

CITY OF PORTSMOUTH, NEW HAMPSHIRE

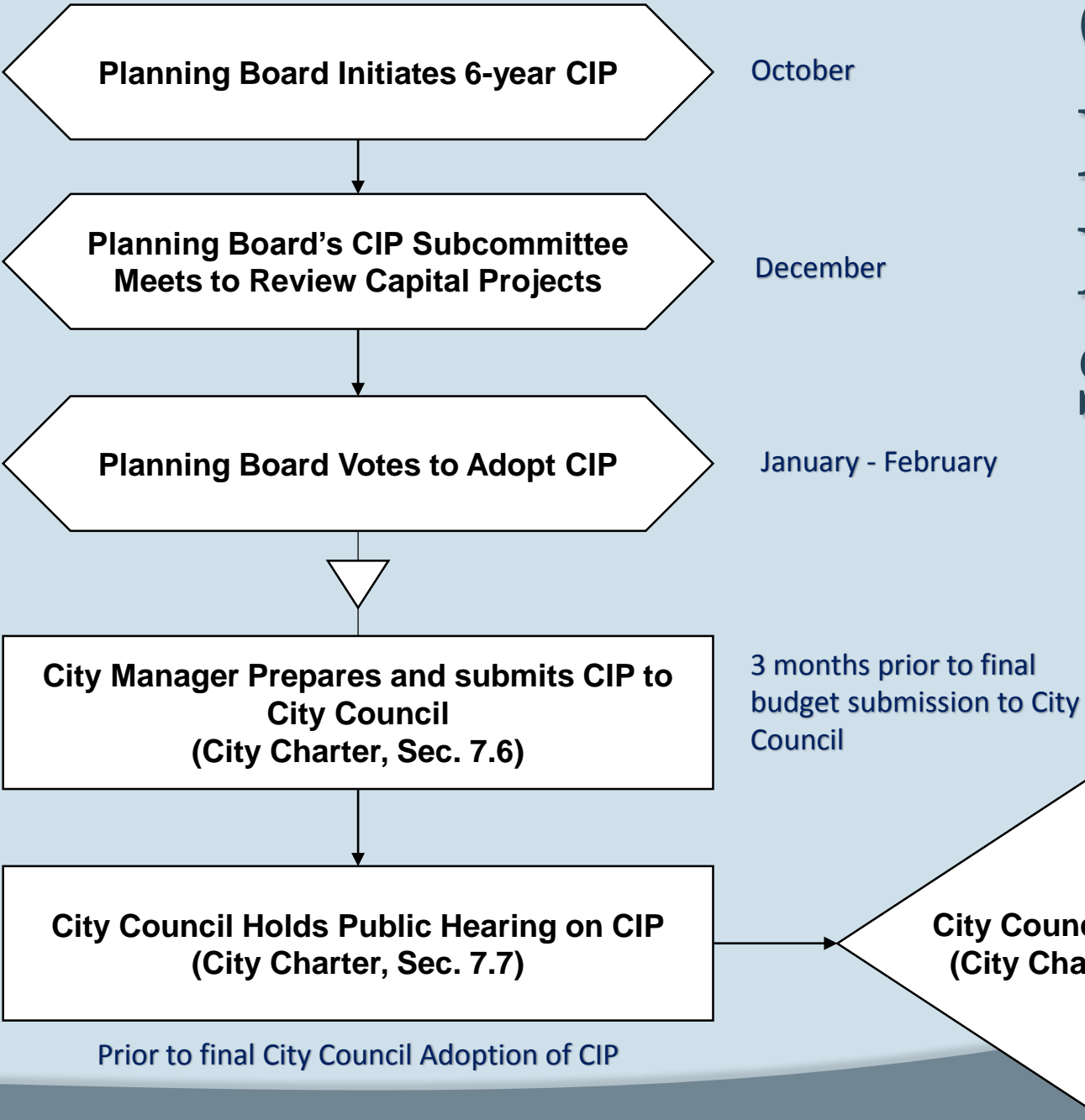
**JOINT BUDGET COMMITTEE**  
**FY 2018 BUDGET**

**NOVEMBER 30, 2016**

# AGENDA

- Charter Requirements / Budget Process
- Preparing the Fiscal Budget
  - FY17 Adopted Budget
  - Long-Term Financial Planning
  - Key Factors Facing Fiscal Year 2018

# CAPITAL IMPROVEMENT PLAN SCHEDULE



**Planning Board Initiates 6-year CIP**

October

**Planning Board's CIP Subcommittee Meets to Review Capital Projects**

December

**Planning Board Votes to Adopt CIP**

January - February

**City Manager Prepares and submits CIP to City Council  
(City Charter, Sec. 7.6)**

3 months prior to final budget submission to City Council

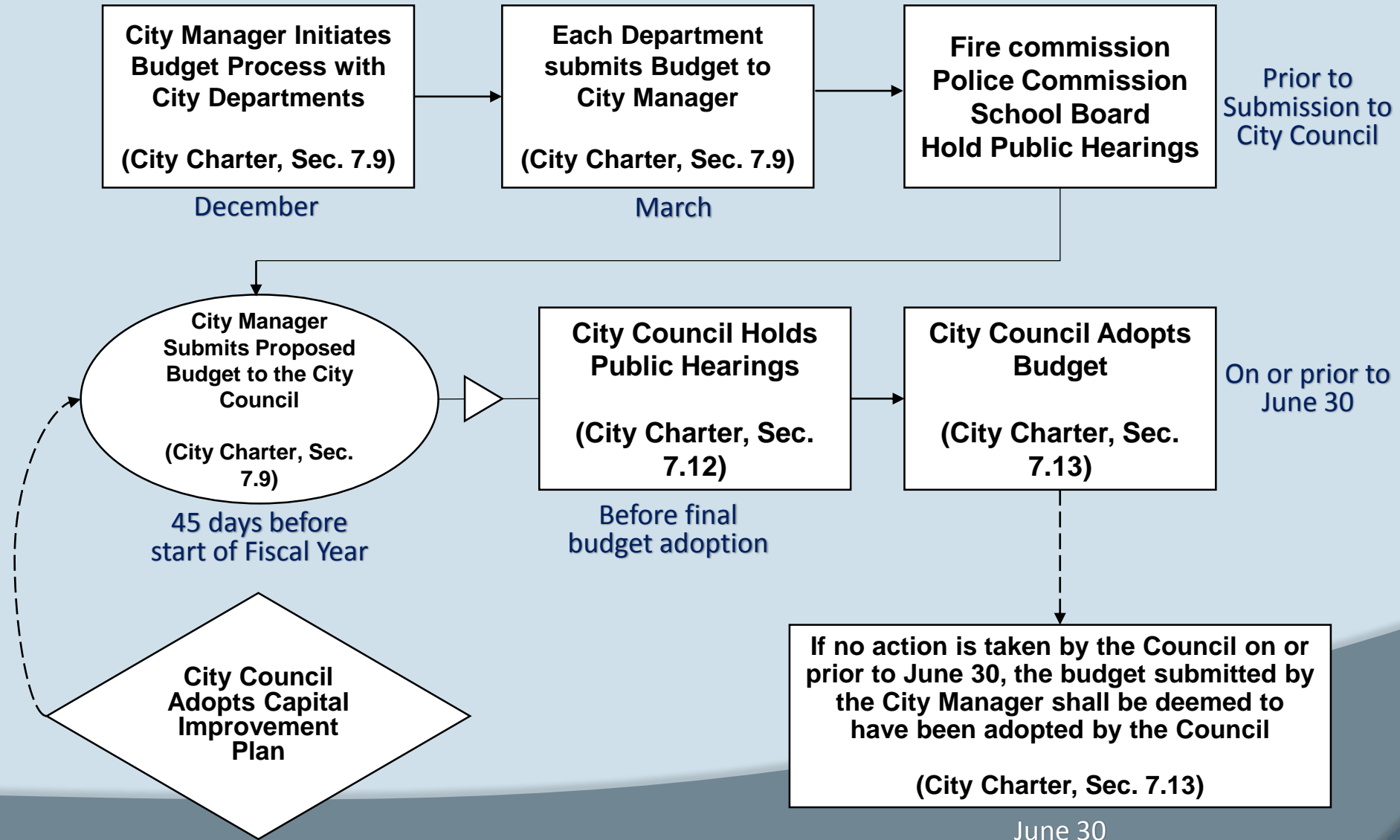
**City Council Holds Public Hearing on CIP  
(City Charter, Sec. 7.7)**

