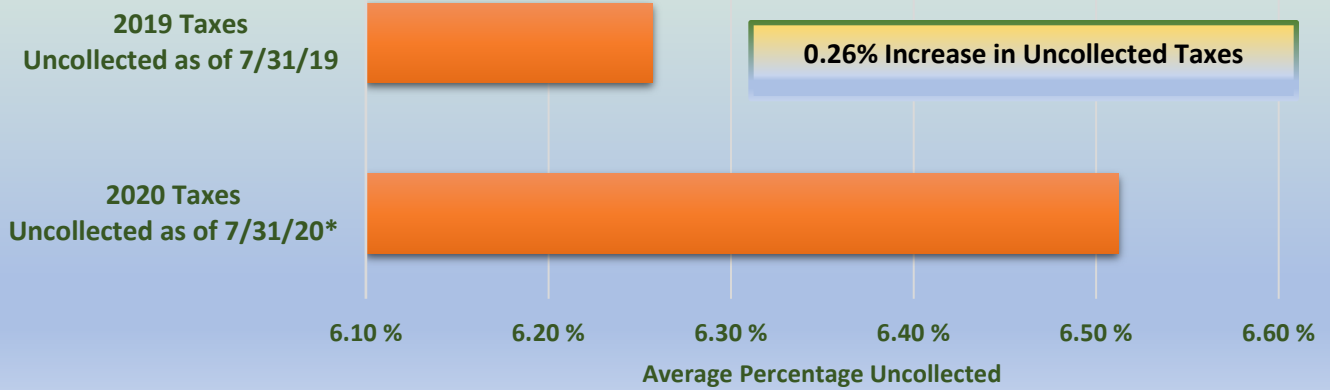
Note: 2020 revenue includes projected amounts for August -December, 2020, reflected in 'Next 5

NEXT 5-MONTH REVENUE PROJECTION **August-December 2020 v. March-July 2020**

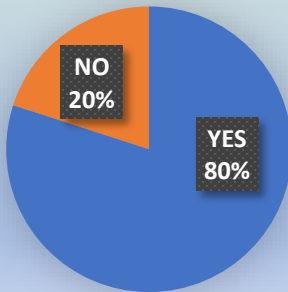


REVENUE INCREASE OR DECREASE PROJECTIONS: PERIOD - August to December, 2020

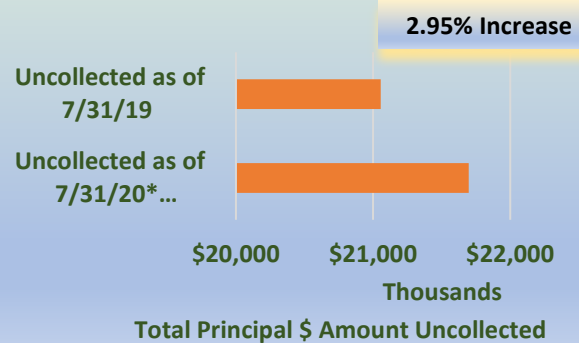
Current Year Property Taxes Uncollected



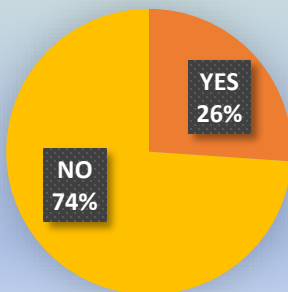
Is Tax Delinquency Projected to Increase with December Billing?



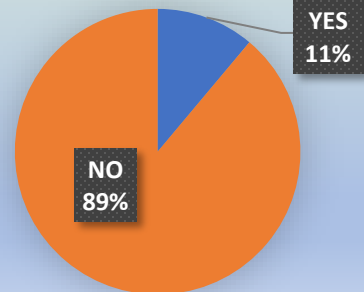
Prior Year Tax Liens Uncollected:



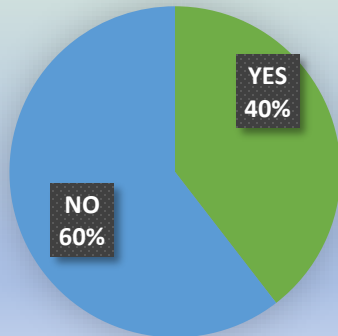
Municipalities Authorizing Tax Payment Agreements per Emergency Order #56



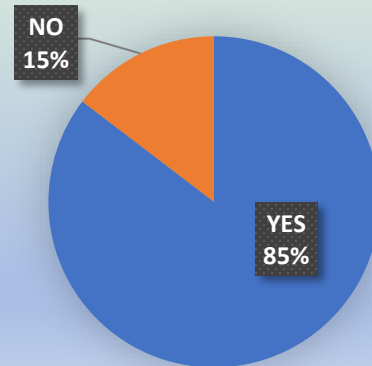
Municipalities Authorizing Interest Abatements per Emergency Order #25



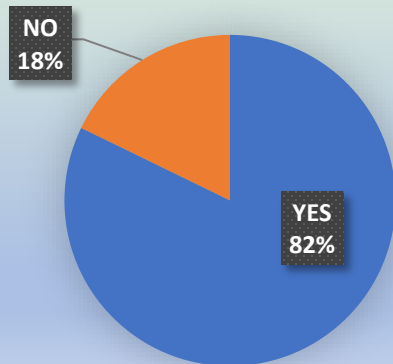
Is an Increased 'Overlay' Amount Projected?



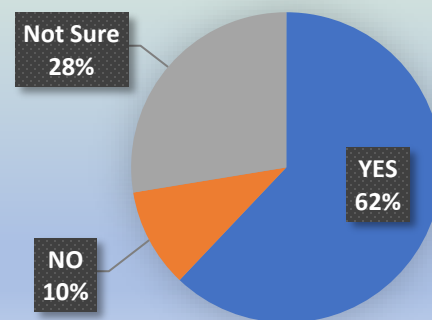
Will 5% Statutory Tax 'Overlay' Limit be Sufficient?



