

# Joint Budget Committee

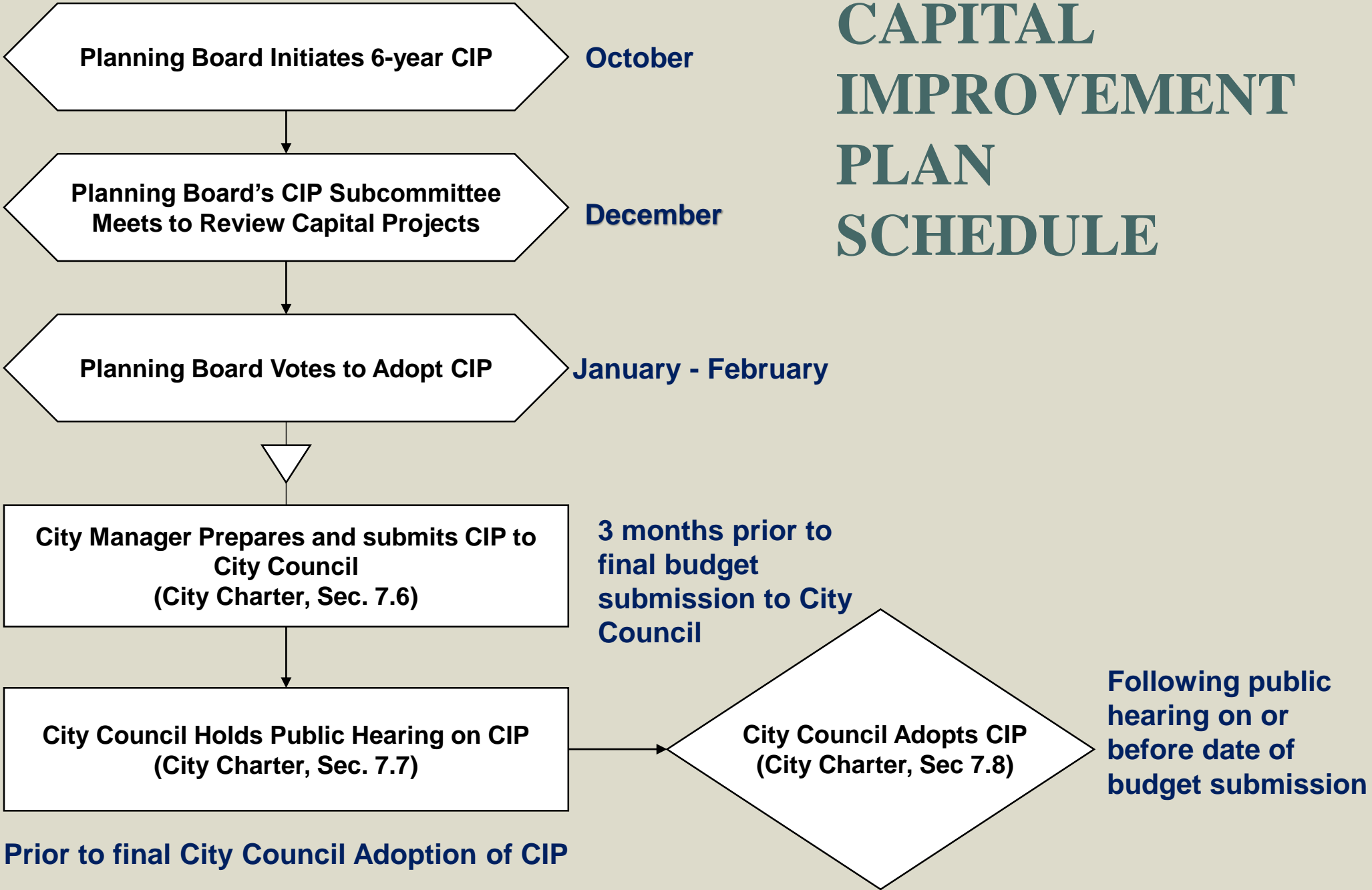
## Presentation

- Charter Requirements / Budget Process
- Fiscal Budget
  - FY18 Adopted Budget
  - Long-Term Financial Planning
  - Key Factors Facing Fiscal Year 2019
- Discussion on Budget Process/Calendar going forward