Prior to final City Council Adoption of CIP

**City Council Adopts CIP  
(City Charter, Sec 7.8)**

Following public hearing on or before date of budget submission

# BUDGET SCHEDULE PER CHARTER REQUIREMENTS



# 2018 CITY COUNCIL BUDGET SCHEDULE

- January: Establish Budget Guidelines
- February: City Council Work Session on CIP – with presentation
- February: City Council Meeting – CIP Public Hearing
- March: City Council Adoption of the CIP
- April: City Council Receives Proposed Budget Document
- May: City Council Work Session on the Proposed Budget (Saturday)
- May: Public Hearing on the City Manager’s Proposed Budget
- May: City Council work session Water and Sewer Proposed Budget
- May: City Council Work Sessions – Budget Review – (2 dates scheduled)
- June: City Council Adoption of Budget

# BUDGET DOCUMENT GFOA GUIDELINES



City Received 10 Consecutive Budget Presentation Awards

## ➤ **Policy Document**

- Financial Guidelines and Policies
- Priorities and Long-Term Planning
- CIP Summary
- Rolling Stock Plan

## ➤ **Financial Plan**

- Detailed Debt Service Summary with future outlook
- Capital Project Summary
- Consolidated Financial Overview
- Provide Estimated Tax Rate

## ➤ **Operations Guide**

- Budget Summary by Departments
- Program and Services by Departments
- Performance Measures by Department
- Position Summary Schedules

## ➤ **Communications Device**

- Guide to the Budget Document
  - Budget Schedule
- Community Profile
- Account Structure

<b>STANDARD &amp; POOR'S</b> Investment Grade
<b>AAA</b>
AA+
AA
AA-
A+
A
A-
BBB+
BBB
BBB-
BB

<b>STANDARD &amp; POOR'S</b>	
Year	Grade
2016	AAA
2015	AAA
2014	AAA
2013	AAA
2012	AA+
2011	AA+
2010	AA+
2009	AA+
2008	AA
2007	AA
2006	AA
2005	AA
2004	AA-
2003	AA-
2002	AA-
2001	A+
2000	A+
1999	A
1998	A
1997	A
1996	A
1995	A
1994	A

# PORTSMOUTH'S BOND RATING

**FISCAL YEAR 2017  
ADOPTED BUDGET**



# GENERAL FUND

## OPERATING AND NON-OPERATING BUDGET

### Operating Budget

- Fire
- Police
- School
- General Government Departments:
  - Mayor/City Manager
  - City Clerk
  - Human Resources
  - Finance - Information Technology – Accounting – Assessing – Purchasing – Benefit Administration
  - Legal
  - Public Works
  - Recreation
  - Senior Services
  - Public Health
  - Planning
  - Library
  - Inspection
  - Welfare/Outside Social Services

### Non-Operating Budget

- Debt Service Payment
- Overlay
- Capital Outlay
- County
- Contingency
- Rolling Stock

# EXPENDITURES FY17 BUDGET

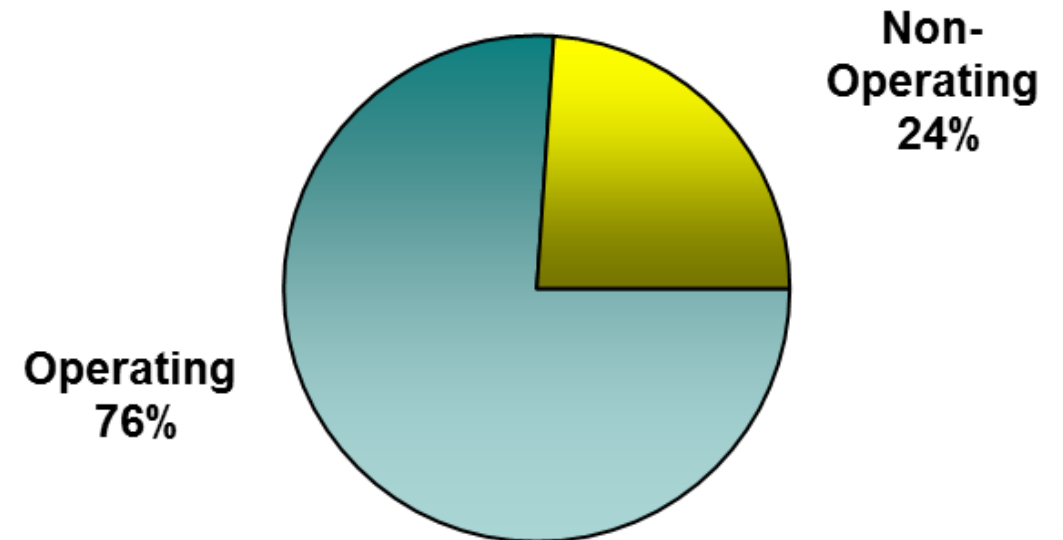
## OPERATING BUDGET

General Government	18,176,409	16.9%
Police	10,351,883	9.6%
Fire	8,340,898	7.8%
School	44,684,084	41.6%
Coll Bargaining Contingency	0	0.0%
Transfer to Indoor Pool	150,000	0.1%
<b>Total Operating</b>	<b>81,703,274</b>	<b>76.1%</b>

