

City of Portsmouth, NH

City Council Work Session

FY27 Budget Planning & Water/Sewer Rate Model Study

January 14, 2026



Agenda

- Introductory comments
- FY27 Budget planning
 - Economic indicators
 - Key budget drivers
 - Budget development
- Water/Sewer Rate Model Study
 - Goals of the study
 - Rate study process
 - Initial findings
 - Next steps
- Questions & Answers



Vision, Mission, and Values

Vision

The City of Portsmouth strives toward innovative, reflective leadership, to preserve its historical authenticity while embracing its sense of community.

Mission

To preserve and enhance the quality of life for the citizens of Portsmouth by providing the highest quality services with a focus on safety, sustainability, preservation, culture, wellness, and diversity.

Values

- Integrity and Honesty
- Community
- Vibrancy
- Leadership
- Historic Preservation and History



2026-2027 City Council Goals



Tax Impact of FY2026

Analysis of Portsmouth Tax Rate Change (TY25 / FY26)

	<u>Dollar Impact</u>	<u>Tax Rate Impact</u>
FY26 Adopted Budget ¹	5,033,593	0.50
Change in Estimated Revenues ²	107,601	(0.01)
Increase in Overlay ³	692,522	<u>0.07</u>
Projected Tax Rate Impact		0.56
New Property Value Growth ⁴	197,525,637	<u>(0.23)</u>
% Change = ⁵ 1.96%		
Final Tax Rate Change		0.33
December 2024 Tax Rate		11.18
New December 2025 Tax Rate		<u>\$ 11.51</u>
% Change = 2.95%		



NOTES:

- 1 Adopted Budget increase was 3.47%
- 2 State Revenues increased marginally per NHDRA
- 3 Overlay increased to address increase in abatement applications
- 4 Property development offset 41% of the projected tax rate impact
- 5 New property development equaled a 1.96% increase in the tax base