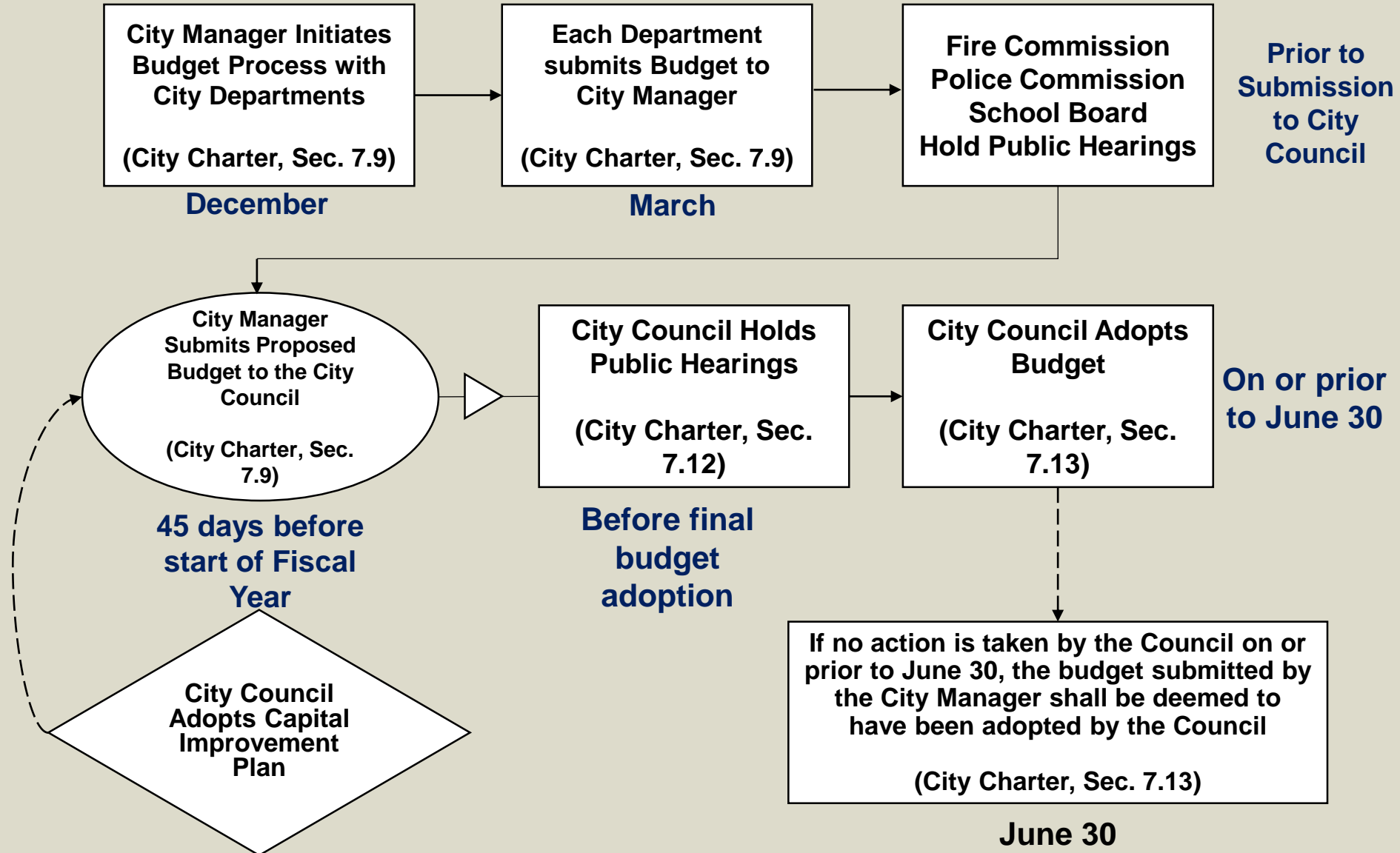


November 29, 2017

# CAPITAL IMPROVEMENT PLAN SCHEDULE



# BUDGET SCHEDULE PER CHARTER REQUIREMENTS



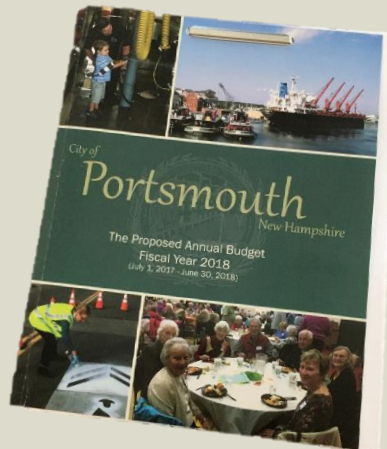
# Building a Budget Document that is Informative and Easy to Read

## Policy Document

- Strategic Goals & Strategies
- Short-term organization-wide factors influencing decisions
- ★ Priorities and Issues
- ★ Financial Policies
- ★ Budget Process

## Financial Plan

- Fund Descriptions and Fund Structure
- Basis of Budgeting
- ★ Consolidated Financial Schedule
- ★ 3 yr Consolidated and Fund Financial Schedules.
- ★ Fund Balance
- ★ Revenues
  - Long-Range Financial Plans
- ★ Capital Expenditures
  - Impact of Capital Investments on Operating Budget
- ★ Debt



## Operations Guide

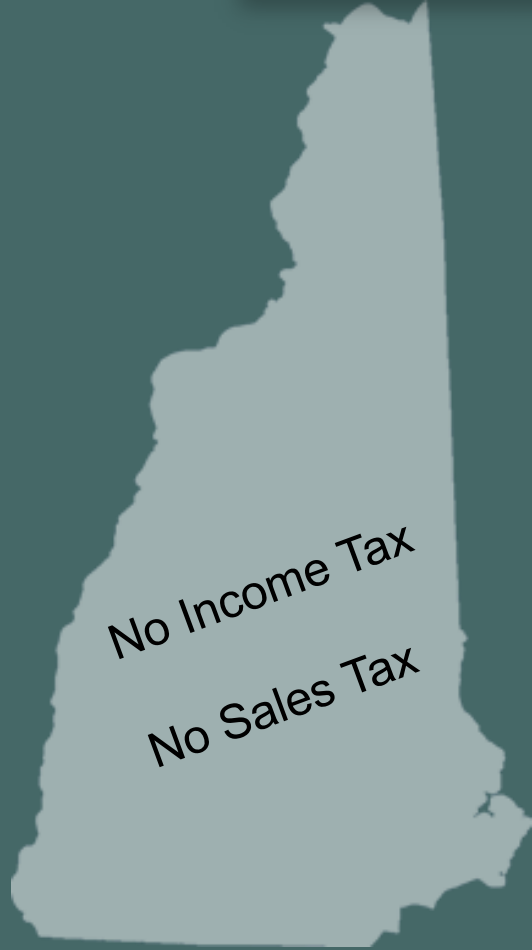
- ★ Organization Chart
  - Department/Fund Relationship
- ★ Position Summary Schedule
- ★ Department Descriptions
  - Unit Goals and Objectives
  - Performance Measures

## Communications Device

- ★ Tables of Contents
- ★ Budget Overview
  - Statistical/Supplemental Section
  - Glossary
  - Charts and Graphs
  - Understandability and Usability

Budget Document GFOA Guidelines

# Fiscal Challenges



In the State of New Hampshire, Property Tax is the Primary method of Financing Local Government

Budget

Assessments

Tax Rate

# GENERAL FUND

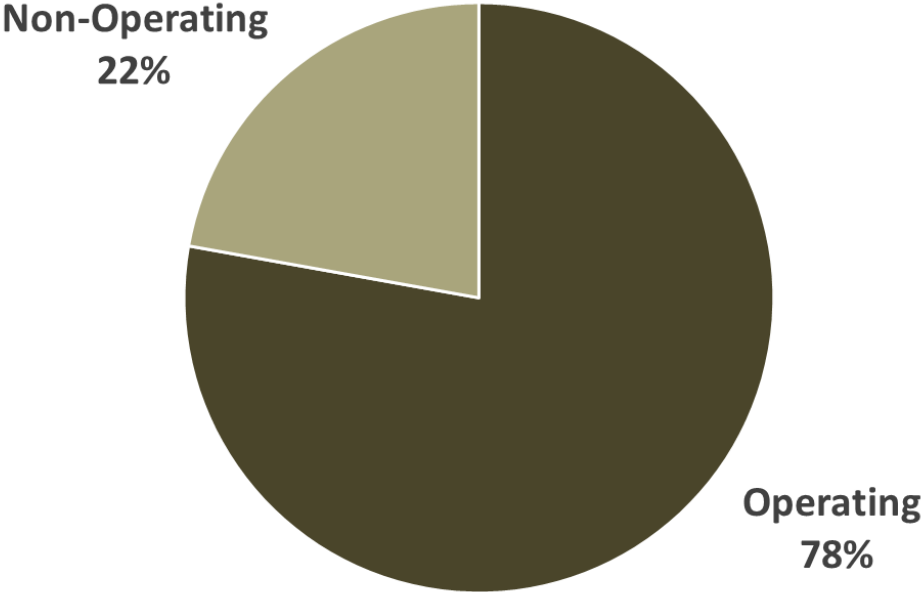
## Operating Budget

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

## Non-Operating Budget

- Debt Service Payment
- Overlay – Abatement Purposes
- Capital Outlay
- Rockingham County Tax Obligation
- Contingency
- Rolling Stock – Vehicle and Equipment

# Fiscal Year 2018 Adopted Budget



Operating	
General Government	18,808,621
Police	10,925,161
Fire	8,684,534
School	46,471,405
Collective Bargaining	100,000
Transfer to Indoor Pool	150,000
Transfer to Prescott Park	30,479

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<b>Operating</b>	<b>85,170,200</b>
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Non-Operating	
Debt Service	13,360,154
Overlay	950,000
County	5,466,000
Contingency	250,000
Rolling Stock	761,900
IT Equipment Replacement	650,658
Capital Outlay	1,985,000
Other General Non-Operat	854,693