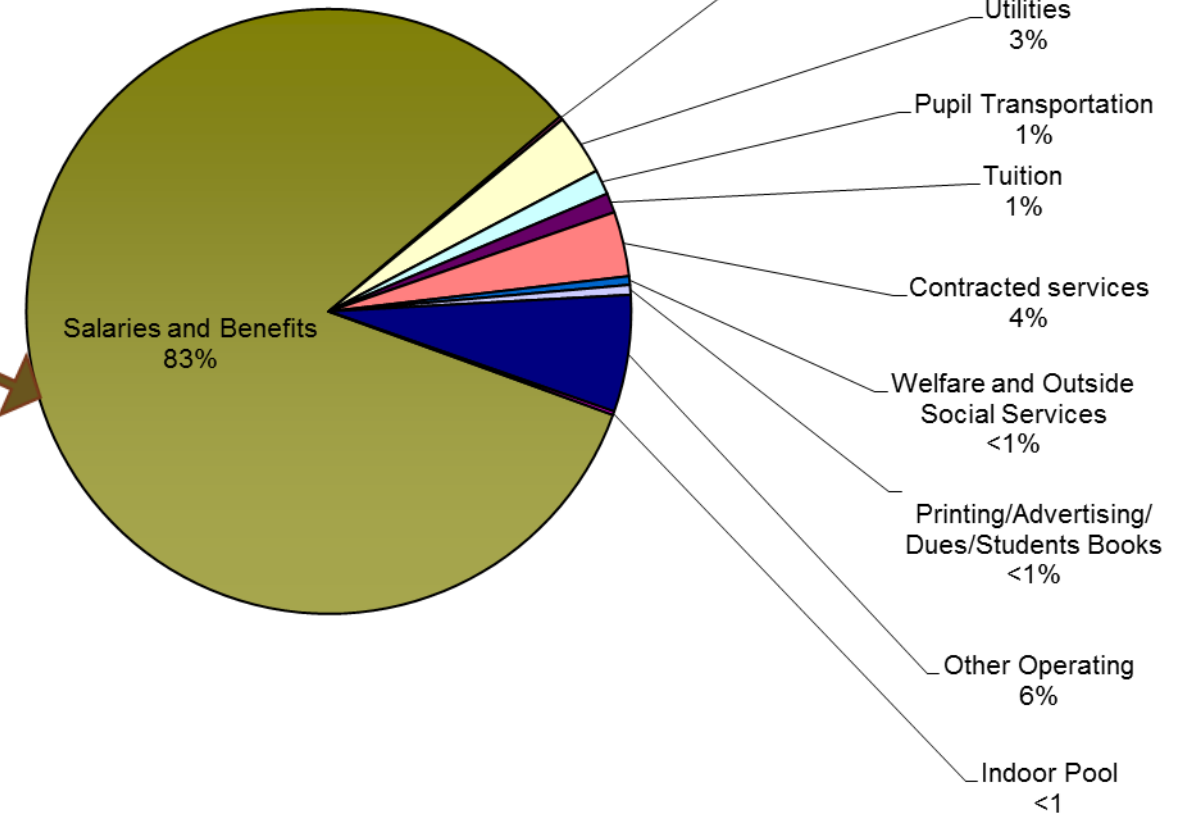
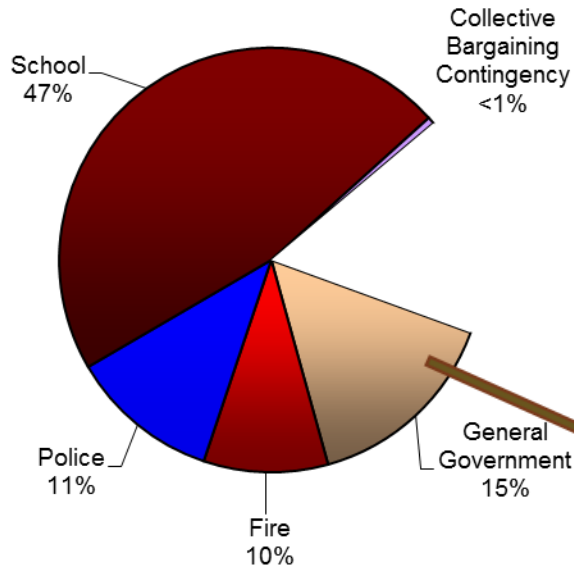
## NON-OPERATING BUDGET

Debt Related Exp	275,000	0.3%
Debt Service	12,595,810	11.7%
Overlay	950,000	0.9%
Property & Liability Insurance	341,000	0.3%
County	5,277,514	4.9%
Contingency	250,000	0.2%
Rolling Stock	956,165	0.9%
IT Equipment Replacement	406,000	0.4%
Capital Outlay	2,000,000	1.9%
Other General Non-Operating	2,643,280	2.5%
<b>Total Non-Operating</b>	<b>25,694,769</b>	<b>23.9%</b>

<b>Total</b>	<b>107,398,043</b>
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# FY17 Operating Budget \$81.7M



