



# TOWN OF BARRINGTON

## NEW HAMPSHIRE

Office of the Town Administrator

### Projected 2023 Unassigned Fund Balance

December 22, 2022

Barrington's unassigned fund balance (like a savings account) ensures cash-flow, continuity of municipal services, and tax rate stability. It is important to maintain an appropriate amount in unassigned fund balance to reduce financial risks, reduce borrowing costs, and to continue the orderly operation of government. The 'appropriate' amount is recommended by the New Hampshire Department of Revenue Administration (DRA) as a range of 8%-17% of regular general fund operating expenditures. Regular general fund operating expenditures are the sum of municipal, school, county, and state expenditures which are locally raised.

Unassigned fund balance primarily comes from unspent money in the Town's budget and collecting more revenue than anticipated. The unassigned fund balance is typically used to offset or 'buy down' the tax rate either indirectly or directly. It can also be used for emergency appropriations with DRA approval.

After 2021 appropriations and expenditures, Barrington's unassigned fund balance is 12.2% of regular general fund operating expenditures. This is a financially responsible level which the Select Board is committed to maintaining through the utilization of their [Fund Balance Policy](#). The information below contains more specific details of the fund balance history and use, including how unassigned fund balance will be utilized for 2023 appropriations.

#### Data Analysis and Projections

The Unassigned Fund Balance History dating back to 2002 and the Targeted Fund Balance History dating back to 2011 can be found at the following links:

1. [Unassigned Fund Balance History 20221130](#)
2. [Targeted Fund Balance History 20221130](#)

The [Unassigned Fund Balance Workbook Details](#) provides a detailed description of the information provided in the above referenced Excel workbook.

The ending unassigned fund balance for 2022 is \$3,926,763. In 2022 it is currently estimated that \$917,555 will be added to unassigned fund balance. Based on that estimate, the beginning unassigned fund balance for 2023 would be \$4,844,318. The estimated regular general fund operating expenditures for 2023 are \$33,245,910. The estimated balance of \$4,844,318 is 14.5% of the estimated regular general fund operating expenditures. That represents approximately \$688,575 above the midpoint of the recommended range.



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#### **Utilization of Unassigned Fund Balance**

As indicated on the first page, unassigned fund balance can be used to indirectly or directly offset the tax rate. Details below.

##### Indirect Use of Unassigned Fund Balance to Offset the Tax Rate

Unassigned Fund Balance is indirectly used to offset the tax rate as a funding source for warrant articles. If a warrant article is funded by unassigned fund balance, then those funds will not need to be separately raised by taxes. For example, the Town sets money aside each year into capital reserve accounts to plan for large expenditures; in 2022 these contributions ranged from \$150,000 for Highway equipment to \$3,000 for Library technology. Using unassigned fund balance in this way helps to achieve voter support for responsible financial planning. This is the way that Barrington has utilized unassigned fund balance in recent years.

##### Direct Use of Unassigned Fund Balance to Offset the Tax Rate

Each year, during tax rate setting, the governing body of a municipality can commit a portion of unassigned fund balance to offset the tax rate. This method utilizing funds available in the 'savings account' to offset an increase to the tax rate. Using unassigned fund balance in this way can introduce instability in the tax rate if it is not managed carefully. For example, if appropriations increase \$250,000 each year and \$250,000 is used in one year (to eliminate the increase) and \$0 is used in the second year, the resulting tax rate will need to raise an additional \$500,000.

##### 2023 Planned Utilization

Based on advice from the Advisory Budget Committee (ABC), the Select Board plans to try direct utilization of unassigned fund balance to offset the tax rate in 2023. This means that all warrant articles will be presented with the tax rate as a funding source. Residents and the ABC have articulated that it is more transparent to present warrant articles on the tax rate versus from unassigned fund balance. In October of 2023, the Select Board will review the amount of unassigned fund balance in excess of 12.5% and they plan to commit that amount to offset the tax rate. It is estimated that \$688,575 will be available to directly offset the tax rate. If all of the proposed warrant articles pass, that means that \$364,967 would remain on the tax rate, representing \$0.26 cents on the tax rate or \$83 on a \$325,000 property.