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<b>Non-Operating</b>	<b>24,278,405</b>
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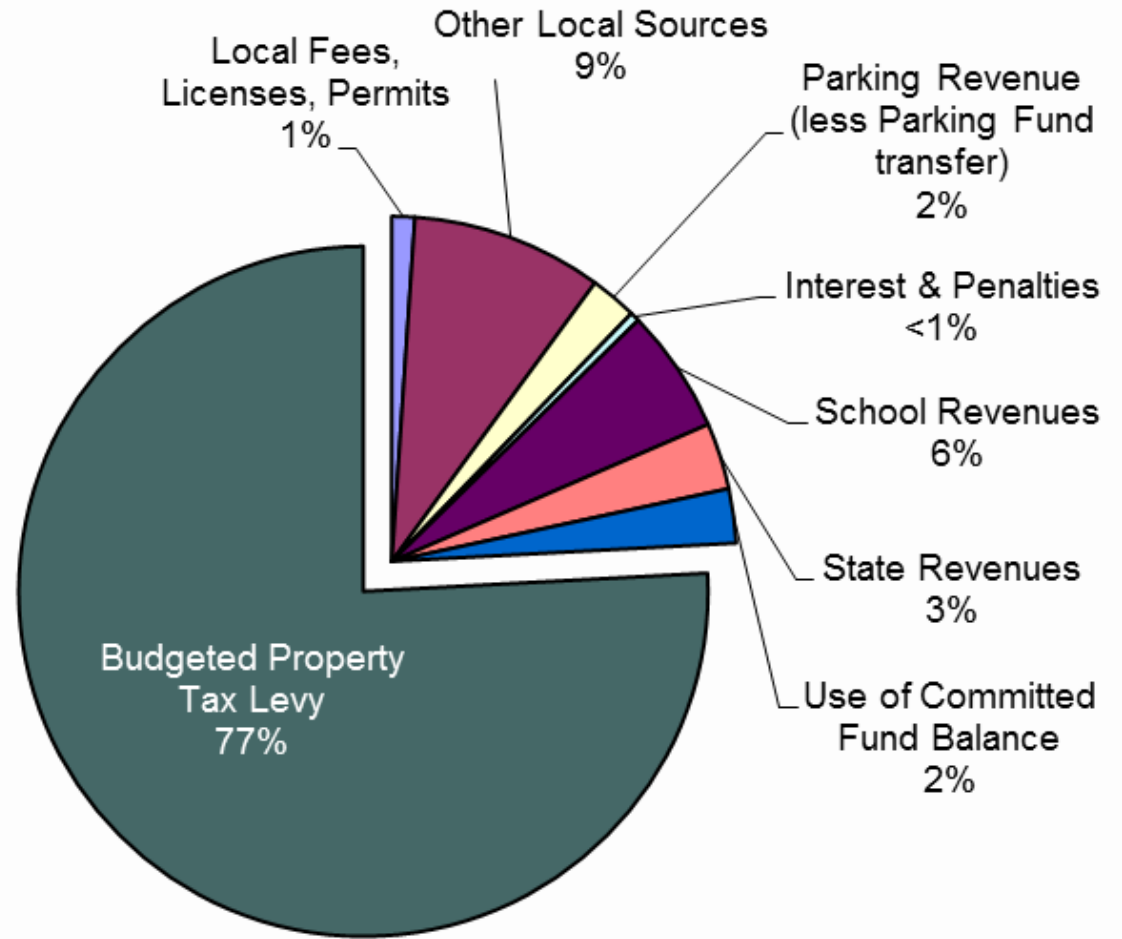
<b>Total Gross Budget</b>	<b>\$109,448,605</b>
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<b>EXPENDITURES:</b>	
OPERATING	85,170,200
NON-OPERATING	24,278,405
<b>ADOPTED BUDGET</b>	<b>109,448,605</b>

<b>REVENUES:</b>	
LOCAL SOURCES	9,815,677
SCHOOL TUITION	6,369,332
STATE REVENUE	3,412,382
NET PARKING REVENUES	2,412,305
INTEREST/PENALTIES	485,000
FEEES AND PERMITS	1,167,000
USE OF RESERVES	2,781,000
<b>REVENUES</b>	<b>26,442,696</b>

<b>PROPERTY TAX LEVY</b>	<b>83,005,909</b>
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**TOTAL REVENUES            \$ 109,448,605**



*Property Owners Bear the Burden of Supporting Services at the Local Level*



# Fiscal Challenges

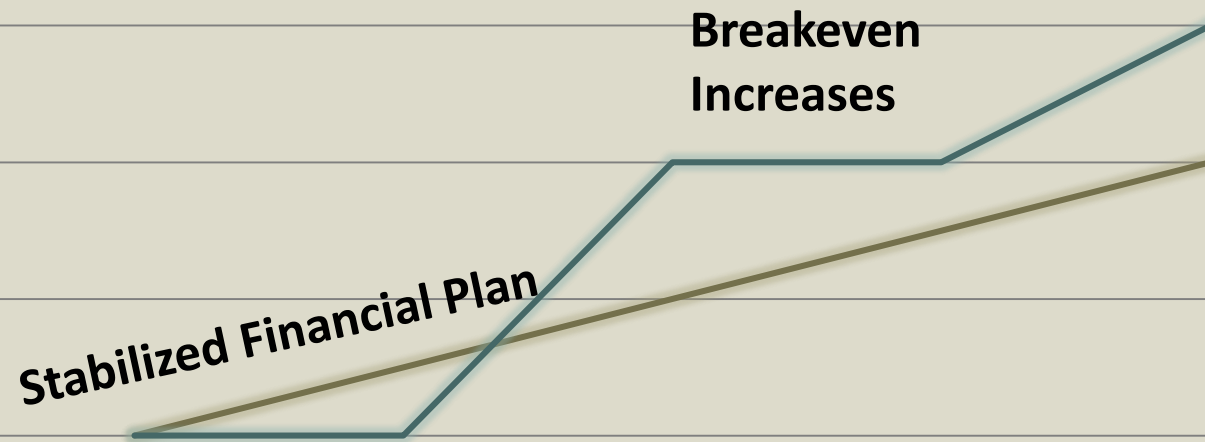
## Factors Impacting Past, Current & Future Budgets

- *Diminished State Assistance:*
  - Shared Revenue*
  - State Aid Grants*
  - Retirement Contribution*



- *County Tax Obligation*
- *Contractual Obligations:*
  - COLA*
  - Retirement Rate Increase*
  - Health Insurance Premium Increase*
  - Leave at Termination Liabilities*
  - Worker's Compensation Premiums*
- *Investment in:*
  - City's Infrastructure – Major Capital Improvements*
  - Vehicle Maintenance*
  - IT Hardware and Software*
- *Other Inflationary Increases*

# Long-Term Financial Planning

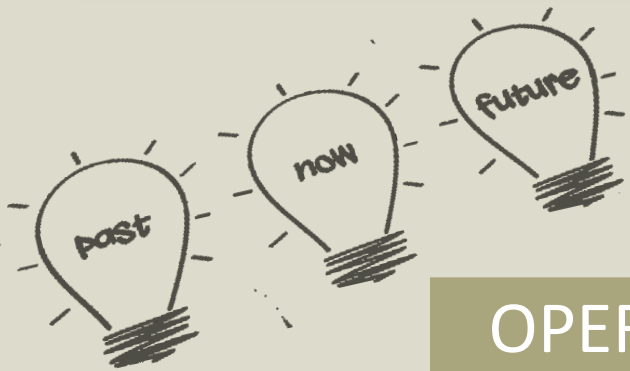


**AVOID BREAKEVEN  
BUDGET PRACTICES**

# Long-Term Financial Planning & Policies

## **STABILIZING COSTS**

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



OPERATING

NON-  
OPERATING

- Fund Balance Policies
- Leave at Termination Stabilization Fund
- Health Insurance Stabilization
- COLA Adjustment
- Debt Service Planning
- Rolling Stock Replacement Program