**83% of the Operating Budget Comprises of Salaries and Benefits**

# REVENUES

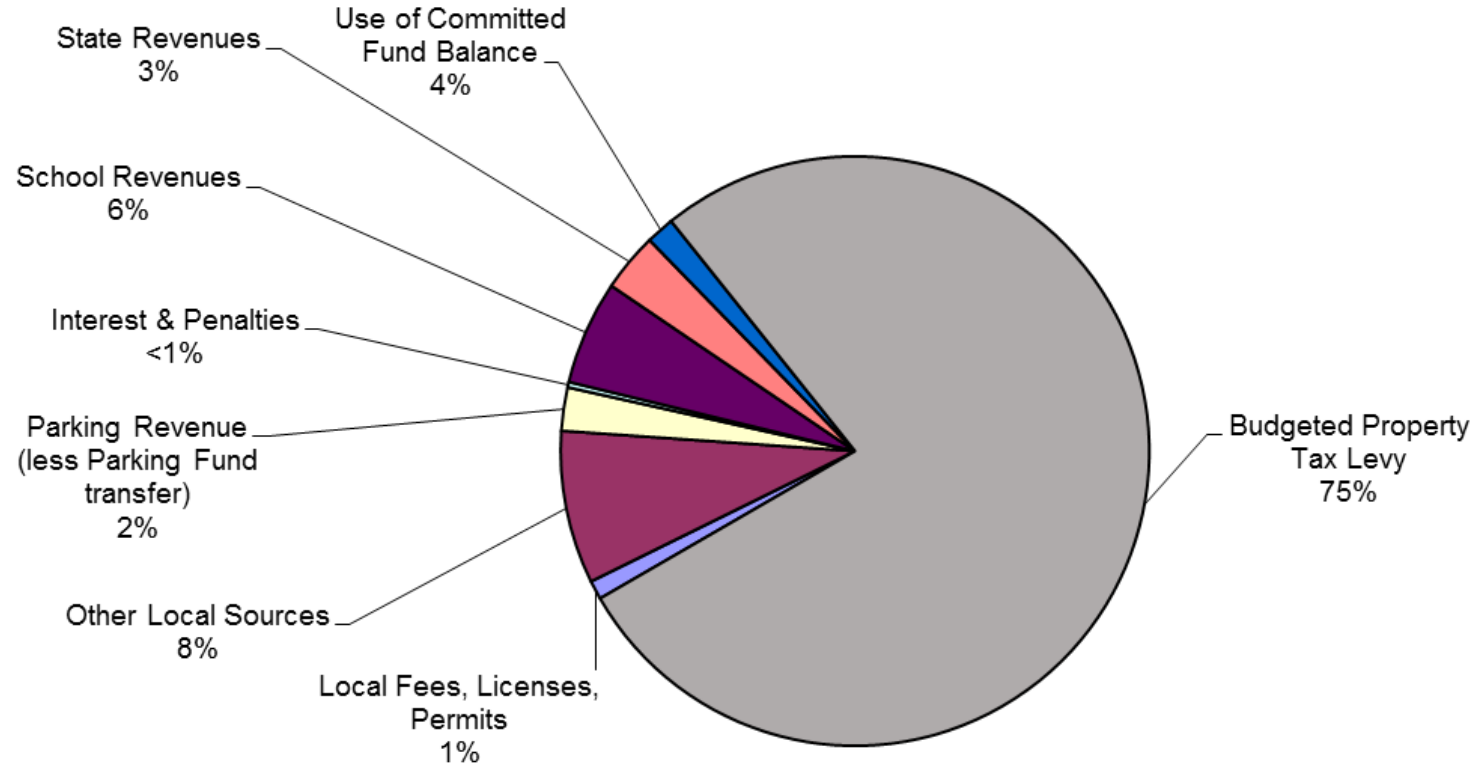
## FY17

### REVENUES:

LOCAL SOURCES	8,971,270
SCHOOL TUITION	5,986,250
STATE REVENUE	3,325,723
NET PARKING REVENUES	2,412,305
INTEREST/PENALTIES	315,000
FEES AND PERMITS	1,427,000
USE OF RESERVES	4,474,500
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	26,912,048

**PROPERTY TAX LEVEY** **80,485,995**

**TOTAL REVENUES** **\$ 107,398,043**



# **LONG-TERM FINANCIAL PLANNING**

# LONG-TERM FINANCIAL PLANNING

## *STABILIZING COSTS*

Long-Term planning assists in keeping the annual budget and tax rate stable and predictable from year to year.

### NON-OPERATING

- Unassigned Fund Balance Ordinance
- Debt Service Planning
- Rolling Stock Replacement Program

### OPERATING

- Leave at Termination Stabilization Fund
- Health Insurance Stabilization

# GENERAL FUND BALANCE SHEET

The term **Fund Balance** is used to describe the difference between the assets and liabilities reported in a Governmental fund.

## Current Financial Resources

### Assets:

**Cash and Investments**  
**Receivables**  
**Inventory**

No reporting of Capital assets such as Land & Building

### Liabilities:

**Accounts Payable**  
**Current liabilities**

No reporting of Long-term liabilities such as debt service

### Fund Balance:

# COMMITTED FUND BALANCE

DESIGNATED FOR A SPECIFIC PURPOSE

Reserves and Stabilization Reserves

- Health Insurance Reserve
- Leave at Termination Reserve
- Future Debt Service Reserve