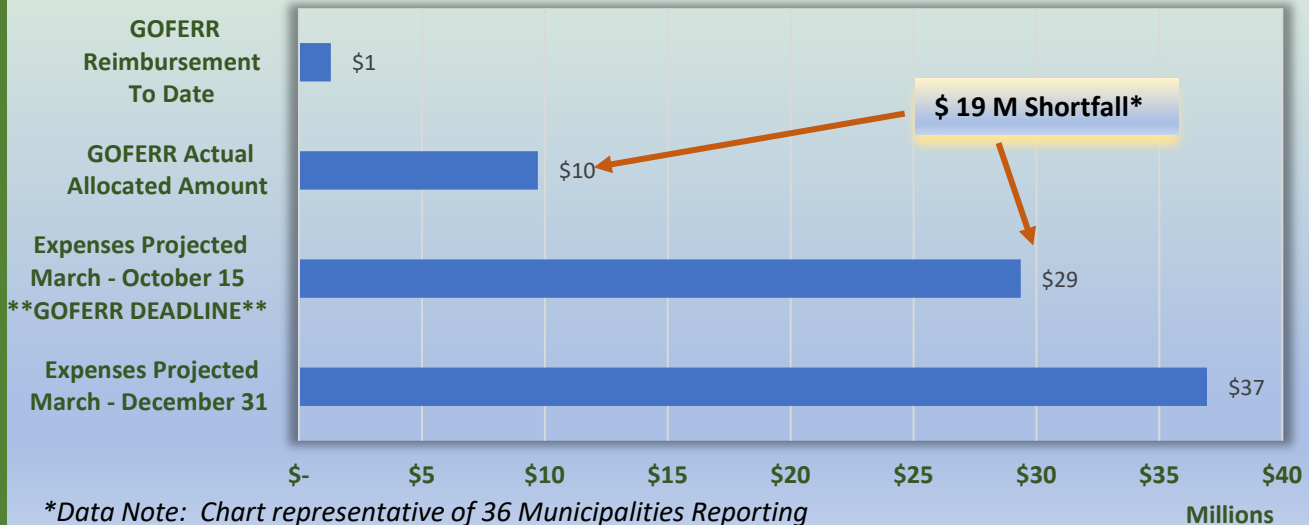
Sufficient Reserves to Operate for Next 6 Months?



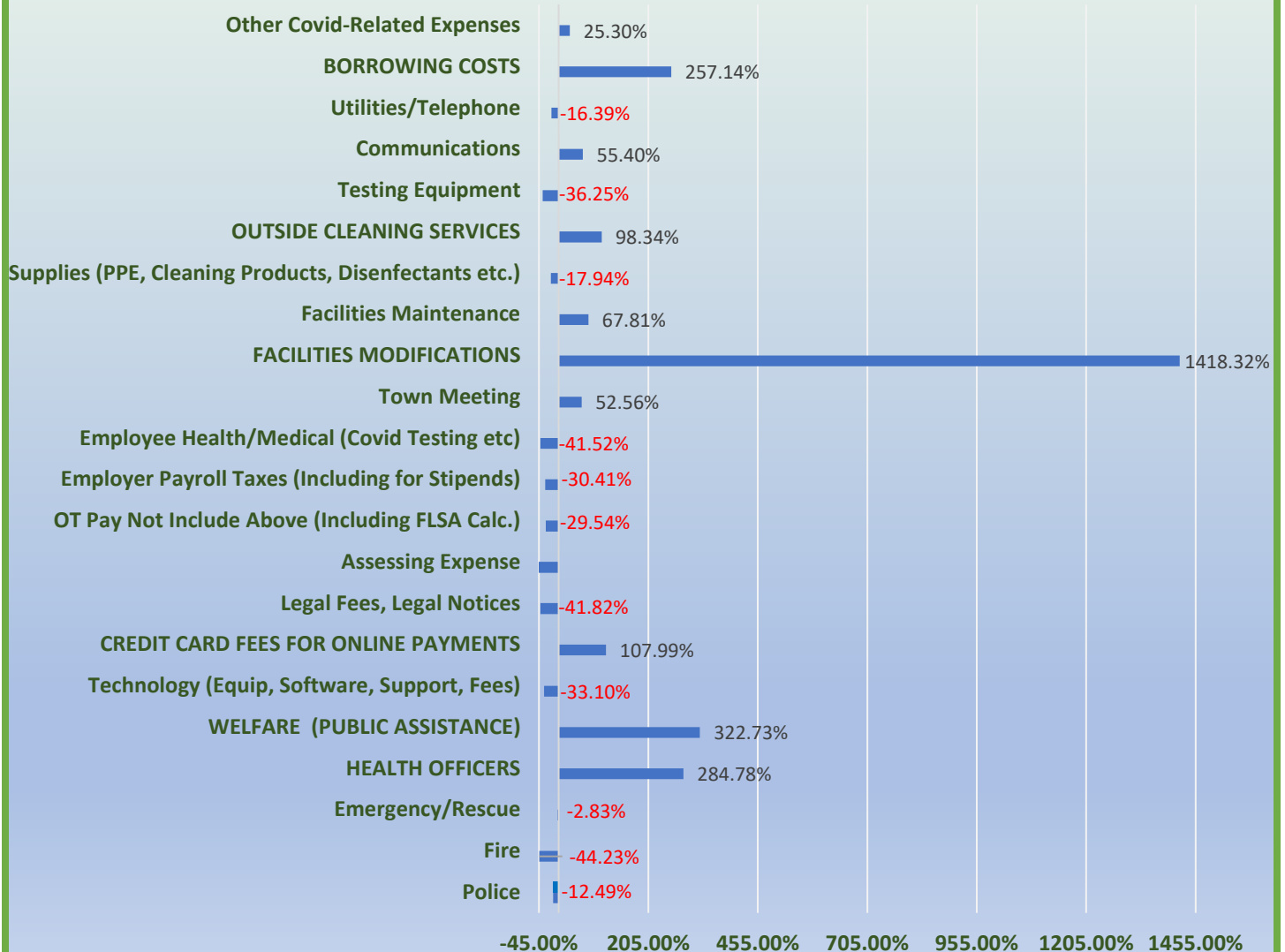
Able to Obtain Tax Anticipation Note (TAN) ?