# 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

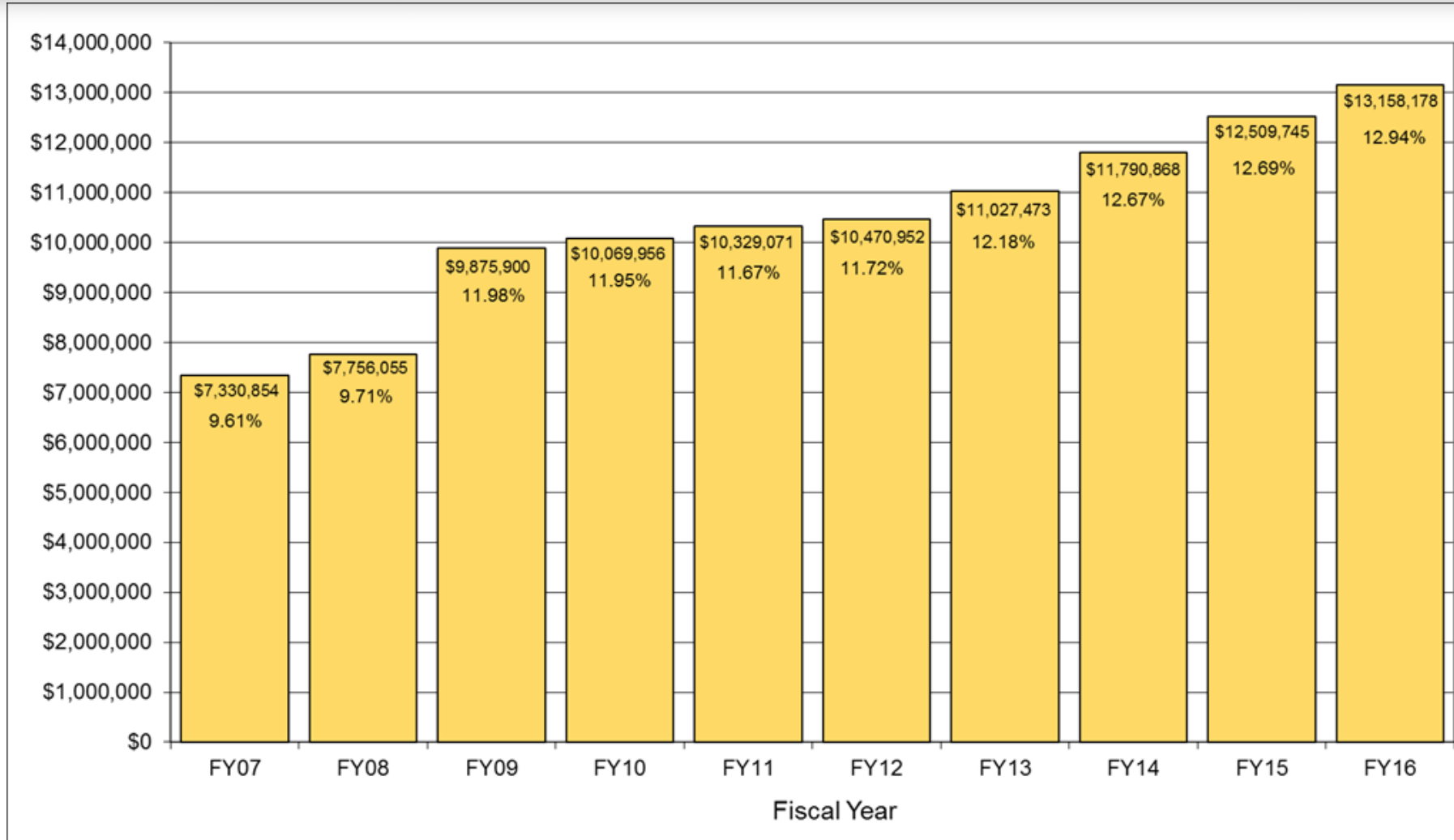
## Unassigned Fund Balance Ordinance

# 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

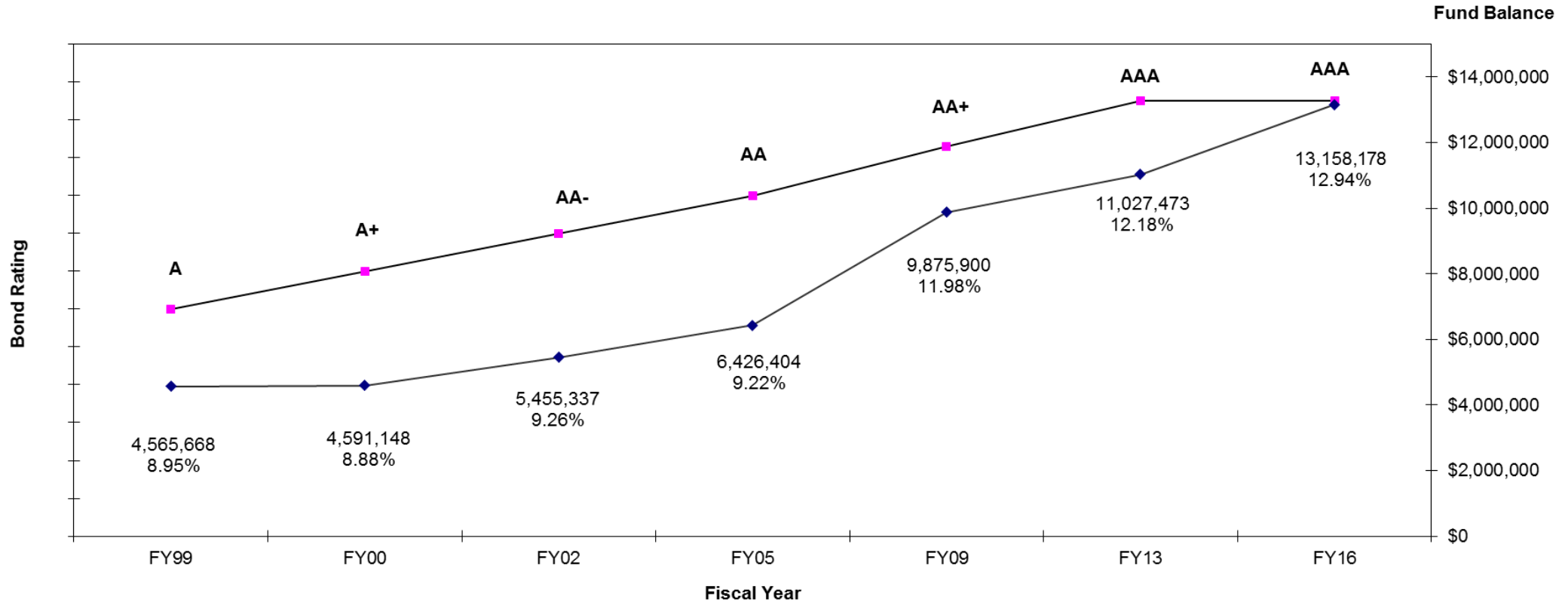


**City Policy to Maintain an Unassigned Fund Balance of between 10% and 17% of total General Fund appropriations**

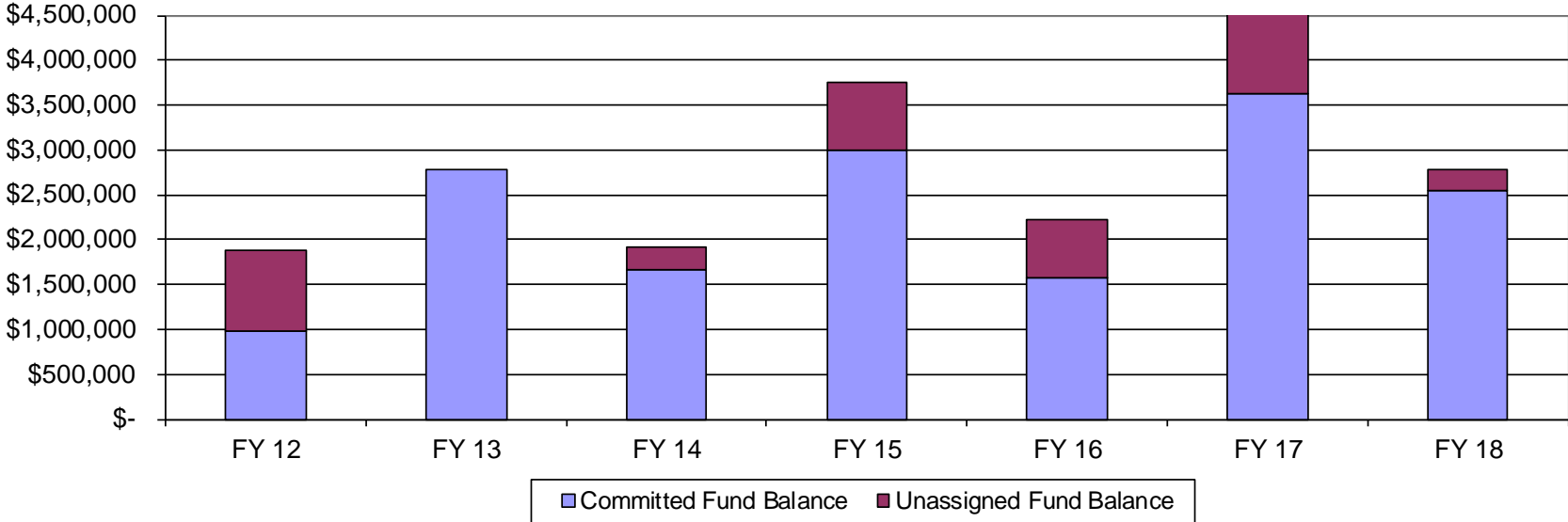
# Relation of Bond Rating to Unassigned Fund Balance

INVESTMENT GRADE RATINGS Standard & Poor's
AAA
AA+
AA
AA-
A+
A
A-
BBB+
BBB
BBB-
BB

Year	Standard & Poor's Number of Years at Rating	City of Portsmouth
2013-2017	5	AAA
2009-2012	4	AA+
2005-2008	4	AA
2002-2004	3	AA-
2000-2001	2	A+
1994-1999	6	A



# Use of Balance History



Use of:	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	Total FY12-FY18
Committed Fund Balance	973,500	2,772,742	1,673,500	2,991,397	1,573,500	3,623,500	2,550,000	16,158,139