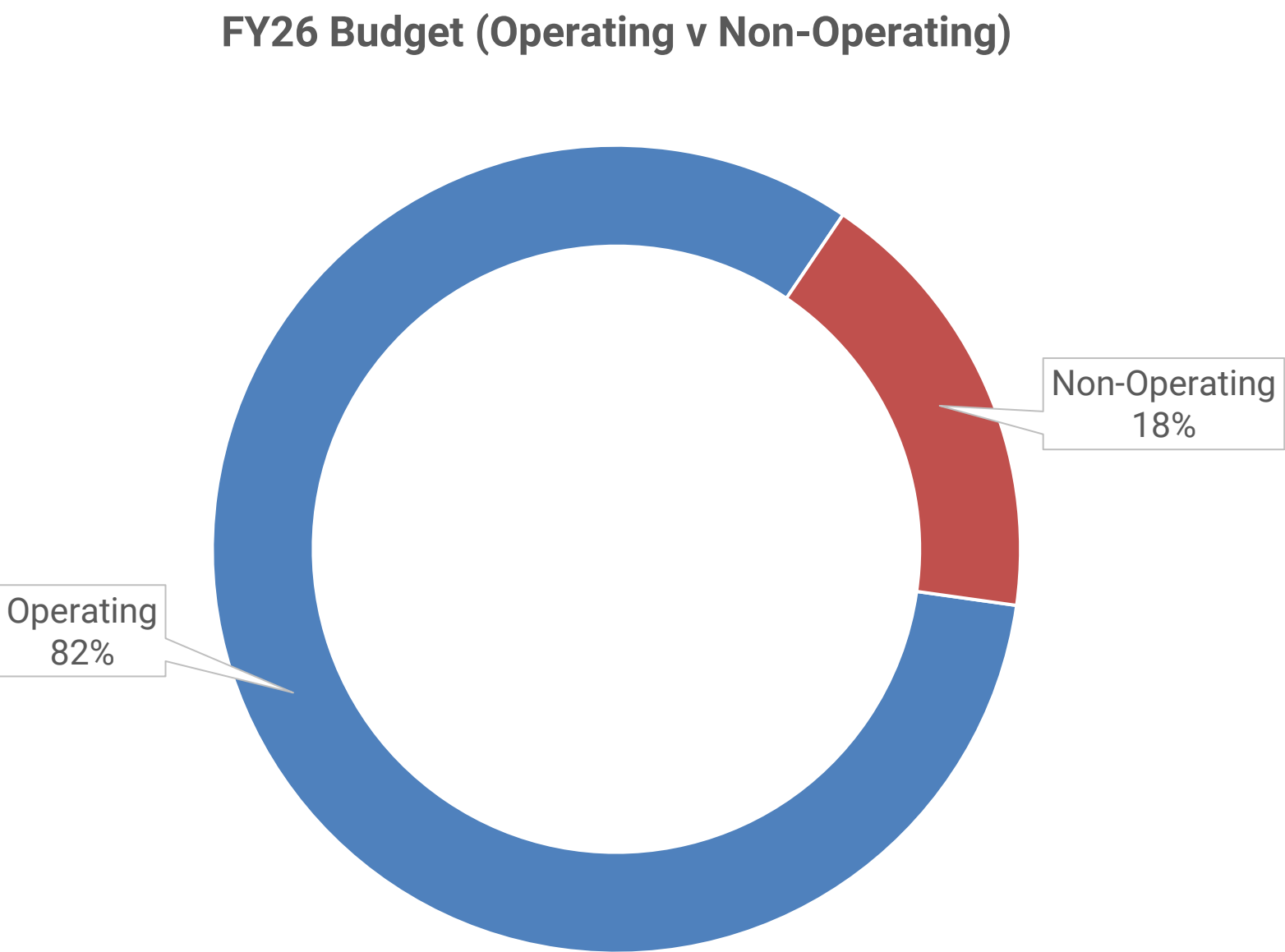
Budget Development Process

- City Manager & Deputy City Manager attend Charter Department Board/Commission meetings to discuss initial budget planning expectations
- City Council adopts the Capital Improvement Plan
- Departments begin development of Continuing Services Budgets
- City Manager seeks City Council budgetary guidance
- City Council guidance is shared with Departments and budget development cycle is launched
- City Manager receives Charter Department requests from the Board/Commissions
- City Finance compiles budget data and reviews requests with Department Heads
- City Manager works with Departments to reach budget goals
- City finalizes and publishes the Budget Document



FY2026 Budget

Looking at where we are now...



FY26 increase = 3.47% over FY25

	FY25 Adopted Budget	FY26 City Council Adopted Budget
OPERATING BUDGET:		
General Government	26,470,064	26,664,357
Police Department	14,586,704	14,910,638
Fire Department	12,507,527	12,868,512
School Department	64,061,713	65,915,610
Collective Bargaining	0	1,990,000
Transfer to Indoor Pool	200,000	200,000
Transfer to Prescott Park	262,930	271,370
Transfer to Community Campus	465,355	470,911
Total Operating Budget	118,554,293	123,291,398
NON-OPERATING BUDGET:		
Debt Service & Related Costs	14,284,300	14,311,948
Overlay Interest Expense	60,000	60,000
Property & Liability Insurance	424,292	508,005
Rockingham County Tax	5,730,000	6,000,870
Contingency	300,000	300,000
Rolling Stock	783,650	789,000
IT Equipment Replacement	992,180	1,091,250
Capital Outlay	1,638,000	1,560,000
Professional Services - Outside Counsel	500,000	0
Settlement	0	0
Other General Non-Operating	1,594,632	1,982,469
Total Non-Operating Budget	26,307,054	26,603,542
Total Gross Budget	144,861,347	149,894,940

Economic Indicators

Consumer Price Index (CPI)	Social Security Administration (SSA)
2.77% (November 2024 – November 2025 CPI-U)	2.8% (January 2026)



Cost of Living Adjustment (COLA)