COVID Expenses v. GOFERR Allocated Reimbursement Amount*

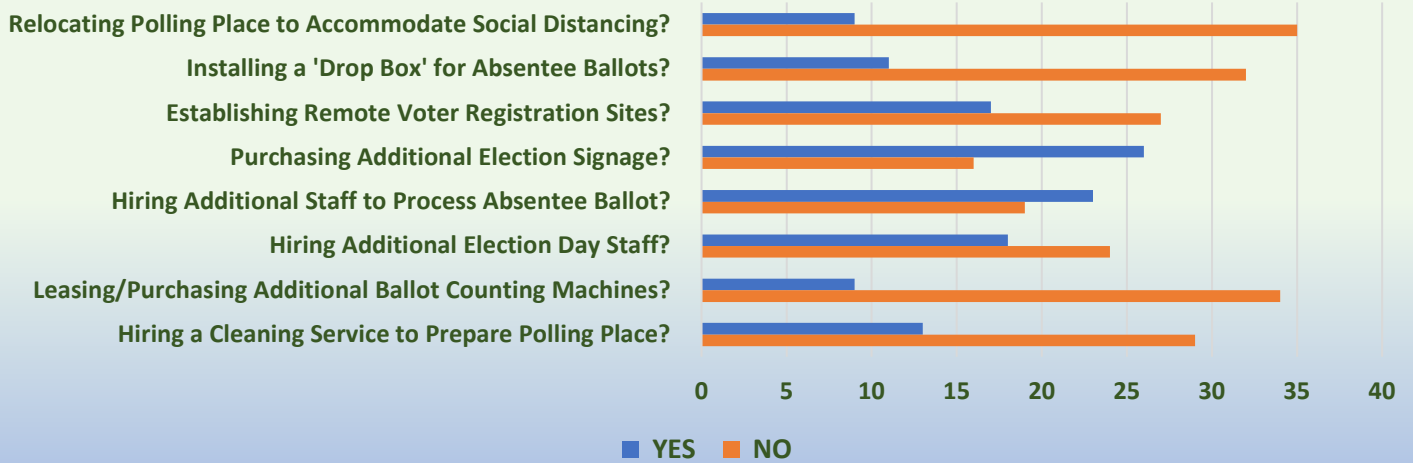


NEXT 5-MONTH EXPENSE PROJECTION August-December 2020 v. March-July 2020

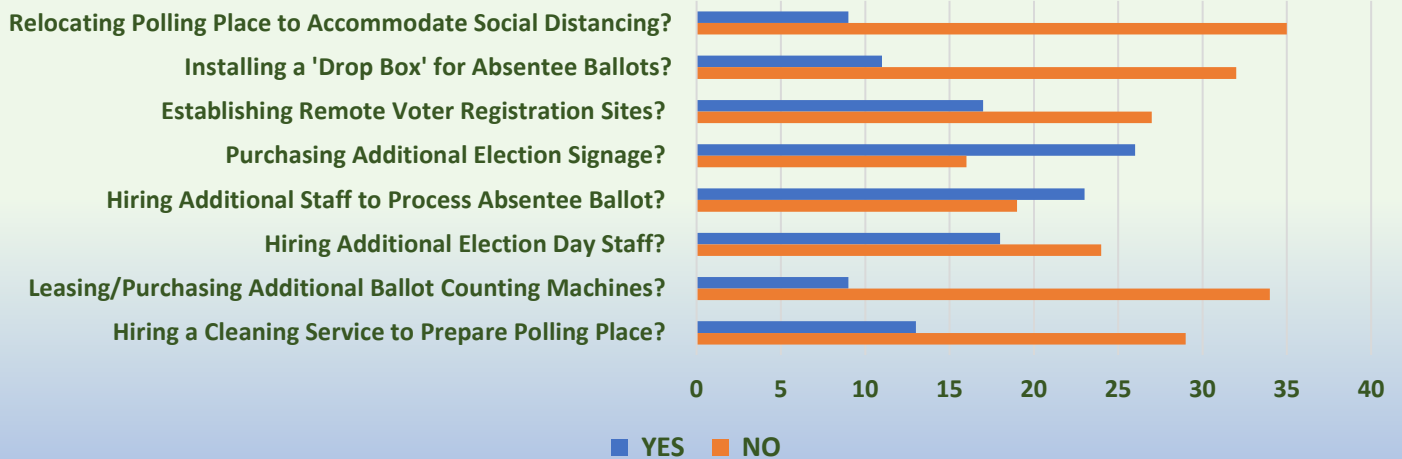


STATE PRIMARY AND GENERAL 'ELECTION' EXPENSES

Election Accommodations Being Made

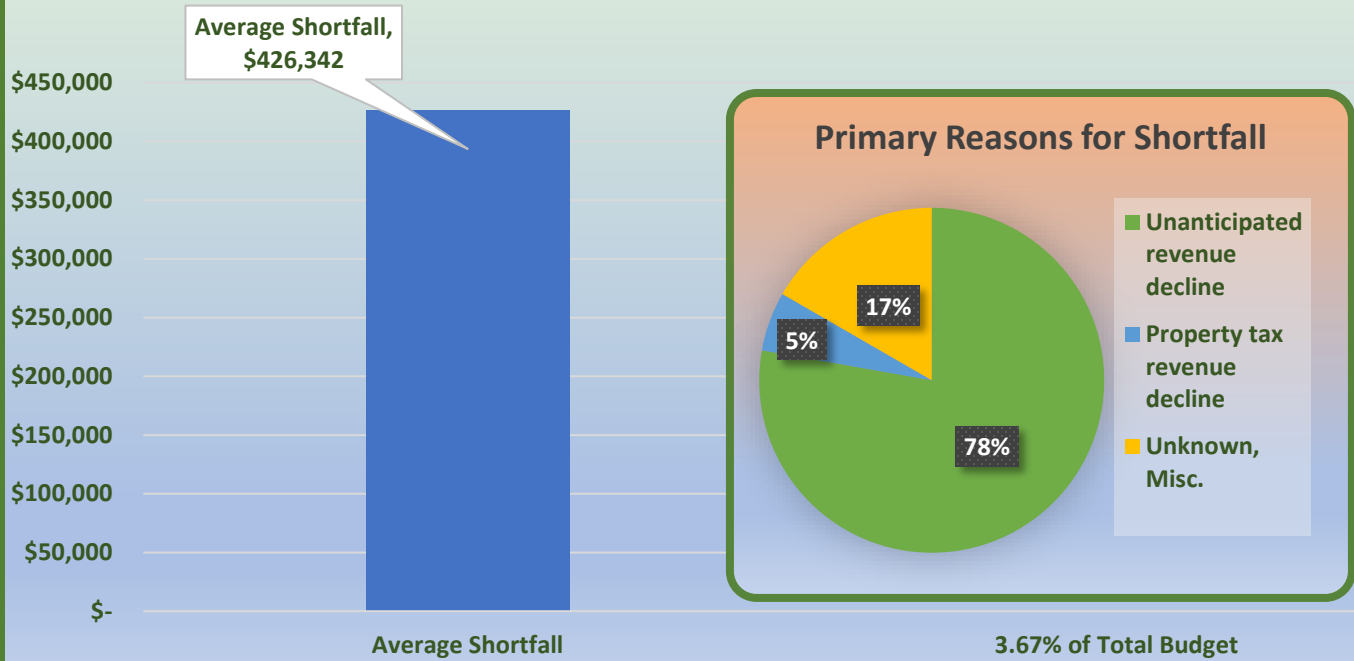


Election Accommodations Being Made

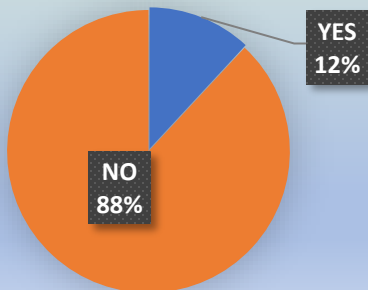


Note: On August 10, New Hampshire's Secretary of State issued a 'Notice of Grant CARES Act' which may be utilized to provide municipalities with partial