

**AUDIT REPORT**  
**CITY OF MANCHESTER**  
**NEW HAMPSHIRE**



***MUNICIPAL TRANSPORTATION IMPROVEMENT FUND***  
***DECEMBER 31, 2014***

Prepared by  
City of Manchester, NH  
Office of the Independent City Auditor

**INDEPENDENT AUDIT REPORT  
CITY OF MANCHESTER, NEW HAMPSHIRE  
MUNICIPAL TRANSPORTATION IMPROVEMENT FUND  
DECEMBER 31, 2014  
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March 16, 2015

Committee on Accounts, Enrollment and Revenue Administration  
City of Manchester, New Hampshire  
Honorable Aldermen: O'Neil, Barry, Corriveau, and Levasseur

Dear Honorable Committee Members:

At the February meeting of the COA a request was given to the Independent City Auditor to conduct an analysis of the Municipal Transportation Improvement Fund.

I have completed my analysis of the Municipal Transportation Improvement Fund for the period July 1, 2010 through December 31, 2014. My analysis was conducted for the purpose of determining the amount of funds collected and expended from the Municipal Transportation Improvement Fund for the period noted and to determine if the revenue collected and expenditures from the fund were collected and expended in accordance with the enabling legislation.

I conducted this review in order to obtain sufficient, appropriate evidence to provide a reasonable basis for my findings and conclusions based on my objectives. I believe that the evidence obtained provides a reasonable basis for my findings and conclusions based on the objectives stated.

### **Scope and Audit Objectives**

- This engagement was to be an analysis of the Municipal Transportation Improvement Fund from July 1, 2010 through December 31, 2014.

### **Procedures**

- Review of enabling legislation of the MTI Fund
- Interviews of officials charged with the collection and expenditure of the MTI funds
- Analysis of revenue collected based on reports obtained from the HTE financial system and the Tax Department motor vehicle registration system.
- Analysis of cost information provided by the Department of Public Works and statistical data from the City of Manchester Comprehensive Annual Financial Report.

**Findings and Conclusion**

- It appears that the MTI fund is not being accounted for in accordance with State RSA Chapters 261 and 34 in that a separate fund used to segregate the MTI collections from the General Fund is not being maintained.
- It appears that the maximum allowed registration fee is being collected and posted to a separate revenue source
- Due to the lack of a segregated fund it is not possible to determine if the revenue is used to fund only allowable expenditure however, the City expends annually far more on eligible projects than the revenue would support.

Respectfully Submitted,



Kevin Buckley, CPA  
Internal Audit Manager

## MTI Fund Establishment Legislation

NH RSA Chapter 261:153 VI.(a) Allows cities and towns to charge in addition to motor vehicle registration fees “an additional fee for the purpose of supporting a municipal and transportation improvement fund”

Per the RSA this fund is to be a capital reserve fund governed by the provisions for RSA 34 for cities. The maximum fee charged under this law can be no more than \$5 per registration collected from all vehicles, both passenger and commercial, with certain exceptions. Up to 10% but not more than \$0.50 of the fee collected may be retained by the municipal government for administration costs.

The Board of Mayor and Aldermen adopted this fee on June 2, 1998.

The revenue is to be used to fund, wholly or in part, improvements in the local transportation system including:

- Roads
- Bridges
- Bicycle and pedestrian facilities
- Parking and intermodal facilities
- Public transportation

The funds may be used for:

- Engineering
- Right-of-way acquisition
- Construction costs of transportation facilities
- Operating and capital costs of public transportation

The funds may not be used to offset any other non-transportation appropriation made by the municipality.

RSA 34 CAPITAL RESERVE FUNDS FOR CITIES states under section 34:15 INVESTMENTS the moneys in such fund shall be kept in a separate account and not intermingled with the other funds of the city. Further any interest earned or capital gains realized on the moneys so invested shall accrue to and become part of the fund.

### MTI Fund Revenues

The City Tax Department collects \$5.00 per registration and records the funds collected in revenue source 4683 Highway Road Resurfacing. \$.50 per registration is credited to the Tax Department to cover administrative costs and the remainder is credited to the highway department. The following tables show the amounts that were budgeted and collected for fiscal years 2010 through 2014 and the first half of FY 2015:

#### Administrative Fee \$0.50/registration

	2010	2011	2012	2013	2014	1st Half 2015
Budget	\$ 55,000.00	\$ 51,000.00	\$ 51,000.00	\$ 54,000.00	\$ 54,000.00	\$ 54,000.00
Actual	\$ 53,155.50	\$ 52,570.00	\$ 54,354.50	\$ 54,097.00	\$ 55,355.50	\$ 26,556.00

SOURCE: HTE Financial System

#### MTI fee to Highway \$4.50/registration

	2010	2011	2012	2013	2014	1st Half 2015
Budget	\$ 505,000.00	\$ 500,000.00	\$ 475,000.00	\$ 480,000.00	\$ 479,000.00	\$ 481,321.00
Actual	\$ 476,178.00	\$ 473,076.65	\$ 489,179.50	\$ 487,354.50	\$ 498,160.30	\$ 239,173.95

SOURCE: HTE Financial System

#### Number of vehicles registered

	2010	2011	2012	2013	2014	1st Half 2015
	106,311	105,140	108,709	108,194	110,711	53,112

SOURCE: HTE Financial System

### MTI Fund Expenditures

Per discussions with both the Finance Department and the Highway Department revenue from the MTI fees is treated as general fund revenue and not earmarked for any specific purpose. There is not a separate MTI fund segregated from the other funds as required by State statute. This however does not necessarily mean that funding for infrastructure capital repairs is being shorted in any way but it is not possible to tell what funds are being used to pay for the repairs. The City spends large amounts of money to repair and construct qualifying projects for the MTI Fund but they are not recorded as such. For instance the following chart shows the number of miles of City roads resurfaced and reconstructed each year for the last 5 years:

	2010	2011	2012	2013	2014	Ave
Miles Resurfaced	8.74	1.02	3.54	5.97	3.12	4.48
Miles Reconstructed	3.07	6.2	4.04	3.16	1.83	3.66
Total	11.81	7.22	7.58	9.13	4.95	8.14
Miles of roads	395	395.15	395.15	395.15	395.15	
% resurfaced/reconstructed	2.99%	1.83%	1.92%	2.31%	1.25%	2.06%

SOURCE: City of Manchester CAFR Statistical Section

According to a pavement condition assessment done by the Department of Public Works and AECOM the City is currently budgeted at \$2.5 million per year for road repairs. The amount of revenue generated from the MTI funds covers about 20% of budgeted road repairs.

According to estimates provided by the Department of Public Works the cost per mile of resurfacing and reconstructing roads is \$300,000 and \$950,000 per mile respectively. The resurfacing cost figure includes both a straight overlay as well as surface milling prior to the overlay. Based on these estimates the MTI revenues would only cover resurfacing approximately 1.5 miles of road or reconstructing 0.5 miles of road each year.

## CONCLUSION

It appears that the MTI fees generate by the City are not being accounted for in a separate fund as required by the enabling legislation however because the law does not require that the funds are to supplement existing funds and road repair expenditures far exceed the amount of fees collected it would have no effect on the pace of resurfacing/reconstructing or the condition of the roads. I would recommend that the MTI fund be accounted for as a project to ensure that going forward the expenditure of the fund is segregated from other funds and ensure that they are used only for the stated purpose of RSAs 261:153, VI Fees for registration permits and 34 Capital Reserve Funds For Cities.