CONSUMER PRICE INDEX		
CPI-U, Not Seasonally Adjusted (Nov to Nov)		
Boston-Cambridge-Newton, MA-NH		
1	FY 18	1.26%
2	FY 19	2.86%
3	FY 20	3.15%
4	FY 21	2.12%
5	FY 22	0.40%
6	FY 23	5.31%
7	FY 24	7.00%
8	FY 25	2.39%
9	FY 26	3.09%
10	FY 27	2.77%
10-Year Rolling Average		3.03%

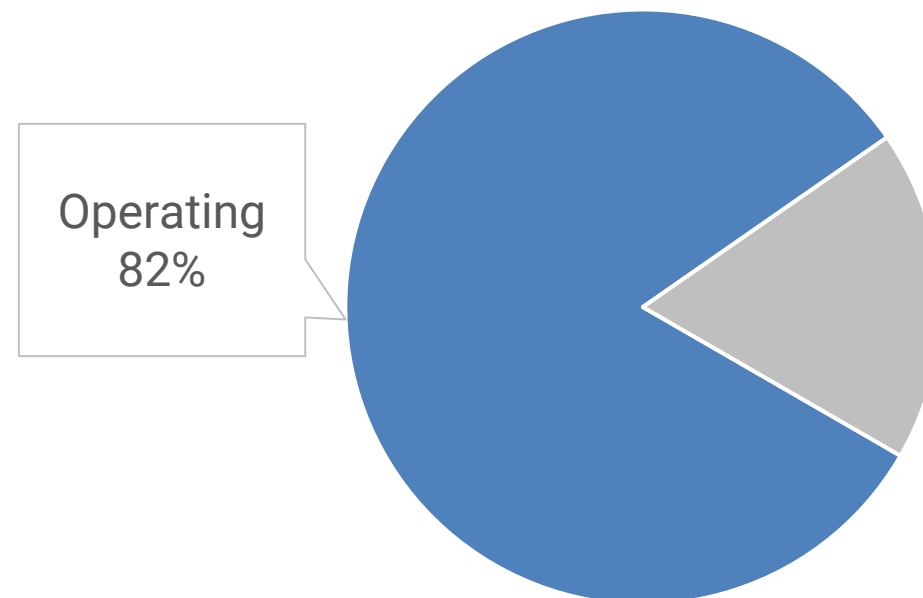
City's 10-Year Rolling COLA	Social Security Administration (SSA)
Average of the past 10-years: 2.61%	Average of the past 10-years: 3.11%



Operating Budget

- Programming and Services
 - General Government
 - Charter Departments
- Salaries, Wages, and Employee Benefits
 - **Health Insurance**
 - **COLA (Cost of Living Adjustment)**
 - Other Contractual Obligations
 - **Collective Bargaining**
- Professional Services
- Supplies and Materials

FY26 Adopted Budget



Health Insurance Coverage

Major Budget Driver for FY27

- Health Insurance is a collectively bargained benefit
- City is working with Benefits Consultant to explore options for all benefits for all employees
- Health Insurance Stabilization Reserve

Provider (Carrier)	Who it Covers	Premium Increase	FY26 Estimate	FY27 Increase
SchoolCare (Cigna)	School Department	26.2% increase for the single plan offered	\$11,245,000	\$2,946,190
HealthTrust (Anthem)	General Government Police Department Fire Department	11.4% average increase across three plans offered	\$ 6,985,000	\$ 796,290
Total			\$18,230,000	\$3,742,480

\$3.7 Million = 2.5% increase over the total FY26 Budget

Salaries – Steps and COLA

- Salaries and Wages per Collective Bargaining
 - Steps and Adjustments
 - Cost of Living Adjustments (COLA)
- Payroll related expenses
 - Medicare & Social Security taxes
 - NH Retirement contributions

Estimated Increase in Salaries/Taxes/Retirement

School Department		
Steps, COLA, FICA, NHRS		2,044,360
Other City Departments		
Steps, COLA, FICA, NHRS		1,998,340
Total Increase		\$ 4,042,700