reimbursement for qualified election expenses based on a federally established 'statewide standard cost rate'. The rate is calculated based on the number of absentee ballots mailed and processed by municipalities in 2020 which exceed the number of absentee ballots processed in prior years' similar elections.

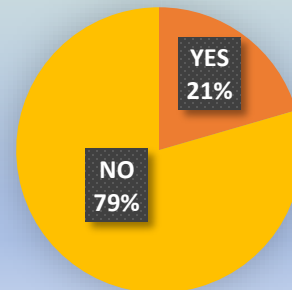
Average Budget Shortfall Projected As of December 31, 2020

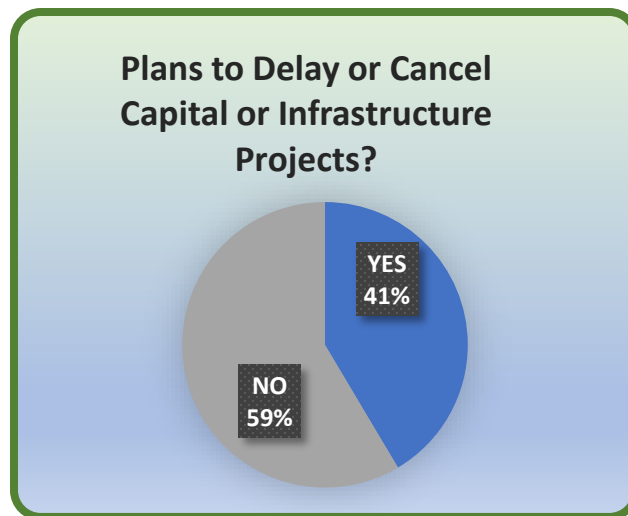


Plans to Seek DRA Authorization to Exceed Budget (Emgcy Order #23)?



Plans to Reduce Appropriations (Emgcy Order #56)?