# UNASSIGNED FUND BALANCE

NOT OBLIGATED OR SPECIFICALLY DESIGNATED

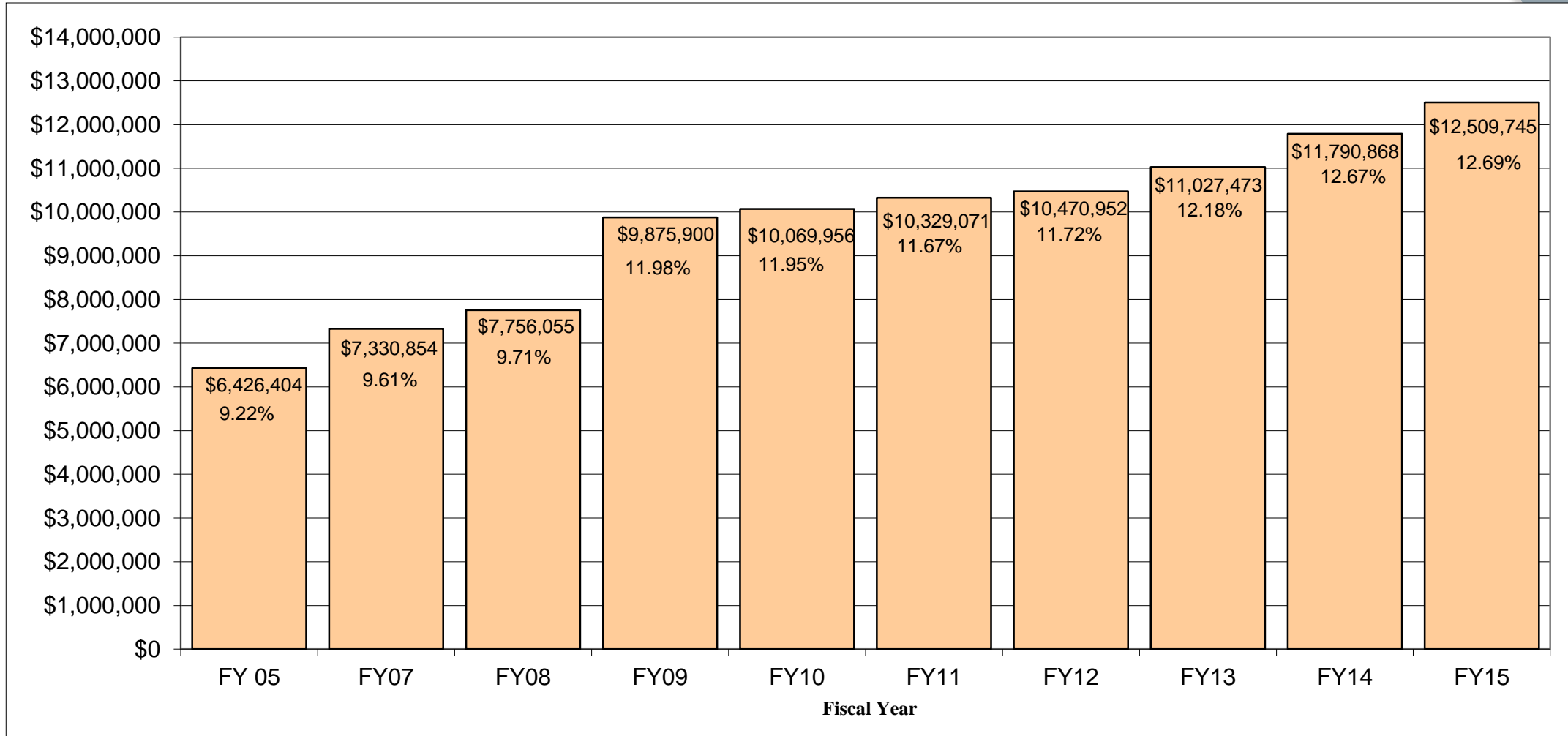
Unassigned Fund Balance Ordinance



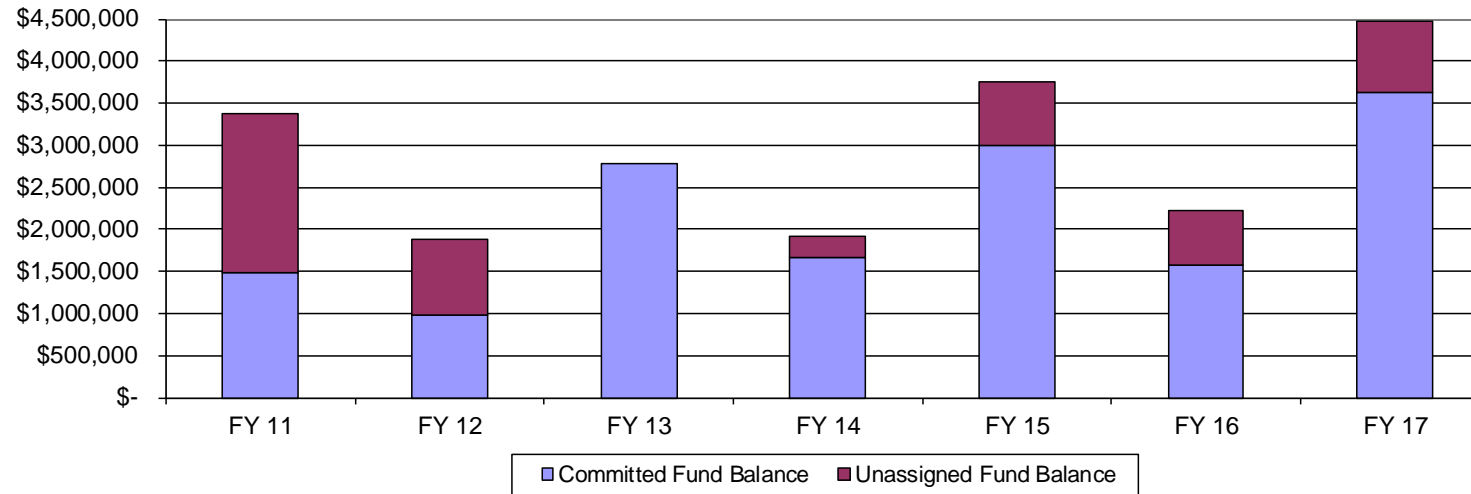
# UNASSIGNED FUND BALANCE ORDINANCE AMENDED FEBRUARY 2013

- ....Shall be maintained at the prescribed amount of not less than 10% of the actual Total General Fund appropriations for the fiscal year.
- .....It is recognized that the financial management goal of the City of Portsmouth is to annually maintain an Unassigned Fund Balance between 10% and 17% of total General Fund appropriations.
- ....Whenever the Unassigned Fund Balance of the General fund is less than the prescribed level, the City Council shall be required, within the fiscal year, to formulate and implement a plan to restore such prescribed amount to the General Fund, such plan shall not exceed a two (2) year period.

# UNASSIGNED FUND BALANCE HISTORY



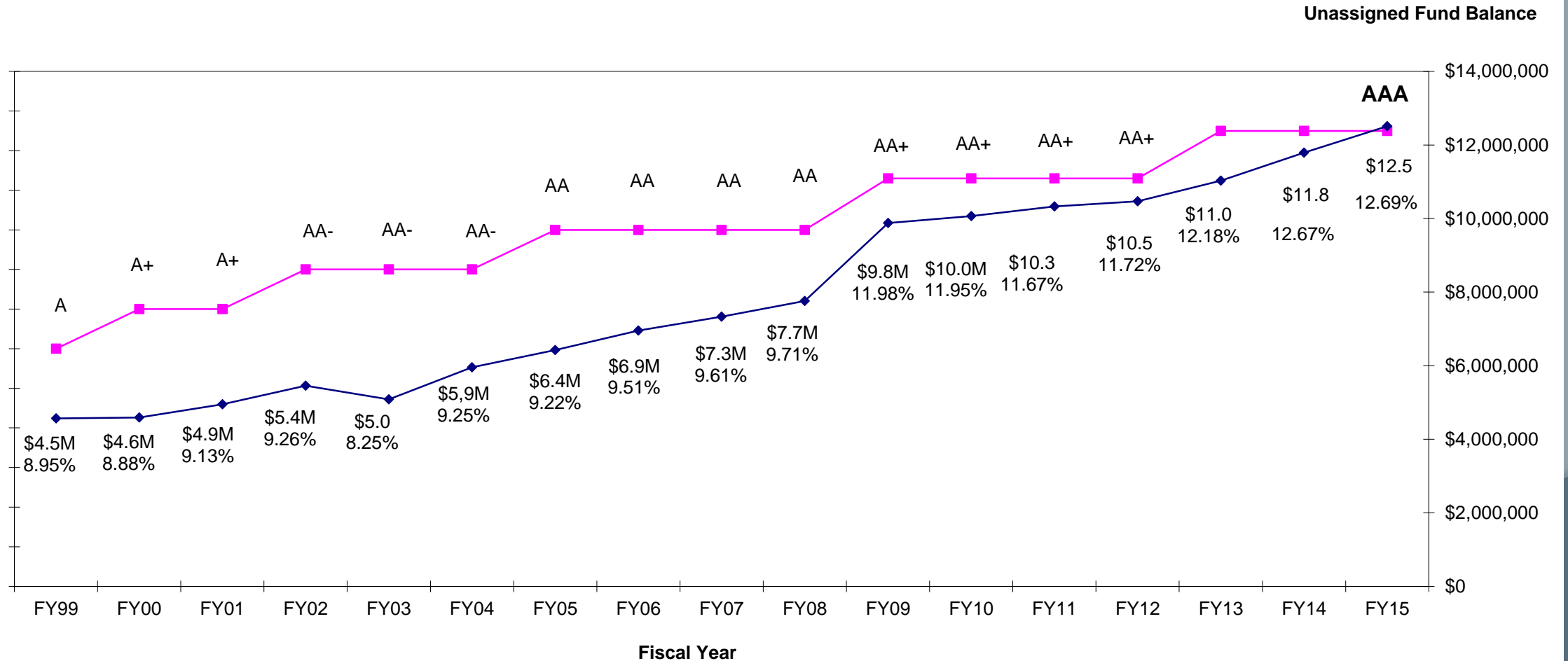
# USE OF FUND BALANCE



Use of:	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	Total FY11-FY17
Committed Fund Balance	1,486,201	973,500	2,772,742	1,673,500	2,991,397	1,573,500	3,623,500	15,094,340
Unassigned Fund Balance	1,882,000	900,000	-	247,000	755,500	650,000	851,000	5,285,500
<b>Total Use of Fund Balance</b>	<b>3,368,201</b>	<b>1,873,500</b>	<b>2,772,742</b>	<b>1,920,500</b>	<b>3,746,897</b>	<b>2,223,500</b>	<b>4,474,500</b>	<b>20,379,840</b>

