



# CITY OF PORTSMOUTH

FY23 BUDGET FORECAST  
JANUARY 25, 2022

# AGENDA

**FY23 Budget Schedule**

**Budget Forecasting**

**City Council Discussion**

**Public Comment**

# FY<sub>23</sub> BUDGET SCHEDULE

## January 2022

13	Thursday	7:00 PM	City Council Audit Work Session
18	Tuesday	7:00 PM	School Board Public Hearing #1 on the proposed budget
19	Wednesday	6:30 PM	City Council Work Session on CIP - <i>CIP Presentation</i>
25	Tuesday	6:30 PM	City Council Budget Work Session

## February 2022

7	Monday	7:00 PM	City Council Meeting- Public Hearing on the CIP - <i>No presentation</i> - <i>See presentation recorded from the January 19th City Council Work Session</i>
8	Tuesday	6:00 PM	Fire Commission Public Hearing on the proposed budget
8	Tuesday	7:00 PM	School Board Public Hearing #2 on the proposed budget
16	Wednesday	5:30 PM	Police Commission Public Hearing on the proposed budget

# FY<sub>23</sub> BUDGET SCHEDULE

## March 2022

7 Monday 7:00 PM City Council - Adoption of the CIP

## April 2022

29 Friday Proposed Budget document to be submitted to the City Council

## May 2022

9 Monday 6:30 PM City Council Meeting - Public Hearing on Budget

10 Tuesday 6:30 PM City Council Work Session - Public Safety (Police and Fire) Budget Review/Listening Session

11 Wednesday 6:30 PM City Council Work Session - School Department Budget Review/Listening Session

12 Thursday 6:30 PM City Council Work Session - General Government & Parking Departments/Listening Session

18 Wednesday 6:30 PM City Council Work Session - Water, Sewer, and Stormwater Departments/Listening Session

23 Monday 6:30 PM City Council Work Session - Budget Review

26 Thursday 6:30 PM City Council Work Session - Budget Review Follow Up (if necessary)

## June 2022

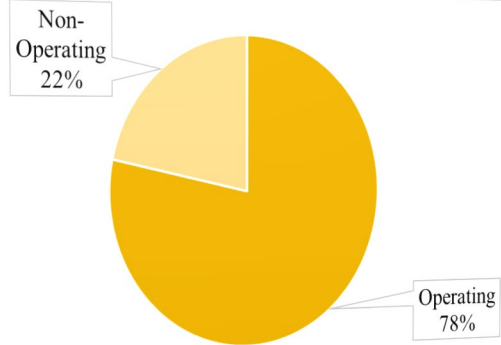
6 Monday 7:00 PM City Council Meeting - Adoption of the Budget



# BUDGET FORECASTING

- FY22 FINAL BUDGET
- LONG-TERM FINANCIAL PLANNING
- FY23 HIGHLIGHTS

# FY22 Final Budget



	FY21 Budget	FY22 City Council Final Budget	\$ Change From FY21 Budget	% Change From FY21 Budget
<b>OPERATING BUDGET:</b>				
General Government	20,896,449	21,483,756	587,307	2.81%
Police	12,152,363	12,553,495	401,132	3.30%
Fire	9,624,468	9,816,421	191,953	1.99%
School	52,102,298	53,551,766	1,449,468	2.78%
Collective Bargaining	4,991	23,629	18,638	373.43%
Transfer to Indoor Pool	75,000	150,000	75,000	100.00%
Transfer to Prescott Park	99,344	177,486	78,142	78.66%
McIntyre Building Maintenance		480,000	480,000	
Supplemental Appropriation- Community Campus		116,000		
<b>Total Operating Budget</b>	<b>94,954,913</b>	<b>98,352,553</b>	<b>3,281,640</b>	<b>3.46%</b>
<b>NON-OPERATING BUDGET:</b>				
Debt Service & Related Costs	13,270,440	13,797,890	527,450	3.97%
Overlay	1,000,000	1,000,000	0	0.00%
Property & Liability Insurance	397,514	417,090	19,576	4.92%
County	5,699,880	5,813,878	113,998	2.00%
Contingency	300,000	300,000	0	0.00%
Rolling Stock	427,500	584,500	157,000	36.73%
IT Equipment Replacement	774,608	1,194,208	419,600	54.17%
Capital Outlay	1,276,000	1,080,000	(196,000)	-15.36%
Other General Non-Operating	1,014,483	784,914	(229,569)	-22.63%
Supplemental Appropriation- Skateboard Park		2,200,000	2,200,000	
<b>Total Non-Operating Budget</b>	<b>24,160,425</b>	<b>27,172,480</b>	<b>3,012,055</b>	<b>12.47%</b>
<b>TOTAL FINAL BUDGET</b>	<b>\$119,115,338</b>	<b>\$125,525,033</b>	<b>\$6,293,695</b>	<b>5.28%</b>