Unassigned Fund Balance	900,000	-	247,000	755,500	650,000	915,800	231,000	3,699,300
<b>Total Use of Fund Balance</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>4,539,300</b>	<b>2,781,000</b>	<b>19,857,439</b>
<b>Average Use Per Year</b>								<b>2,836,777</b>



# Leave at Termination Stabilization Fund

**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**

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

# Leave at Termination Annual Appropriation

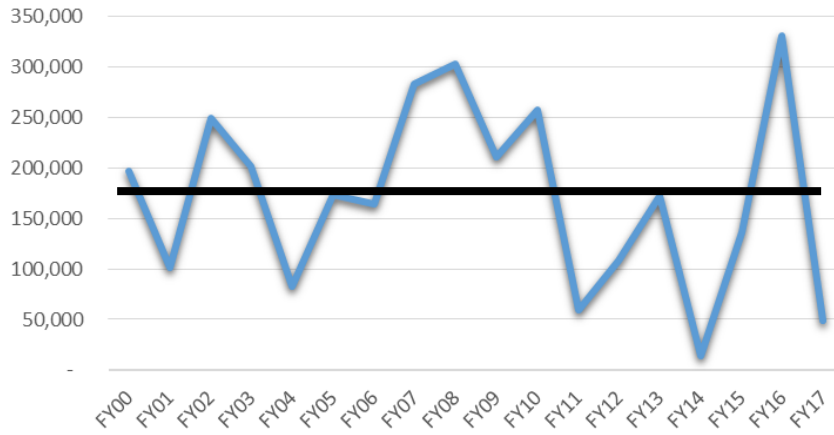
Departments annually budget a fixed amount for each fiscal year which is transferred to the Leave at Termination Stabilization fund where leave liability due to employees upon termination is paid.

## Proposed FY19 Appropriation

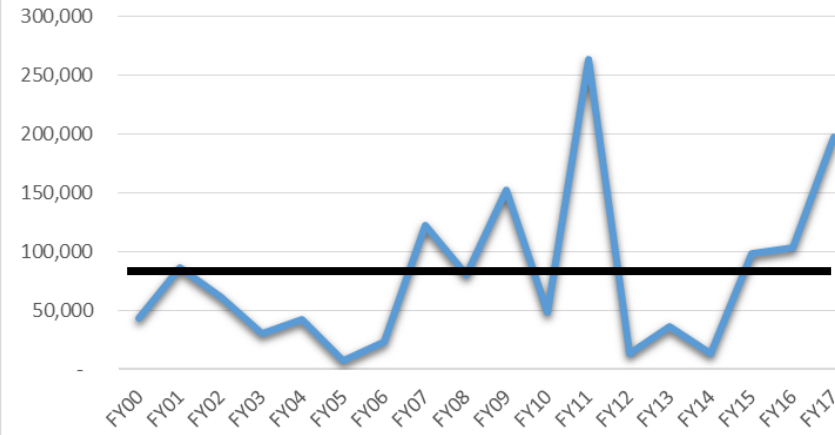
General Government	\$250,000
Police Department	\$155,000
Fire Department	\$70,084
School Department	<u>\$400,000</u>
Total	\$875,000