Average Use Per Year 2,911,406

# Relation of Bond Rating to Unassigned Fund Balance



**DEBT SERVICE  
POLICY  
NON-OPERATING**

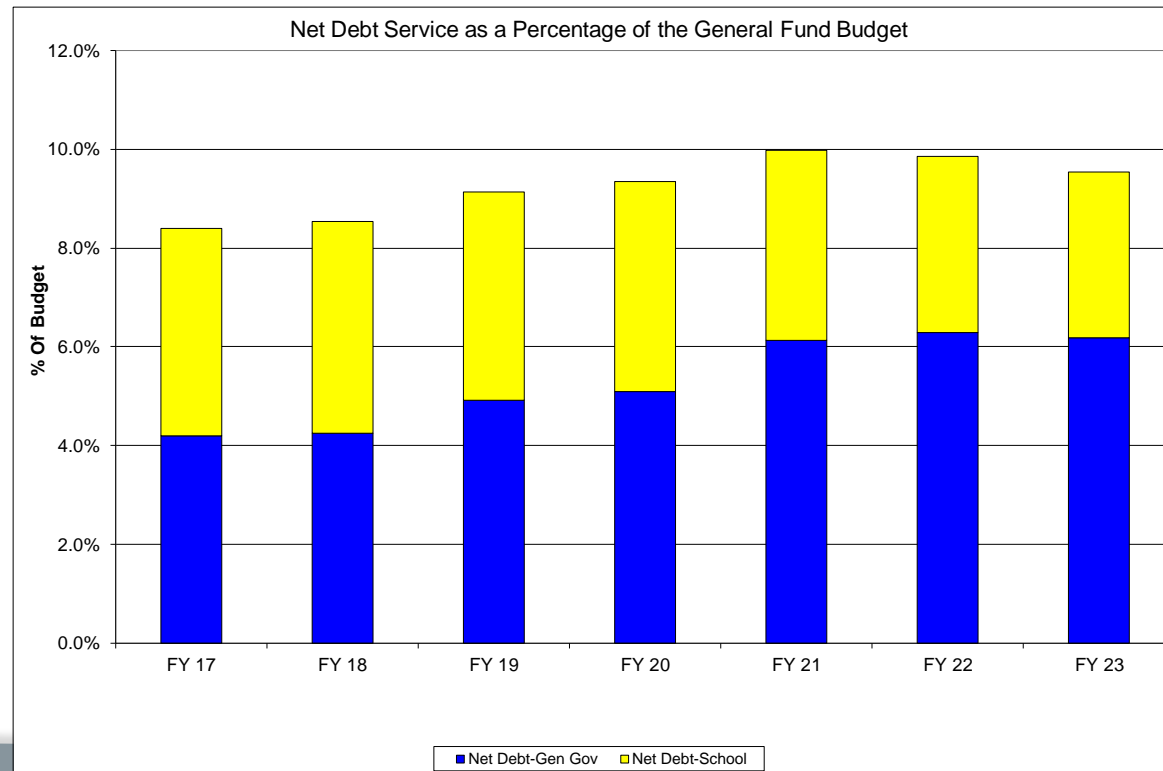
***OBJECTIVE:***  
**TO KEEP THE DEBT BURDEN AND  
OPERATIONAL DEBT COSTS AT  
MANGEABLE LEVELS**

**State of NH** establishes **Legal Debt Margin** by a percentage of the Equalized Assessed Valuation

City policy is to use net debt service as a percentage of General Fund Budget and to use no more than 10% of annual appropriations

	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Total Gen Fund Without Debt Service	94,802,233	98,300,435	101,927,721	105,688,854	109,588,773	113,632,598	117,825,641
<b>Total Gross Debt Service</b>	<b>12,595,810</b>	<b>13,085,154</b>	<b>14,191,237</b>	<b>14,792,052</b>	<b>16,298,318</b>	<b>16,583,215</b>	<b>16,541,515</b>
Debt Service Related Revenues-Schools	(1,836,305)	(1,836,305)	(1,836,305)	(1,836,305)	(1,836,305)	(1,836,305)	(1,836,305)
Debt Service Related Revenues-Gen Gov	(1,739,087)	(1,738,077)	(1,737,927)	(1,700,000)	(1,900,000)	(1,900,000)	(1,900,000)
<b>Total Net Debt</b>	<b>9,020,819</b>	<b>9,510,772</b>	<b>11,617,005</b>	<b>11,255,747</b>	<b>12,562,013</b>	<b>12,846,910</b>	<b>12,811,010</b>
Total Projected General Fund Budget	107,898,043	111,365,588	116,118,958	120,480,906	125,887,091	130,215,813	134,372,956
<b>Total Percentage Net Debt Service</b>	<b>8.40%</b>	<b>8.54%</b>	<b>9.14%</b>	<b>9.34%</b>	<b>9.98%</b>	<b>9.87%</b>	<b>9.53%</b>

# LONG-TERM DEBT SERVICE FORECAST MODEL



The **Rolling Stock Program** is intended to provide an overall schedule for the expenditures of City Funds on replacement of vehicles and equipment necessary to carry out daily city activities. All City departments with rolling stock requirements participate in the program to include Public Works, Police, Fire, School, Parking and Prescott Park. Such a program serves to inform the City Council and the Community that certain expenditures for upgrading the existing equipment are to be expected in the years ahead. Even with this program's schedule, adjustments may be necessary in order to accommodate unforeseen circumstances.

# ROLLING STOCK PROGRAM



Working On  
FY18 Numbers

**City established two methods to address:  
The Significant growing Liability and  
Negative budgetary impacts to the  
operating budget**

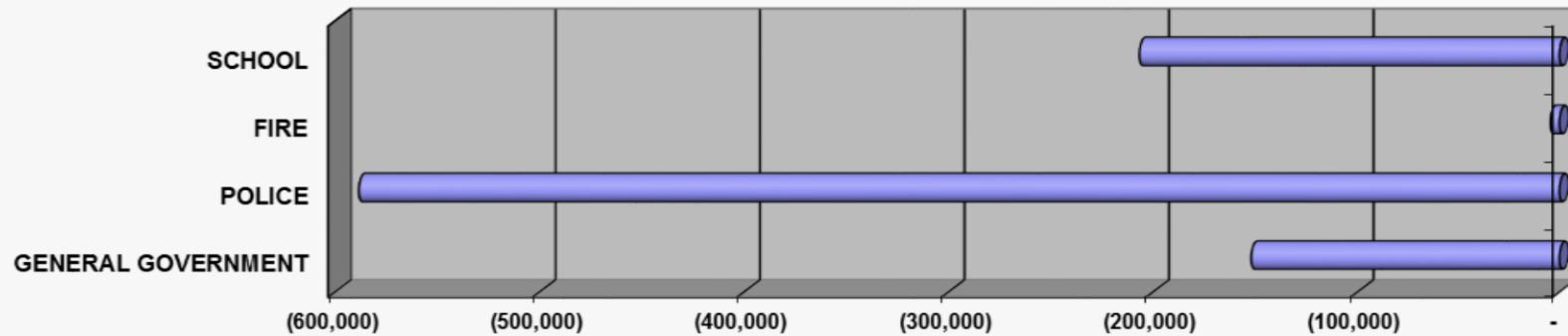
1. Eliminated Future Growth in this liability by negotiating in all labor agreements that new employees can no longer accumulate unlimited sick leave.
2. The Creation of the Leave at Termination Fund (in 1999) to eliminate spikes which negatively impact the department's operating budget. Each department annually budgets a fixed amount determined by an actuarial study which is transferred into this fund where this liability is paid.