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

EXPENDITURES – Budgetary Basis	
Operating	98,352,553
<u>Non-Operating</u>	<u>27,172,480</u>
Total Annual budget	\$ 125,525,033
REVENUES – Estimates Before Setting Tax Rate	
Local Revenues	21,991,394
State Revenues	3,298,195
Use of Fund Balance	4,796,000
Total Revenues	\$ 30,085,589
<b>TAX LEVY</b>	<b>\$95,439,444</b>

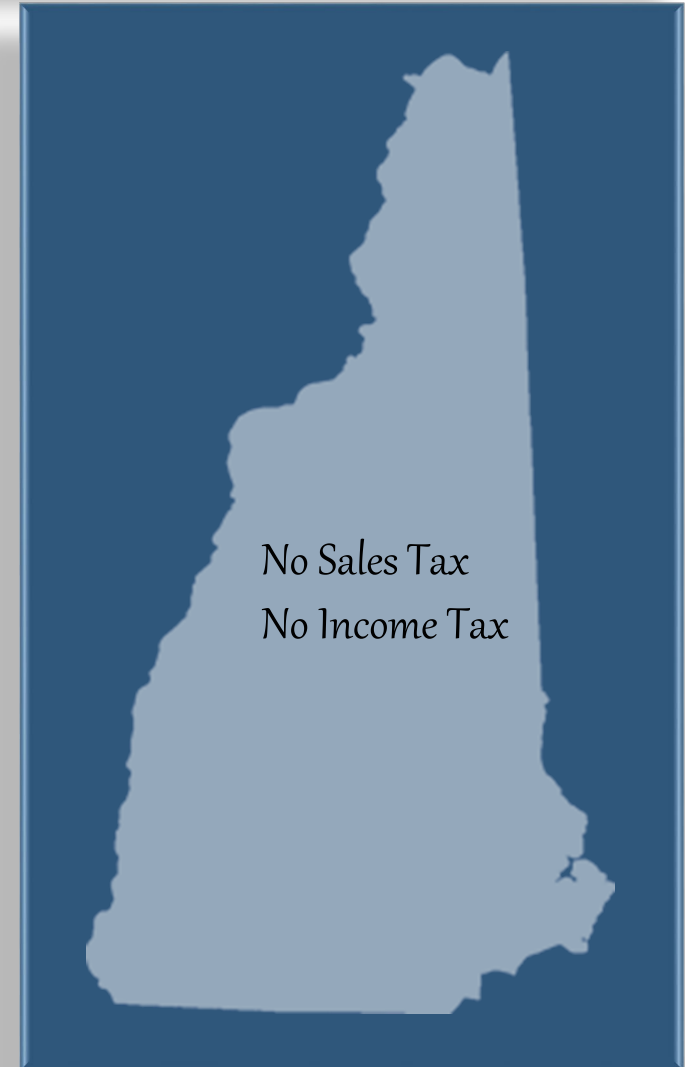
State Revenues:

- Rooms and Meals Tax
- Highway Block Grant
- Building Aid- High and Middle School

Property Assessments

Tax Rate

No Sales Tax  
No Income Tax



# Building a Budget Around Goals and Objectives



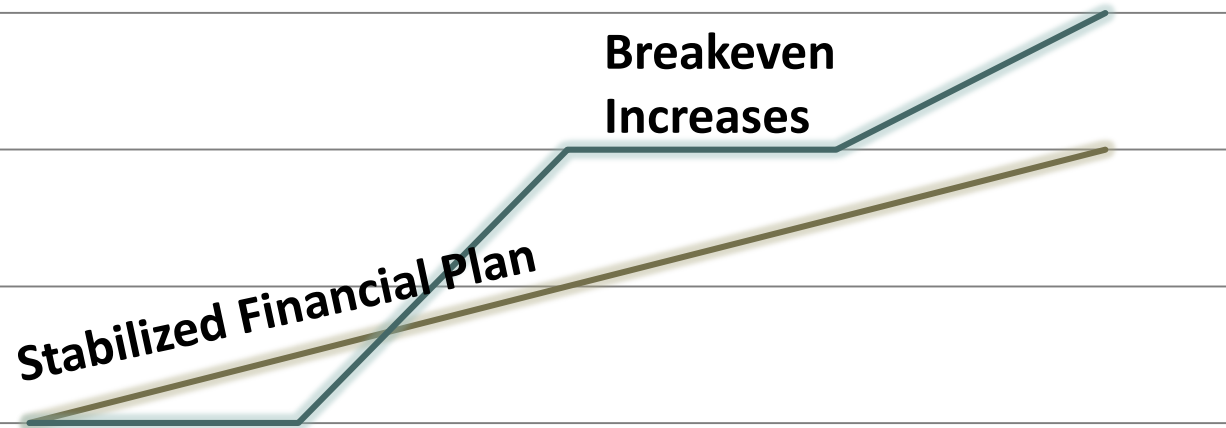
*Goals developed in partnership with its citizens and businesses are formalized through resolutions, committees, internal policies, and /or master plans*