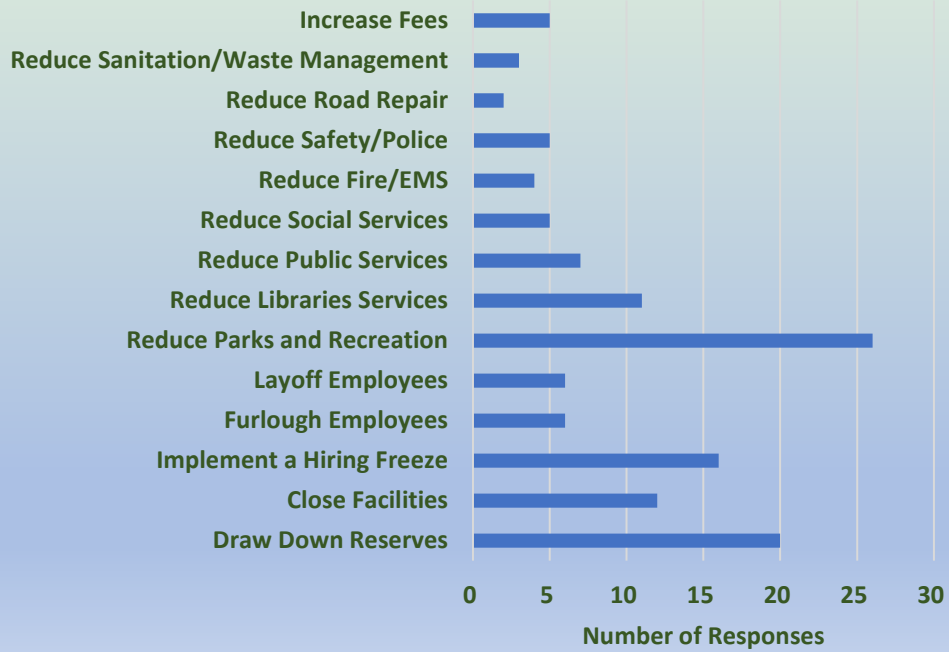


Capital or Infrastructure Projects Subject to Delay or Cancellation, as reported by municipalities:

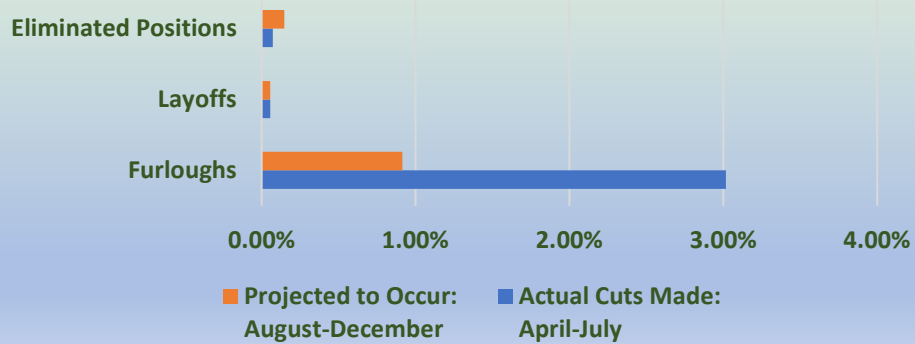
- We are delaying infrastructure projects as well as city upgrades and renovations due to the uncertainty of the economic situation. Without further guidance and additional funding from the state, it will be hard to project what the next few budgets will look like. We are taking cost saving measures now in the hopes that this will lessen the negative financial impact as we move forward. Additional reductions will be considered as we move through this budget cycle if revenues decrease due to the COVID pandemic.
- The Town delayed a couple of road improvement projects; if funds exist at the end of the year the Selectboard may encumber funds to complete projects in the upcoming year.
- Our concerns lie in the upcoming months and in the next few budget cycles. Where this current situation has many unknowns and the length of the pandemic is not clear, we do not yet know the full financial impact that COVID-19 will have on the city. We will need additional GOFERR funding for our City and we hope that the State will be issuing additional funding to cities and towns as we move towards the December deadline. We received just over \$2 million. It is not enough to cover all of our COVID costs. We are also hoping that the GOFERR reimbursement process will be streamlined for reimbursement that is more efficient. We are preparing for additional expenses in our Police and Fire Departments, Health Department, and City Clerk as we head towards elections. These are not included as anticipated costs in our survey because we did not have enough information to estimate costs at this time. We are also concerned with the effect the economic downturn will have on our commercial property values and subsequent tax payments. If the commercial values drop, the additional tax burden could be shifted to the residential taxpayers, creating an additional financial hardship at a time when our constituents are already struggling.
- Program revenues are off significantly, while the most recent property tax collection is consistent with past years. We are concerned about the tax bill receipts that will come in December and believe this is when the real impact will be known. We have taken some early steps by deferring the start of some capital projects, delaying hiring for vacancies and pursuing any/all grant funds. Originally identified were street and sidewalk construction, water-sewer main replacement in an effort to manage cash flow and avoid a situation in December if rate payments were lower.
- Paving \$125,000; Selectmen's budgets cuts \$437,030; Police \$74,000; Fire \$109,000; Library \$15,000; Conservation Commission \$750
- Deposits into capital reserve funds may be reduced if needed.
- 75% reduction in CIP projects due to possible revenue shortfalls for the 2nd half of FY21 and for all of FY22
- Nothing officially canceled but are holding off to see how we make out before working on some larger projects.
- Not sure at this time.