**LEAVE AT  
TERMINATION  
STABILIZATION  
FUND**

**Sick Leave Pay  
Owed To Employees  
When They Leave  
Municipal Services**



**LEAVE AT TERMINATION  
ACCUMULATIVE FUND BALANCE**



# LEAVE AT TERMINATION

(UNAUDITED  
AS OF JUNE 30, 2016)

	TRANSFER TO FUND FY 99-FY 15	EXPENDED FY 99- FY15	FUND BALANCE June 30, 2015	FISCAL YEAR 2016			ACCUMALATIVE FUND BALANCE
				ANNUAL APPROPRIATION	FY 16 EXPENDED	FY 16 Balance	
GENERAL GOVERNMENT	3,522,868.00	3,676,492.98	(153,624.98)	275,000.00	273,299.62	1,700.38	(151,924.60)
POLICE	2,549,860.00	2,962,036.19	(412,176.19)	155,203.00	331,296.65	(176,093.65)	(588,269.84)
FIRE	1,191,428.00	1,162,909.16	28,518.84	70,084.00	103,133.96	(33,049.96)	(4,531.12)
SCHOOL	8,974,518.32	9,276,003.49	(301,485.17)	400,000.00	305,118.11	94,881.89	(206,603.28)
	16,238,674.32	17,077,441.82	(838,767.50)	900,287.00	1,012,848.34	(112,561.34)	(951,328.84)

**FY15**

Eligible for Leave at Termination:

General Gov.	17%	Fire	32%
Police	16%	School	17%

**FY16**

Eligible for Leave at Termination:

General Gov.	15%	Fire	31%
Police	15%	School	15%

# LEAVE AT TERMINATION

General Government, Police, Fire and School Departments annually budget a fixed amount for each fiscal year which is transferred to the Leave at Termination Stabilization fund where leave liability due to employees upon termination is paid.

## FY17 BUDGET

<b>GENERAL GOVERNMENT</b>	<b>\$250,000</b>
<b>POLICE DEPARTMENT</b>	<b>\$155,203</b>
<b>FIRE DEPARTMENT</b>	<b>\$70,084</b>
<b>SCHOOL DEPARTMENT</b>	<b>\$400,000</b>
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<b>TOTAL</b>	<b>\$875,287</b>

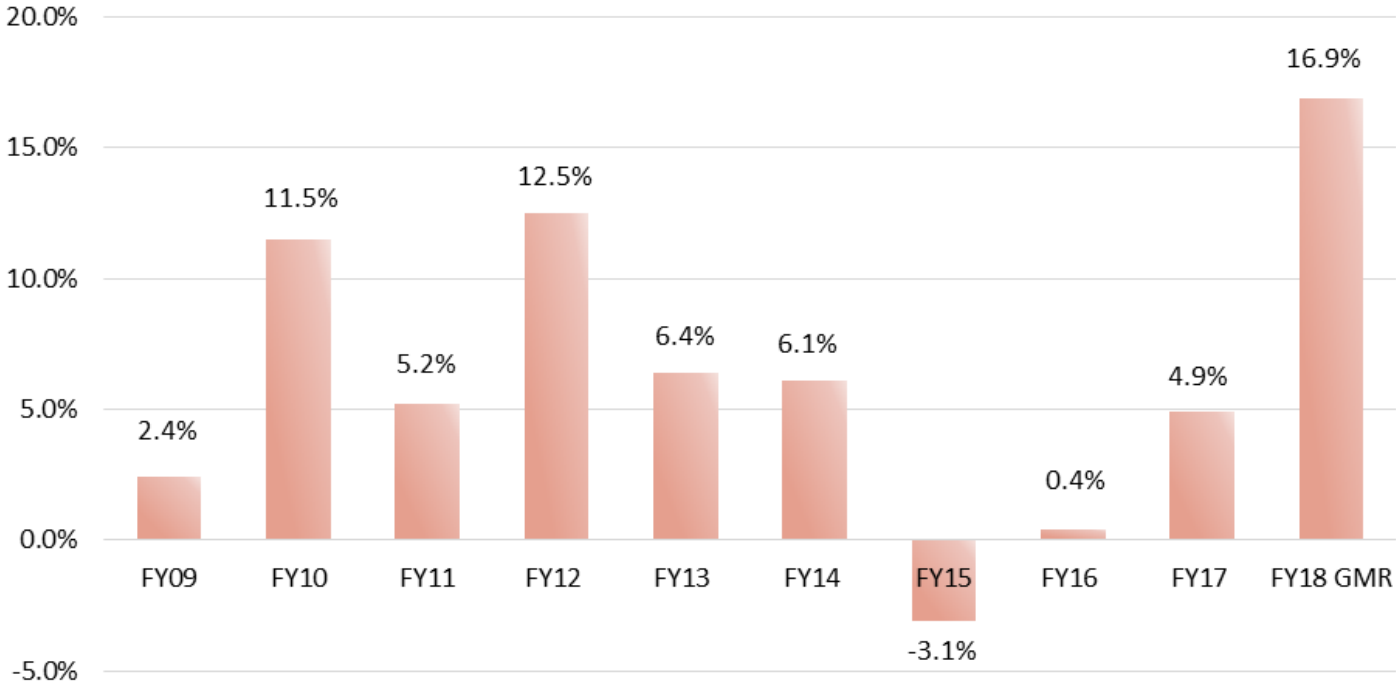
Changes in Health Insurance Premium rates have spiked both up and down over the years causing budgetary unpredictability

# HEALTH INSURANCE STABILIZATION FUND

Stabilization Reserve was established in 2002 for the General Fund from operating surplus from previous years.

The annual appropriation amount is determined in accordance with the average increase of premium rates over the last 10 years. This rate is then added to the prior fiscal year budgetary appropriation.