\$4.0 Million = 2.7% increase over the total FY26 Budget

Collective Bargaining

5 of 16 Unions will have expired contracts as of 6/30/2026

General Government	Expires
Professional Management Association (PMA)	6/30/2027
Supervisory Management Alliance (SMA)	6/30/2028
Portsmouth Public Library Employees Local 1386B	6/30/2028
AFSCME Local 1386A Public Works	6/30/2026

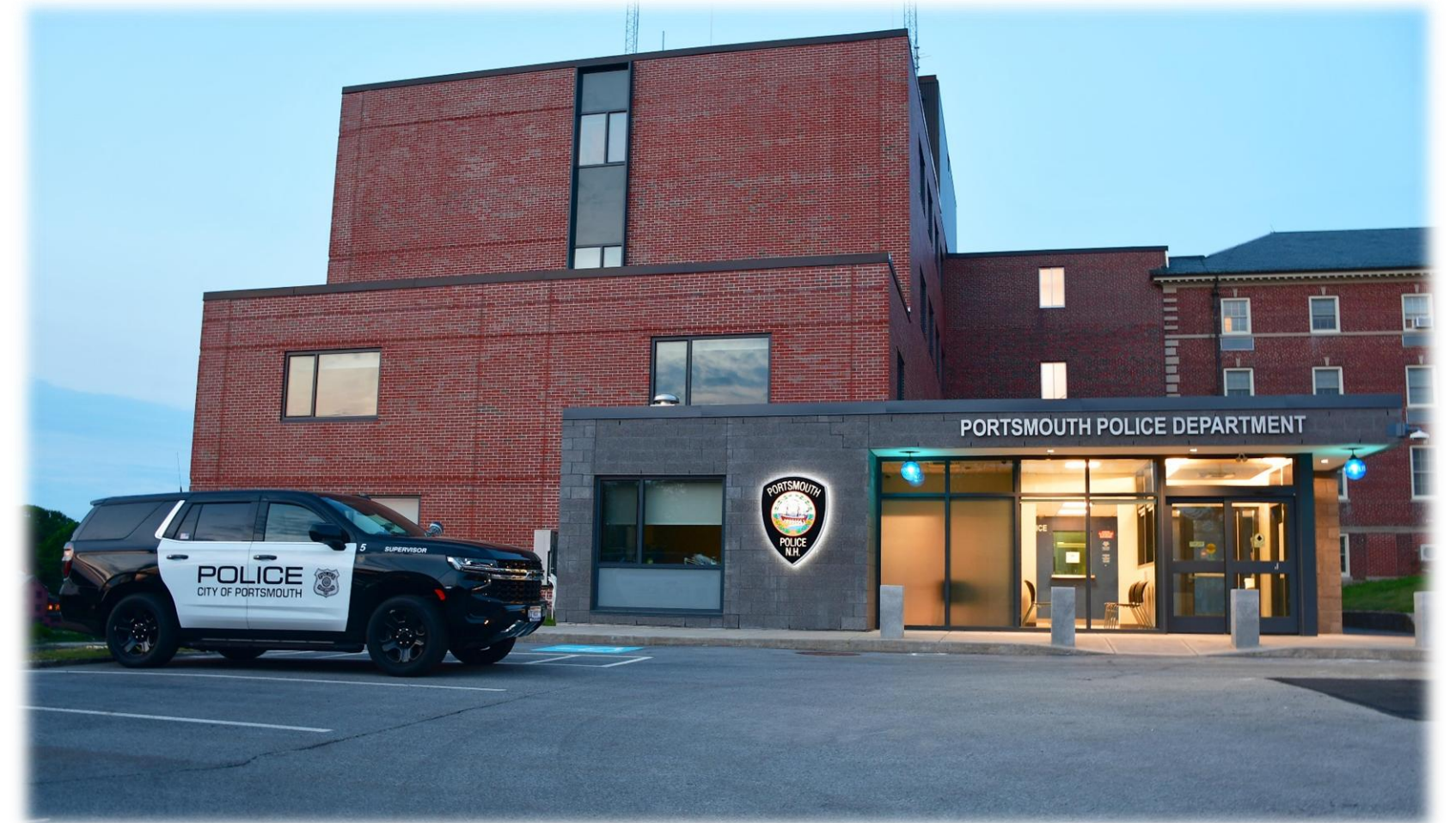
Police	Expires
Ranking Officers Association	6/30/2027
Portsmouth Patrolman Association	6/30/2027
Civilians	6/30/2027
Fire	Expires
Fire Officers Association	6/30/2026
Fire Fighter Association	6/30/2026