- May reduce road construction based on any future shortfalls or reduction to Highway Block Grant, which will be minor.
- Federal funding that would have been available earlier this year was delayed, rerouted for COVID matters. So, water/sewer infrastructure upgrade for a portion of Town will not go to bond vote in 2021.
- Deposits into capital reserve funds may be reduced if needed.
- Delaying the replacement of three police cruisers (\$142,500), a DPW one-ton pickup truck (\$48,000), improvements to the municipal water system (\$1.9 million) and improvements to the municipal sewer system (\$1.9 million)
- Capital improvements and road improvements
- Annual Road Construction projects and pavement preservation
- All bond issuances were delayed until FY22. Capital outlays were reduced.
- 75% reduction in CIP projects due to possible revenue shortfalls for the 2nd half of FY21 and for all of FY22
- - D18Town buildings facility study and master plan: 200,000
- - Radio Box Fire Alarm Receiver Equipment: 81,000
- - Engineering for Bridge St bridge over Spicket River: 158,000
- - Replace five servers (TH, FD, and PD): 80,000
- - J52Pine Grove Cemetery phases 1 and 3 expansion: 65,000
- - Phone upgrades: 116,000.
- - Plow Truck Lease Purchase
- - WWTP/Water System Emergency Repair Account
- - Aeration System Improvements
- - Sludge Drying Bed Maintenance
- - Pond/Dam Maintenance
- - Cemetery Improvements

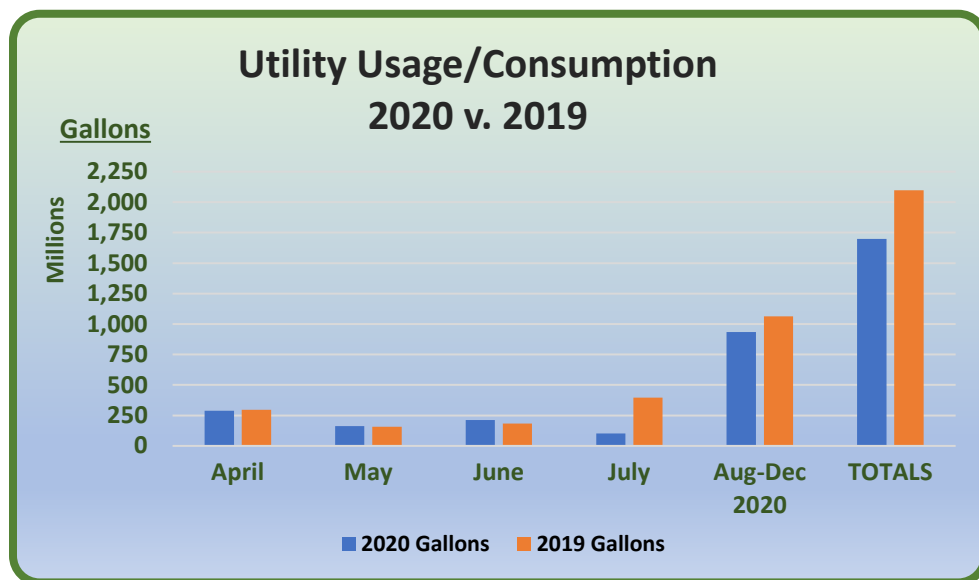
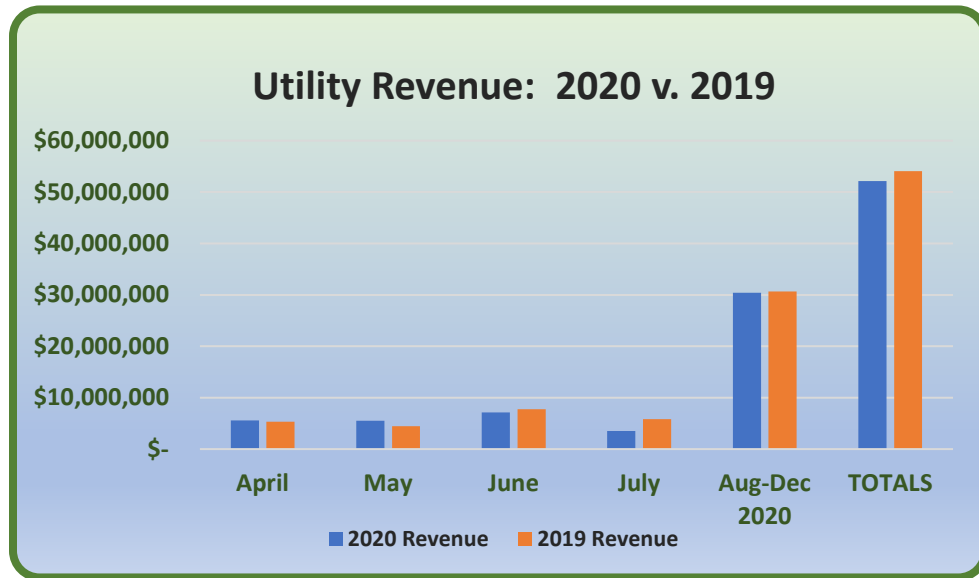
Municipal Actions/Functions Significantly Impacted by Budget Shortfall