- ✓ Promote and support sustainable practices
- ✓ Create a bikeable and walkable community
- ✓ Address transportation and parking needs
- ✓ Provide a diverse educational environment in which our youth can grow and learn
- ✓ Improve public outreach
- ✓ Promote a welcoming, safe and diverse community
- ✓ Support a vibrant economic environment for businesses to grow and thrive
- ✓ Build and maintain a robust and authentic infrastructure
- ✓ Maintain financial stability

To be modified per Council retreat



# Long-Term financial Forecasting



**AVOID BREAKEVEN BUDGET  
PRACTICES FROM YEAR TO YEAR**

# Long-Term Financial Planning and Policies

## *STABILIZING COSTS*

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

### OVERALL

- Unassigned Fund Balance Policy

### OPERATING

- Leave at Termination Stabilization Fund
- Health Insurance Stabilization
- COLA Adjustment

### NON- OPERATING

- Capital Outlay
- Debt Service Planning
- Rolling Stock Replacement Program

# What is Fund Balance?

## Assets:

Cash and Investments  
Receivables  
Inventory

## Liabilities:

Accounts Payable  
Current Liabilities

## Fund Balance: (Total)

Non-spendable - cannot be spent  
Restricted - grants, enabling legislation  
Committed - self-imposed limitations (Reserves)  
Assigned – intended use for a specific purpose  
Unassigned