School	Expires
Principals/Directors	6/30/2029
Association of Portsmouth Teachers	6/30/2028
Clerical Employees	6/30/2028
Custodians	Pending
Cafeteria Workers	Pending
Paraeducators	6/30/2026
Custodial Supervisors	6/30/2026

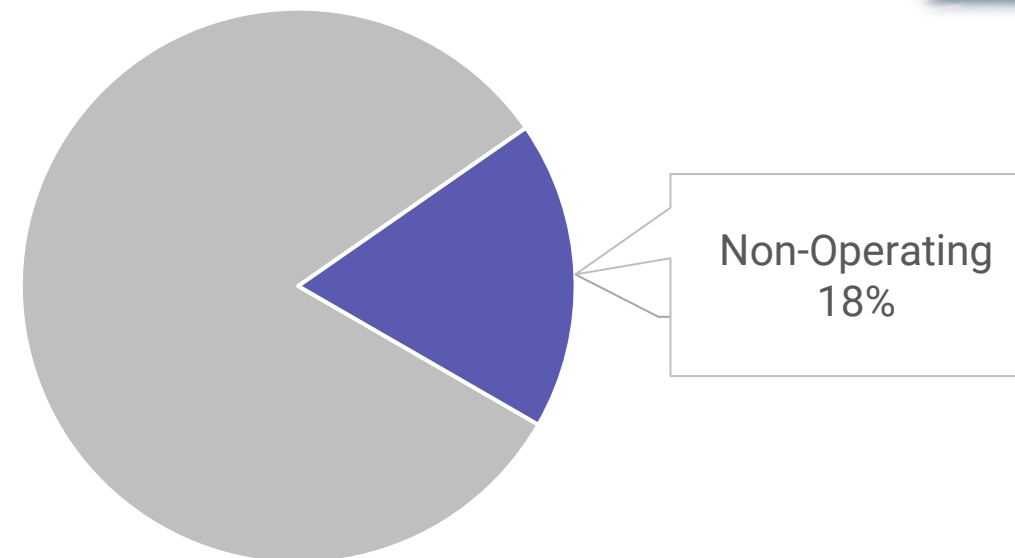
** Funds for settlement of expired contracts are included in the budget for all General Fund employees in Collective Bargaining.

Non-Operating Budget

- **Debt Service**
- **Capital Outlay**
- Rolling Stock
- IT Equipment Upgrades/Replacement
- Subscription-Based Information Technology Arrangements (SBITA)
 - Police Body Cameras & Tasers
 - ERP Software
- Property & Liability Insurance
- Rockingham County Tax