# Annual Leave Payout vs. Annual Appropriation

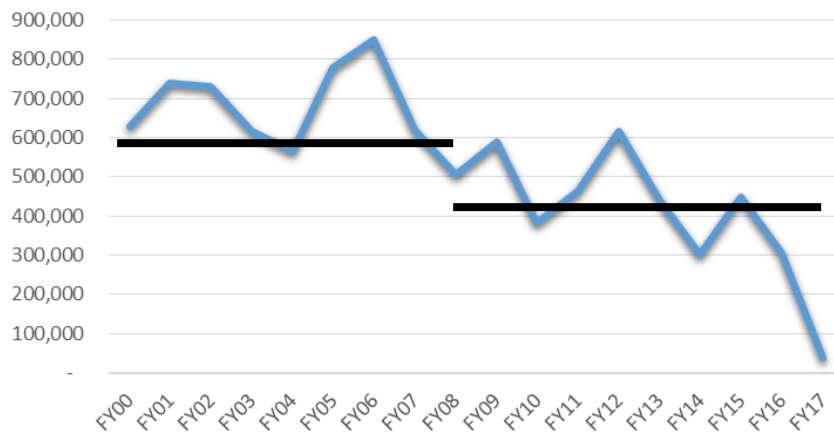
## POLICE DEPARTMENT



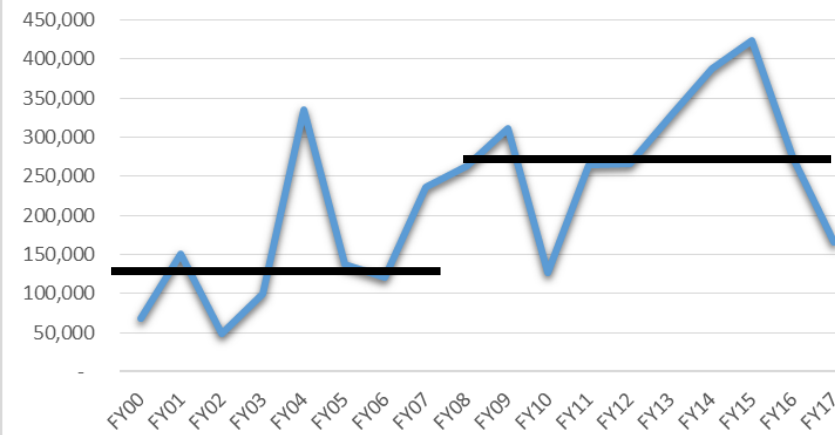
## FIRE DEPARTMENT



## SCHOOL DEPARTMENT

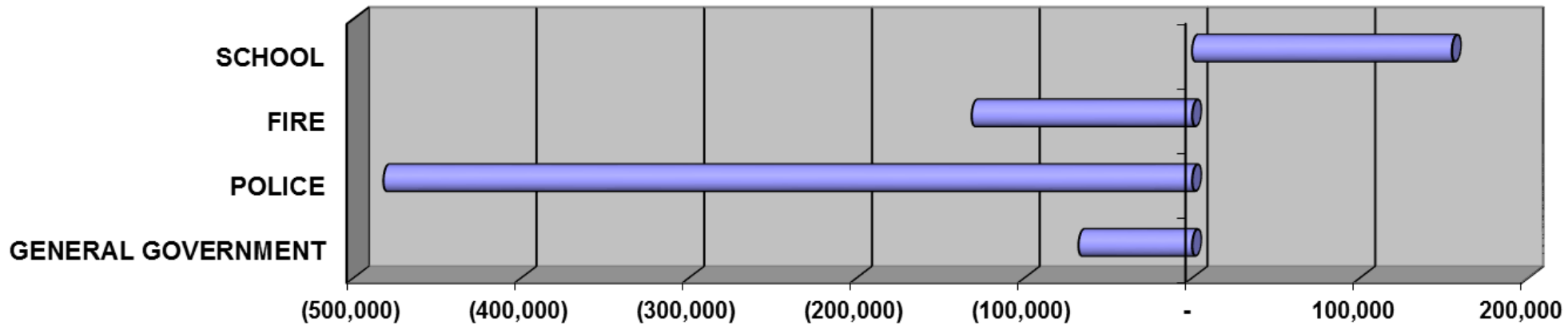


## GENERAL GOVERNMENT



# Leave at Termination Stabilization Fund

Unaudited As of June 30, 2017



Overall 15% Eligible

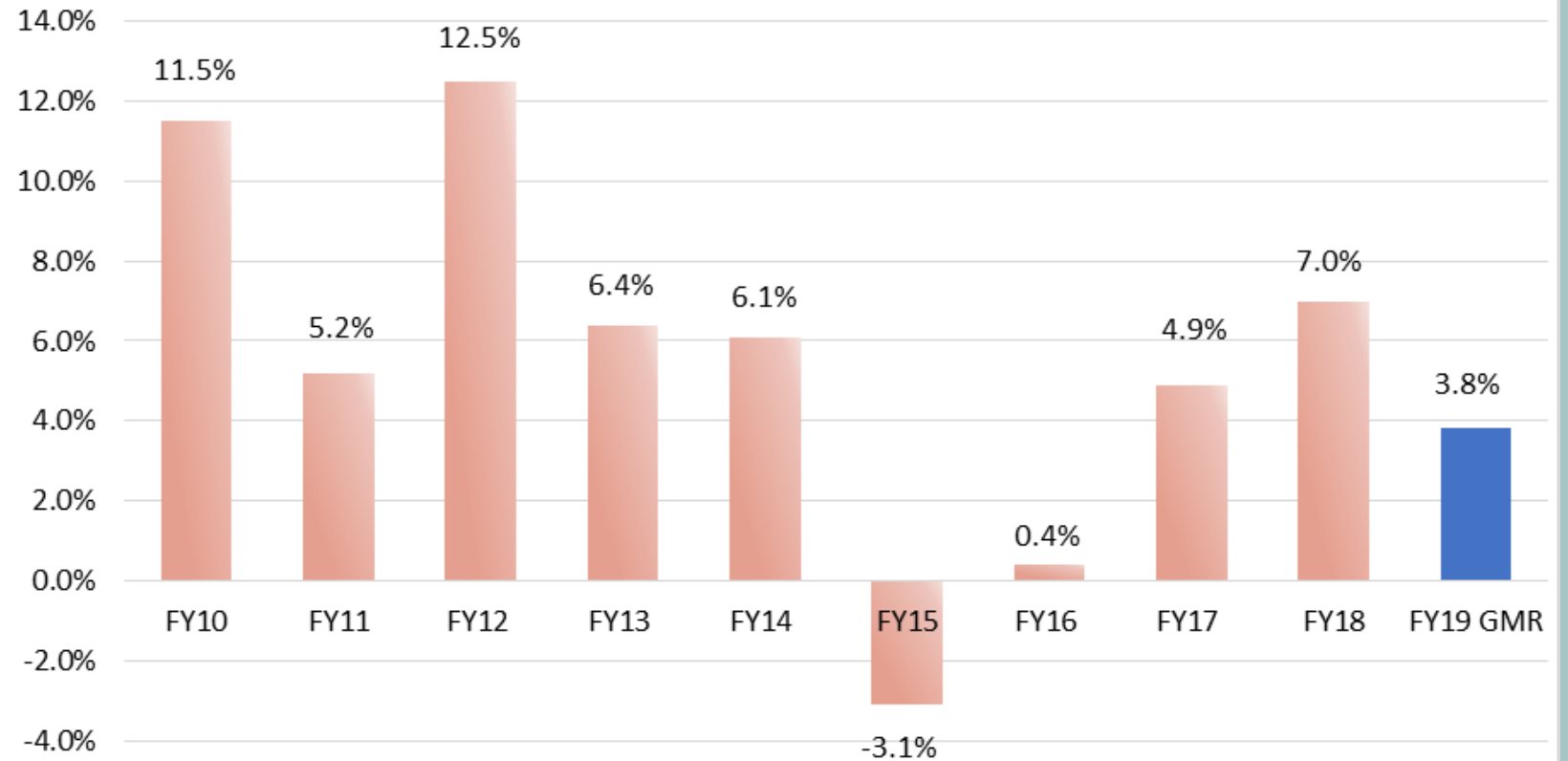
General Gov.	16%
Fire	28%
Police	15%
School	13%

	TRANSFER TO FUND FY 99-FY 16	EXPENDED FY 99- FY16	FUND BALANCE June 30, 2016	FISCAL YEAR 2017 As of June 30, 2017			
				ANNUAL APPROPRIATION	FY 17 EXPENDED	FY 17 Balance	ACCUMALATIVE FUND BALANCE
GENERAL GOVERNMENT	3,797,868.00	3,949,992.96	(152,125)	250,000	165,569	84,431	(67,694)
POLICE	2,705,063.00	3,293,332.84	(588,270)	155,203	48,991	106,212	(482,058)
FIRE	1,261,512.00	1,266,043.12	(4,531)	70,084	196,925	(126,841)	(131,372)
SCHOOL	9,374,518.32	9,581,121.60	(206,603)	400,000	38,604	361,396	154,793
	17,138,961.32	18,090,490.52	(951,529)	875,287	450,088	425,199	(526,330)

# Health Insurance Stabilization Fund

Per the Policy the annual appropriation amount for each department is determined by the 10-year rolling average increase of Health Insurance rates provided by HealthTrust.