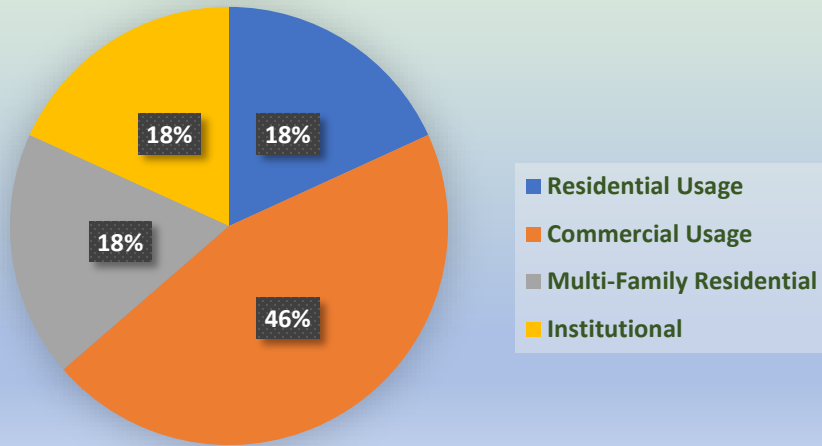
Staffing Impacts



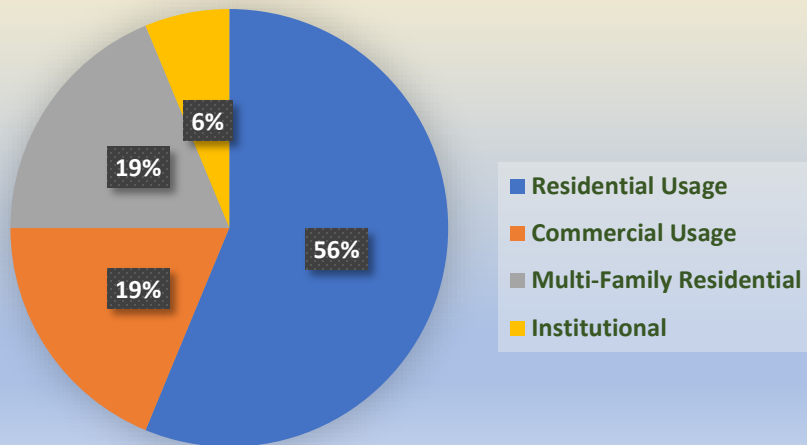
'UTILITY' – FINANCIAL IMPACT



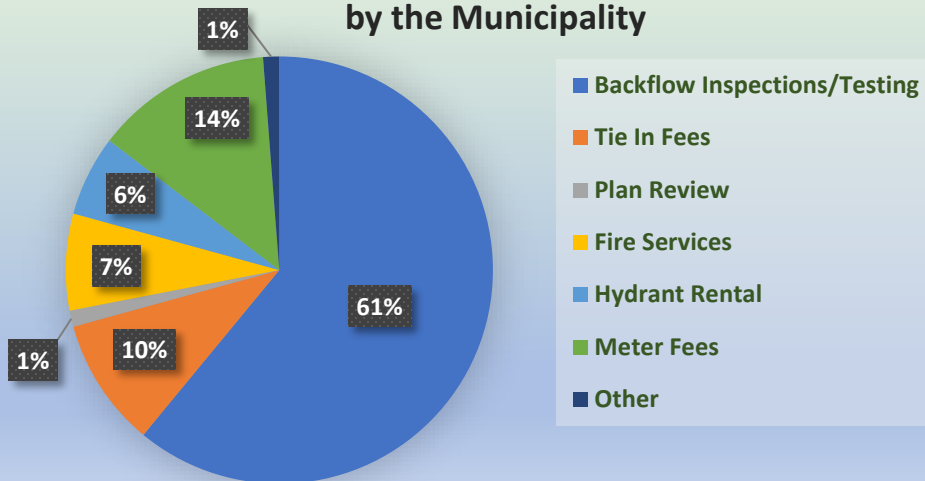
Primary Reasons for Decreased Consumption



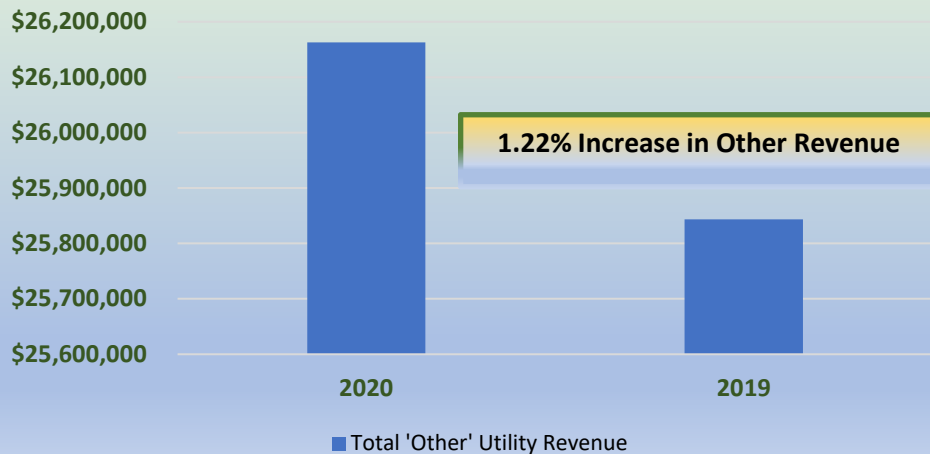
Primary Reasons for Increased Consumption



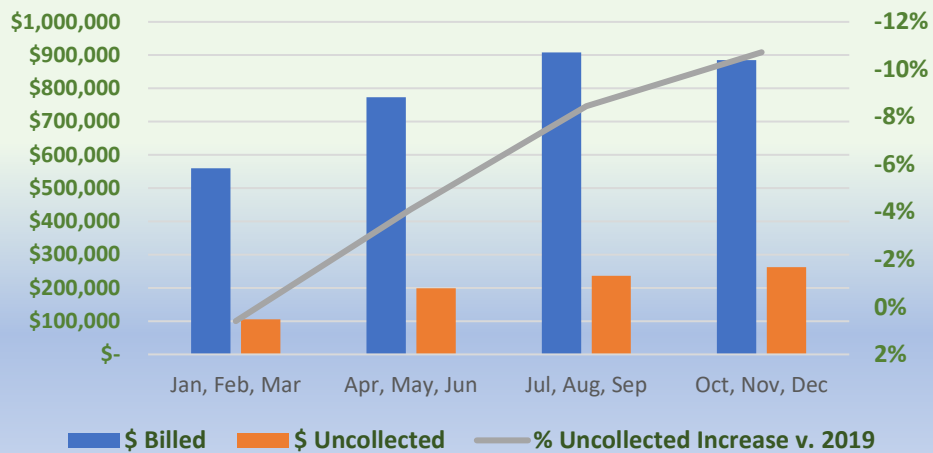
Other Types of Utility Revenue Sources Utilized by the Municipality