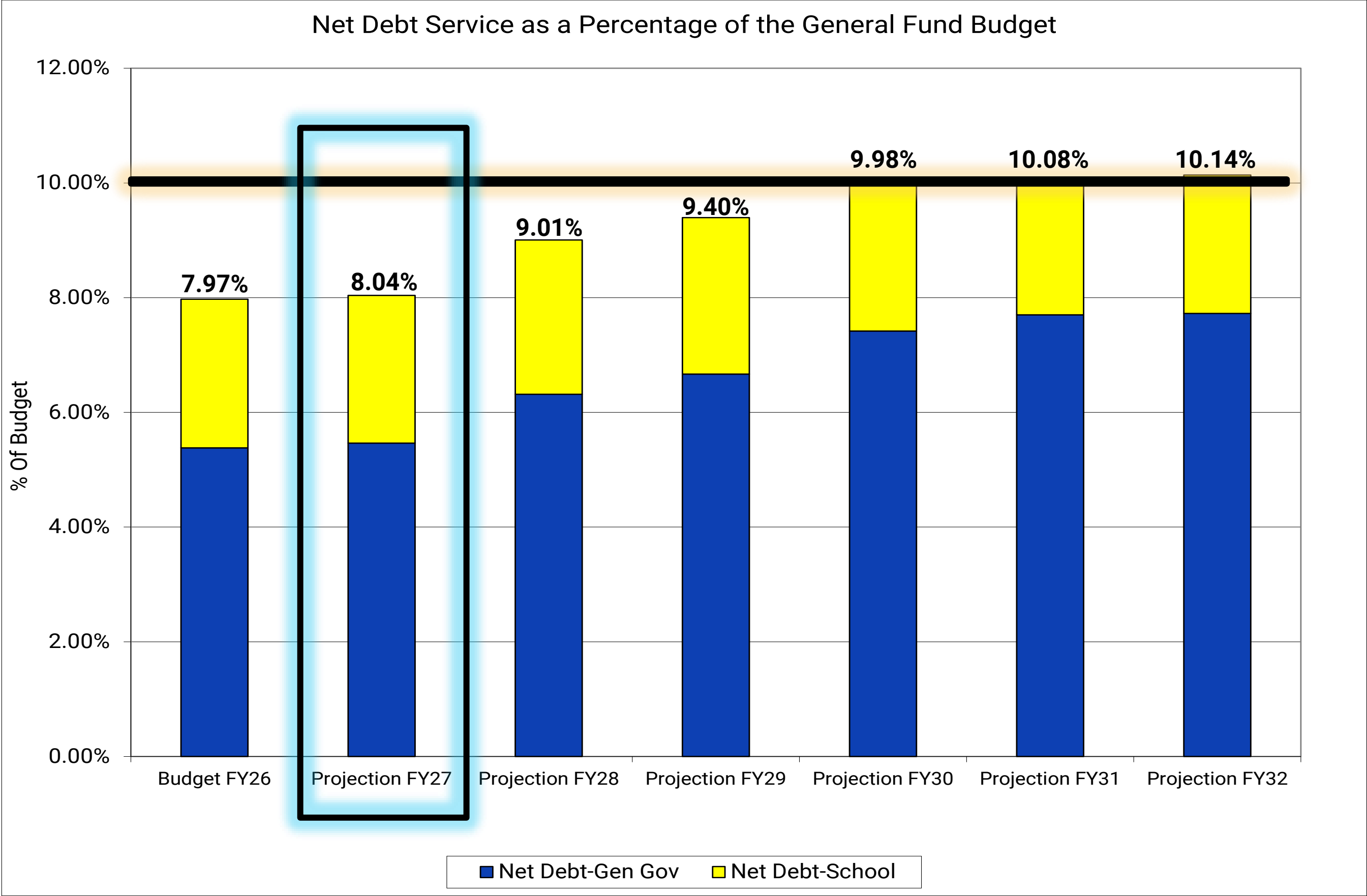
FY26 Adopted Budget



Debt Service

Policy: Use no more than 10% of annual appropriations toward Net Debt Service payments