HEALTHTRUST 10 YEAR PREMIUM RATE CHANGE HISTORY

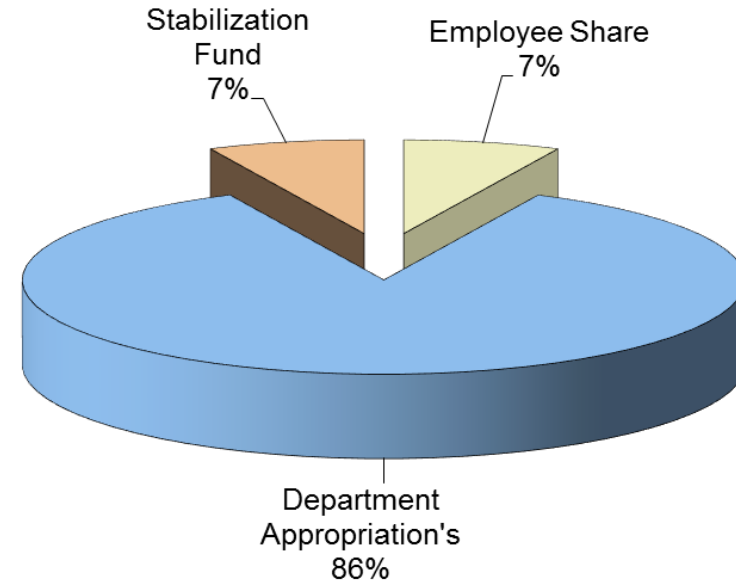


The GMR makes the 10-year average rate increase 5.47%

# Health Insurance Appropriation

Total Premium - \$14.2 million  
 Employee Contribution \$1 million or 7%  
 City Contribution \$13.2 million or 93%

General Government, Police, Fire, and School Department use the 10-year rolling average of 5.47% to increase the health insurance appropriation



## HEALTH INSURANCE

	FY18 Budget	FY19 Budget Increase @ 5.47%	FY19 Budget	FY19 Estimated City Cost	Health Ins Stabilization Fund
General Government	1,907,870	104,360	2,012,230	2,228,845	(216,615)
Police Department	1,643,982	89,926	1,733,908	1,727,672	6,236
Fire Department	1,276,243	69,870	1,346,113	1,120,207	225,906
School	6,786,725	371,234	7,157,959	8,171,953	(1,013,994)
<b>Total General Fund</b>	<b>\$11,614,820</b>	<b>\$635,391</b>	<b>\$12,250,211</b>	<b>\$13,248,677</b>	<b>(\$998,466)</b>

# 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	6/30/2020
AFSCME Local 1386 Public Works	6/30/2019

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

Fire	Expires
Fire Officers Association	6/30/2019
FireFighter Association	6/30/2019

School	Expires
Principals/Directors	6/30/2018
Association of Portsmouth's Teachers	6/30/2018
Clerical Employees	6/30/2018
Custodial	6/30/2020
Cafeteria	6/30/2020
Paraprofessionals	6/30/2020
Custodial Supervisors	6/30/2018

9 unsettled contracts for FY19

# 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.

CONSUMER PRICE INDEX - CPI-U (NOV. TO NOV. BOSTON-BROCKTON-NASHUA)	
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	1.26%
FY 19	2.70% Estimated Nov to Nov
<b>10 Year Average</b>	<b>1.54%</b> FY 2019 salaries use 2%

2% Floor for COLA Per Collective Bargaining Agreements



# FY 19 New Hampshire Retirement Rates

## No Change in Rates

Retirement appropriation will be affected

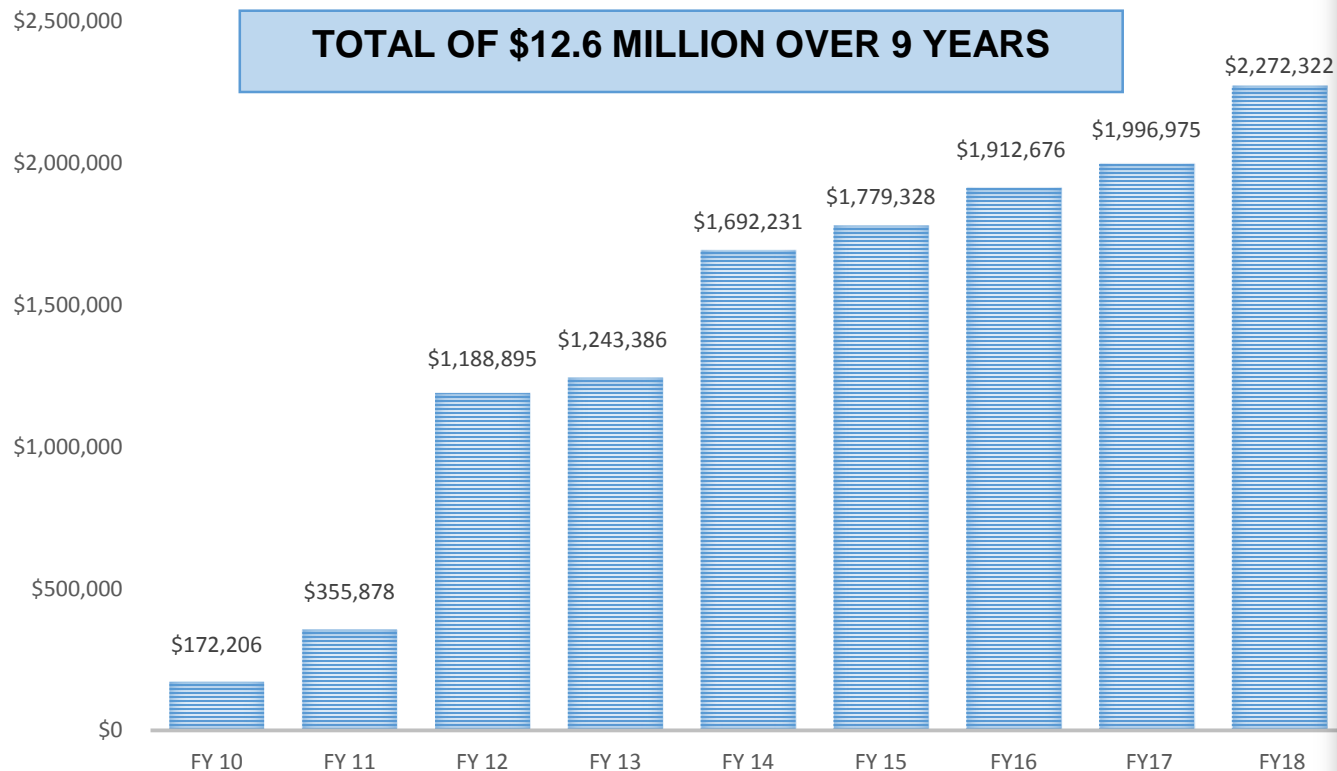
by increase in salaries due to:

- COLA Adjustments
- Step Increases

Group I	
Employees	11.38%
Teachers	17.36%
Group II	
Police	29.43%
Fire	31.89%

# Retirement Contribution

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



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 \$12.6 million over the past eight fiscal years (FY10-FY18)

# Worker's Compensation

	FY18 BUDGET	FY19 PRELIMINARY BUDGET	\$ CHANGE	% CHANGE
GENERAL GOVERNMENT	162,455	168,684	6,229	3.8%
POLICE	193,944	204,441	10,497	5.4%
FIRE	175,906	184,460	8,554	4.9%
SCHOOL	159,542	168,110	8,568	5.4%
TOTAL	\$691,847	\$725,695	\$33,848	4.9%

# Debt Service Planning Policy

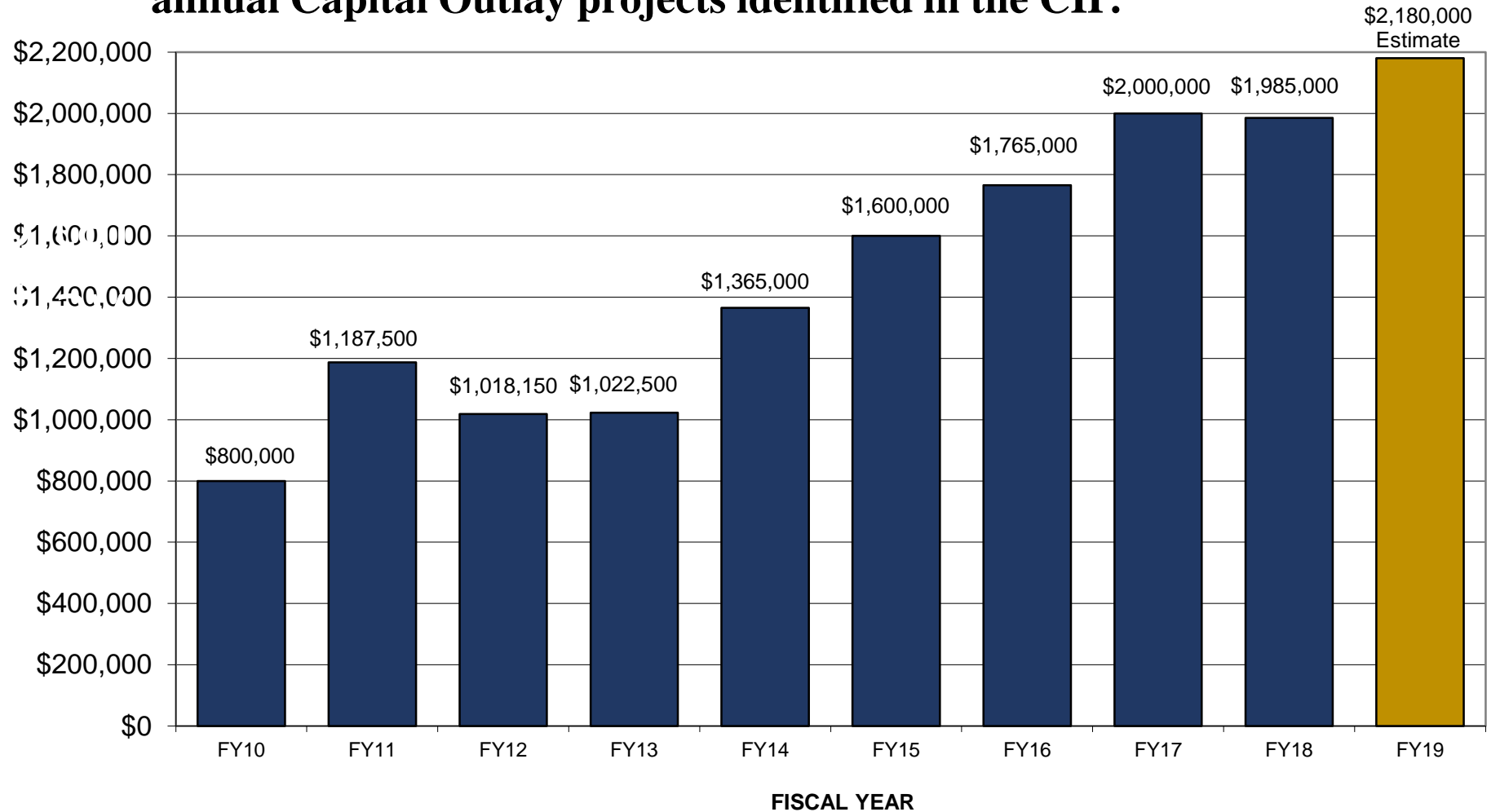
***OBJECTIVE:***

**TO KEEP THE DEBT BURDEN AND OPERATIONAL DEBT COSTS AT MANGEABLE LEVELS WHILE CAPITAL NEEDS WILL BE MET ON AN ONGOING BASIS**

- 1) Pay-As-You-Go Financing
- 2) Net Debt Service as Percent of General Fund Appropriations

# Capital Outlay

**Recommended policy to keep in pace with inflation is to appropriate 2% of the prior year's General Fund Budget for annual Capital Outlay projects identified in the CIP.**



# Net Debt Service as a Percentage of General Fund Budget

	<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	94,867,033	96,670,051	100,304,845	104,076,307	107,989,576	112,049,984	116,263,064
Net Debt-School	4,515,205	4,775,003	4,915,483	5,124,820	4,853,983	4,647,395	4,498,345
Net Debt-Gen Gov	4,505,214	4,735,768	5,702,382	6,112,552	7,593,493	8,203,190	8,316,340
<b>Total Net Debt</b>	<b>9,020,419</b>	<b>9,510,772</b>	<b>10,617,864</b>	<b>11,237,372</b>	<b>12,447,476</b>	<b>12,850,585</b>	<b>12,814,685</b>
Total Projected General Fund Budget	107,462,843	109,755,205	114,496,082	118,849,984	124,173,357	128,636,874	132,814,054
<b>Total Percentage Net Debt Service of Bu</b>	<b>8.39%</b>	<b>8.67%</b>	<b>9.27%</b>	<b>9.46%</b>	<b>10.02%</b>	<b>9.99%</b>	<b>9.65%</b>

City policy is for net debt service to be no more than 10% of the annual General Fund budget.

**From the FY18  
Budget Document**

# Rolling Stock

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.



Working On  
FY19  
Numbers

# Discussion of Budget Process Going Forward





# 2019 CITY COUNCIL BUDGET SCHEDULE

- Jan 16: Establish Budget Guidelines
- Jan 29: City Council Work Session on CIP – with presentation
- Feb 20: City Council Meeting – CIP Public Hearing
- Mar 5: City Council Adoption of the CIP
- Apr 20: City Council Receives Proposed Budget Document
- Apr 28: City Council Work Session on the Proposed Budget (Saturday)
- May 2: Public Hearing on the City Manager’s Proposed Budget
- May 9: City Council work session Water and Sewer Proposed Budget
- May 14: City Council Work Sessions – Budget Review
- May 23: City Council Work Session #2 (if necessary)
- June 4: City Council Adoption of Budget