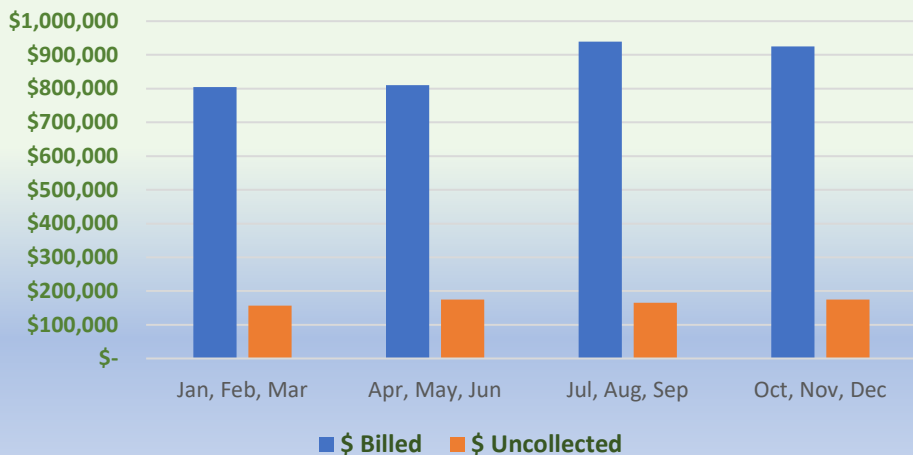
Other Utility Revenue: 2020 v 2019



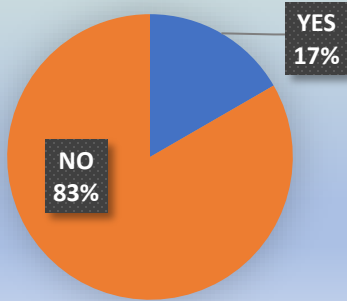
2020 Billed Amounts Uncollected



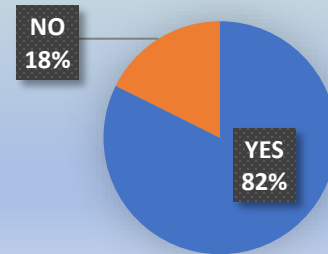
2019 Billed Amounts Uncollected



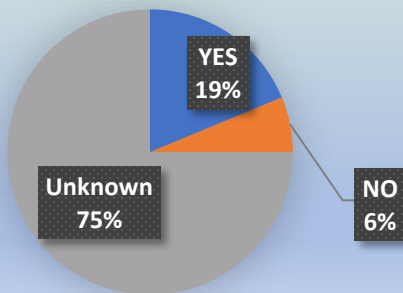
Did revenue/consumption decrease result in decreased maintenance expenses?



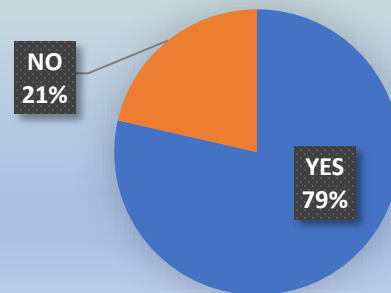
Sufficient Reserves to Continue Operations for Next 12 Months without Impacting Rates/Service?



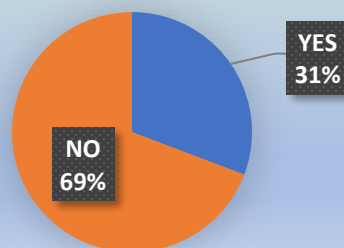
Able to Borrow Short-Term Funds for Operating & Maintenance Expenses?



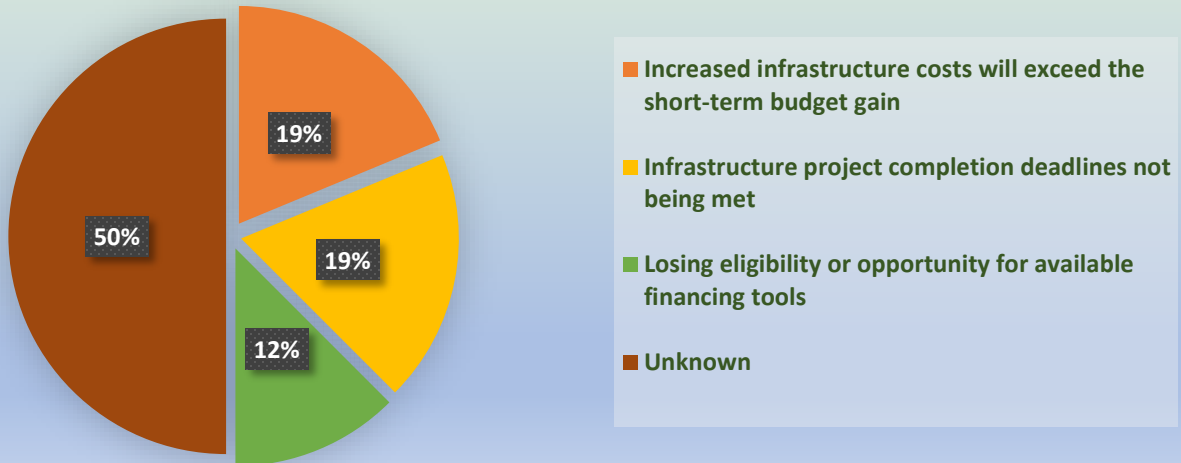
Do you have Replacement Reserves: Capital Reserve, Trust Funds?



Will it be Necessary to Postpone or Cancel Infrastructure Plans as a Result of Any Losses?



Will Project Delay Result in Adverse Long-Term Consequences?



Will Decreased Revenue Impact the Rate Setting Structure or Methodology?