HEALTH INSURANCE 10 YEAR RATE CHANGE HISTORY



The GMR makes the 10-year average rate increase 6.32%

# HEALTH INSURANCE PROJECTED FY18 PREMIUMS

FY18 Rates Projected Premium  
\$13,953,726

Employee Contribution  
\$1,097,039  
8%

City Contribution  
\$12,856,687  
92%

Health Insurance Premium Using 10-year Average increase of 6.32%

<b>HEALTH INSURANCE BUDGET @ 10 Year Avg</b>				FY18 Estimated City Cost	Stabilization Fund
	FY17 Budget	FY18 Budget Increase @ 6.32%	FY18 Budget		
General Government	1,811,412	114,481	1,925,893	2,304,362	(378,469)
Police Department	1,560,866	98,647	1,659,513	1,898,578	(239,065)
Fire Department	1,211,662	76,577	1,288,239	1,245,292	42,947
School	6,443,603	407,236	6,850,839	7,408,455	(557,616)
<b>Total General Fund</b>	<b>11,027,543</b>	<b>696,941</b>	<b>11,724,484</b>	<b>12,856,687</b>	<b>(1,132,203)</b>

**PREPARING  
FISCAL YEAR 2018 BUDGET**

# KEY FACTORS FOR BUDGETING - EXPENDITURES

## Operating Budget

- COLA – Contract Obligations
- **Retirement Costs**
- Leave at Termination
- **Health Insurance Premiums**
- **Worker's Compensation**

## Non-operating budget

- Debt Service
- Capital Outlay
- County Tax Obligation
- Overlay
- Rolling Stock
- **Property & Liability**

# 16 COLLECTIVE BARGAINING UNITS

General Government	Expires
Professional Management Association (PMA)	6/30/2018
Supervisory Management Alliance (SMA)	6/30/2018
AFSCME Local 1386B Library & Clericals	6/30/2017
AFSCME Local 1386 Public Works	6/30/2014

Police	Expires
Ranking Officers Association	6/30/2018
Portsmouth Patrolman Association	6/30/2018
Civilians	6/30/2014

Fire	Expires
Fire Officers Association	6/30/2018
FireFighter Association	6/30/2018

School	Expires
Principals/Directors	6/30/2018
Association of Portsmouth's Teachers	6/30/2018
Clerical Employees	6/30/2018
Custodial	6/30/2017
Cafeteria	6/30/2017
Paraprofessionals	6/30/2017
Custodial Supervisors	6/30/2018

6 Unsettled contracts for FY18

# COST OF LIVING ADJUSTMENT - COLA

Collective Bargaining Agreements state the COLA adjustment percentage shall be determined by the rolling ten (10) year average of the November-November Boston-Brockton-Nashua CPI - The November – November index will not be available until mid-December

CONSUMER PRICE INDEX - CPI-U (NOV. TO NOV. BOSTON-BROCKTON-NASHUA)	
FY 09	3.40%
FY 10	0.72%
FY 11	1.82%
FY 12	0.64%
FY 13	2.90%
FY 14	2.00%
FY 15	0.92%
FY 16	1.60%
FY 17	0.84%
FY 18	2.50% <a href="#">estimate</a>
<b>10 Year Average</b>	<b>1.73%</b> FY 2018 salaries use 2%



# RETIREMENT RATE INCREASE

Retirement appropriation will be affected by increase in salaries due to:

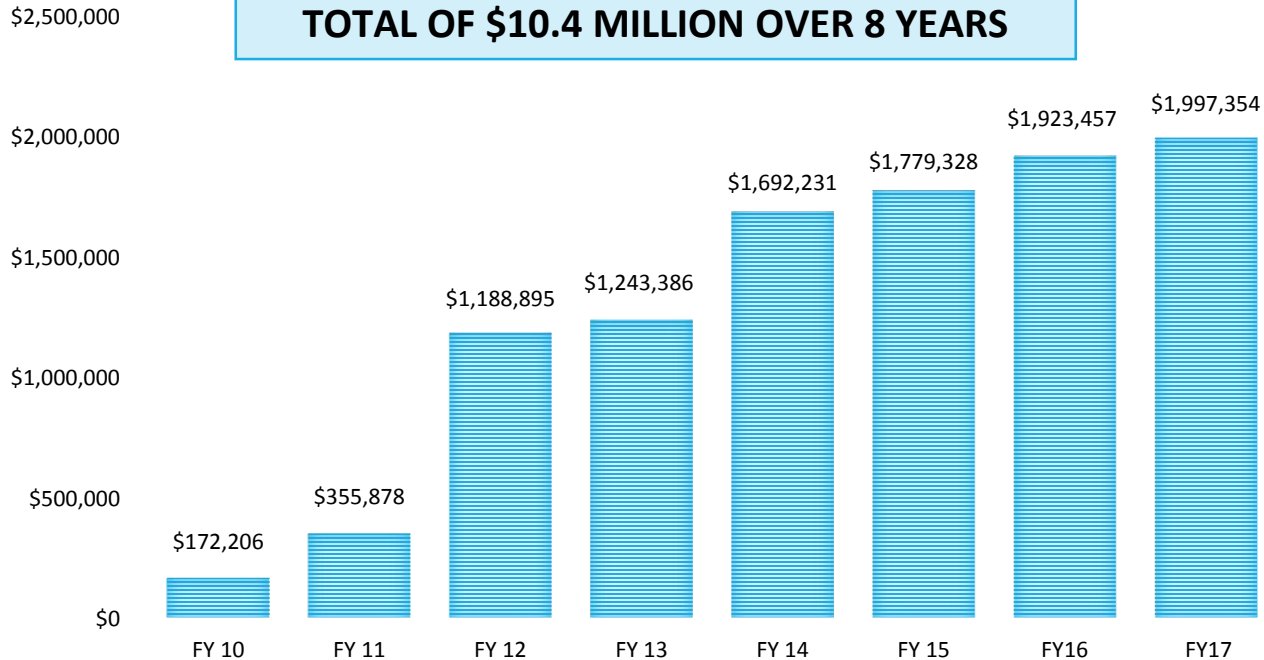
- COLA Adjustments
- Step Increases

	<b>FY17 Rates</b>	<b>FY18 Rates</b>	<b>% change from FY17 rates</b>
<b>GROUP I</b>			
Employees	11.17%	11.38%	1.88%
Teachers	15.67%	17.36%	10.78%
<b>GROUP II</b>			
Police	26.38%	29.43%	11.56%
Fire	29.16%	31.89%	9.36%

# RETIREMENT CONTRIBUTIONS

## ADDITIONAL RETIREMENT COSTS AS A RESULT OF THE ELIMINATION OF STATE CONTRIBUTION

TOTAL OF \$10.4 MILLION OVER 8 YEARS



Prior To FY10 the State of NH contributed 35% to retirement for Police, Fire and Teacher personnel

FY10- reduced obligation to 30%

FY11- reduced obligation to 25%

FY12- reduced obligation to 0%

This change cost tax payers approximately \$10.4 million over the past eight fiscal years (FY10-FY17)

# WORKER'S COMPENSATION

	FY17
GENERAL GOVERNMENT	159,708
POLICE	187,175
FIRE	149,607
SCHOOL	150,963
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TOTAL	\$647,453
<b>ESTIMATED INCREASE</b>	<b>\$39,000</b>
FY18 APPROPRIATION	\$686,453

Working On  
FY18 Numbers

**Overall 6% Increase**

# PROPERTY & LIABILITY INSURANCE

	FY17 Budget	Preliminary FY18 Budget	\$ Change
<b>CITY PROPERTY &amp; LIABILITY</b>	\$335,000	\$372,185	\$37,185
			11.1%

	FY17 Budget	Preliminary FY18 Budget	\$ Change
<b>SCHOOL PROPERTY &amp; LIABILITY</b>	\$135,789	\$138,820	\$3,031
			2.2%

Working On  
FY18 Numbers

# DISCUSSION