8.04%
FY27 Net Debt Service

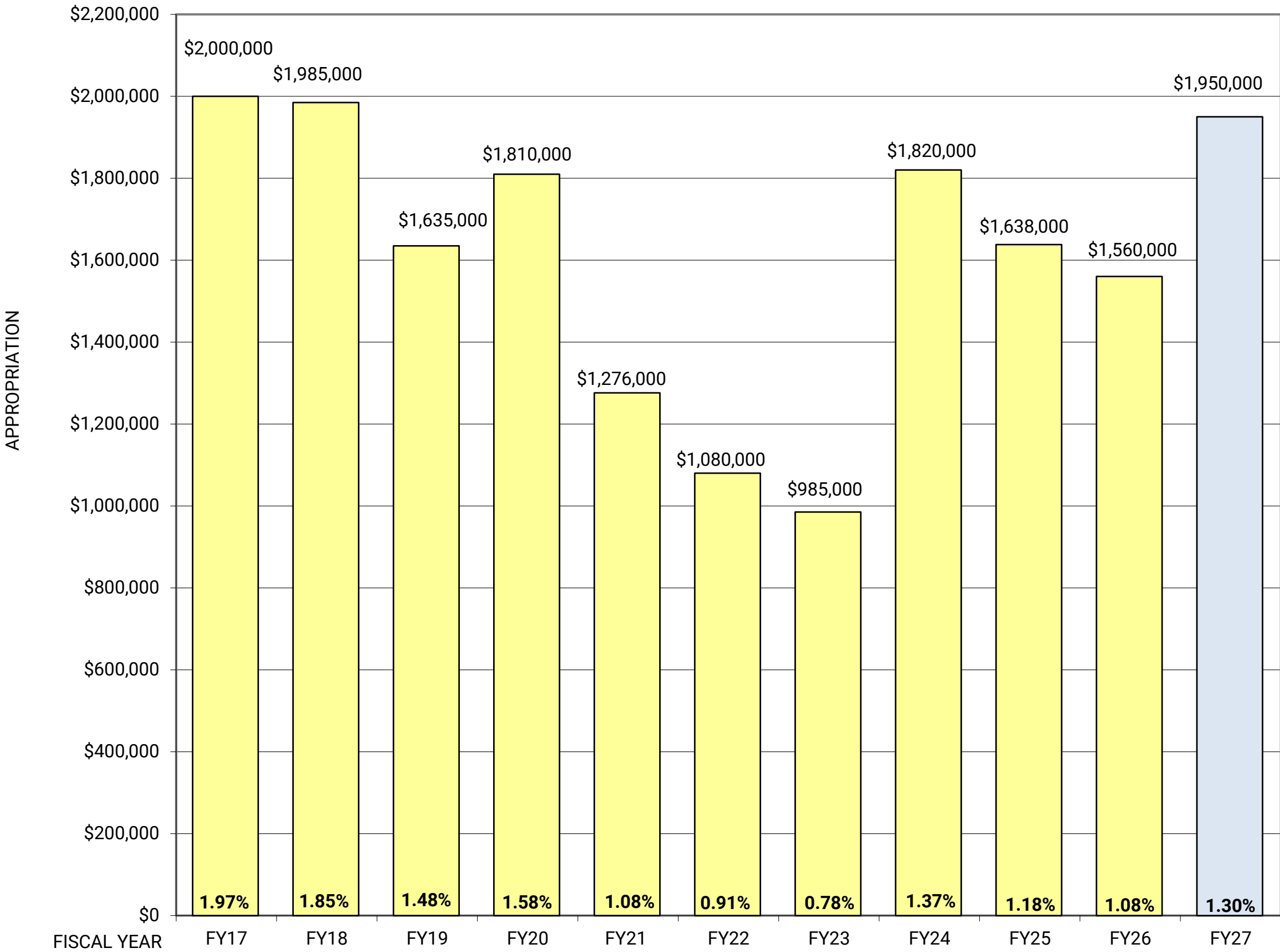


Capital Outlay

Policy: Budget no more than 2% of the prior year's appropriation for Capital Outlay

Project Type	Capital Outlay
Vehicles and Equipment (VE)	130,000
Buildings and Infrastructure (BI)	1,245,000
Transportation Management (TSM)	350 000
Combined Funded Projects (COM)	125,000
Capital Contingency	100,000
Total Proposed Capital Outlay	\$ 1,950,000

1.30%
FY27 Capital Outlay



The Challenge for FY2027

Major Driver	Estimated FY27 Increase	FY27 % Change
Health Insurance Coverage	\$3,742,480	2.50%
Salaries & Wages – COLA	\$4,042,700	2.70%
Non-Operating (including CIP)	\$2,240,000	1.50%
Total – Three Major Drivers	\$10,025,180	6.70%



Questions?