## Current Financial Resources

*No reporting of capital assets such as land & buildings*

*No reporting of long-term liabilities such as debt service*

# 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

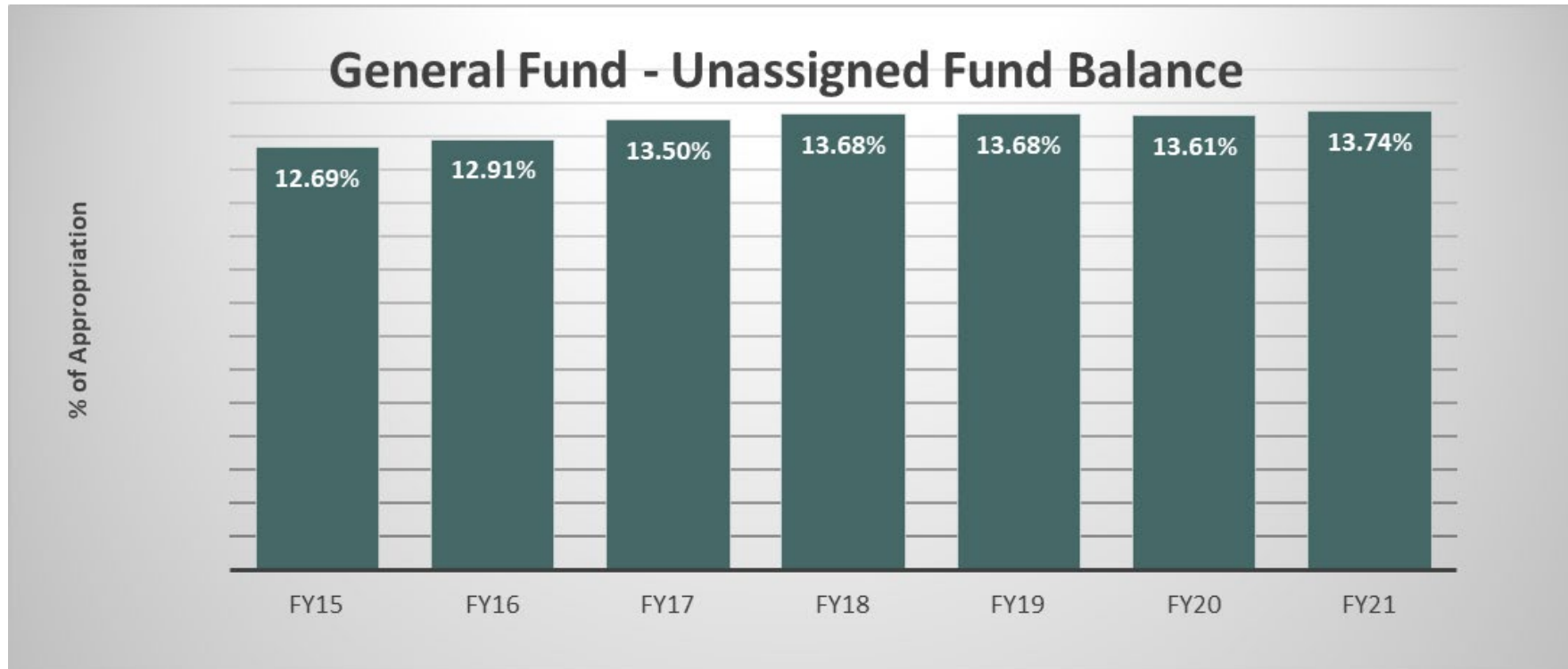
## Unassigned Fund Balance Ordinance

# Unassigned Fund Balance Ordinance

Ordinance  
Amended  
February  
2013

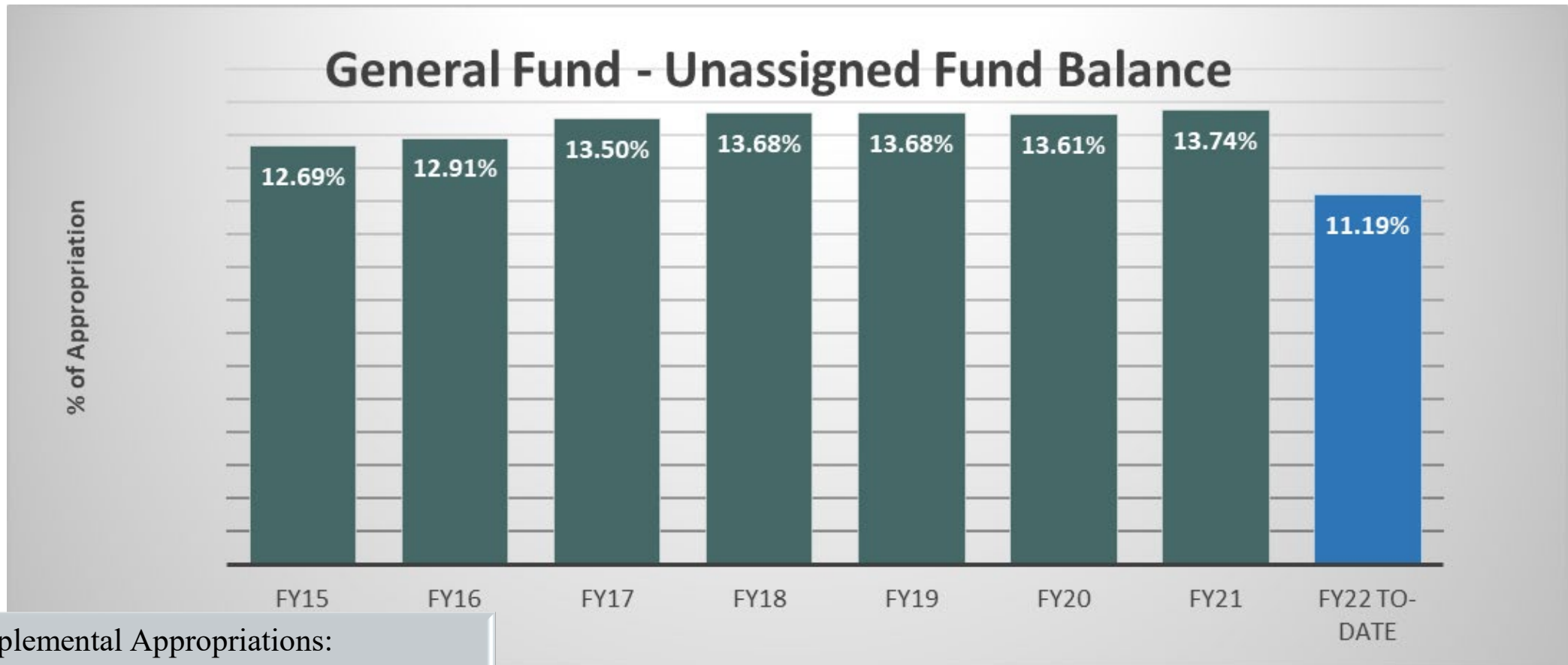
- It is recognized that the financial management goal of the City of Portsmouth is to annually maintain an Unassigned Fund Balance between 10% and 17% of total General Fund appropriations.
- ....Whenever the Unassigned Fund Balance of the General fund is less than the prescribed level, the City Council 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



As of June 30, 2021  
\$16,363,998 or 13.74% of Appropriations

# Unassigned Fund Balance – To Date

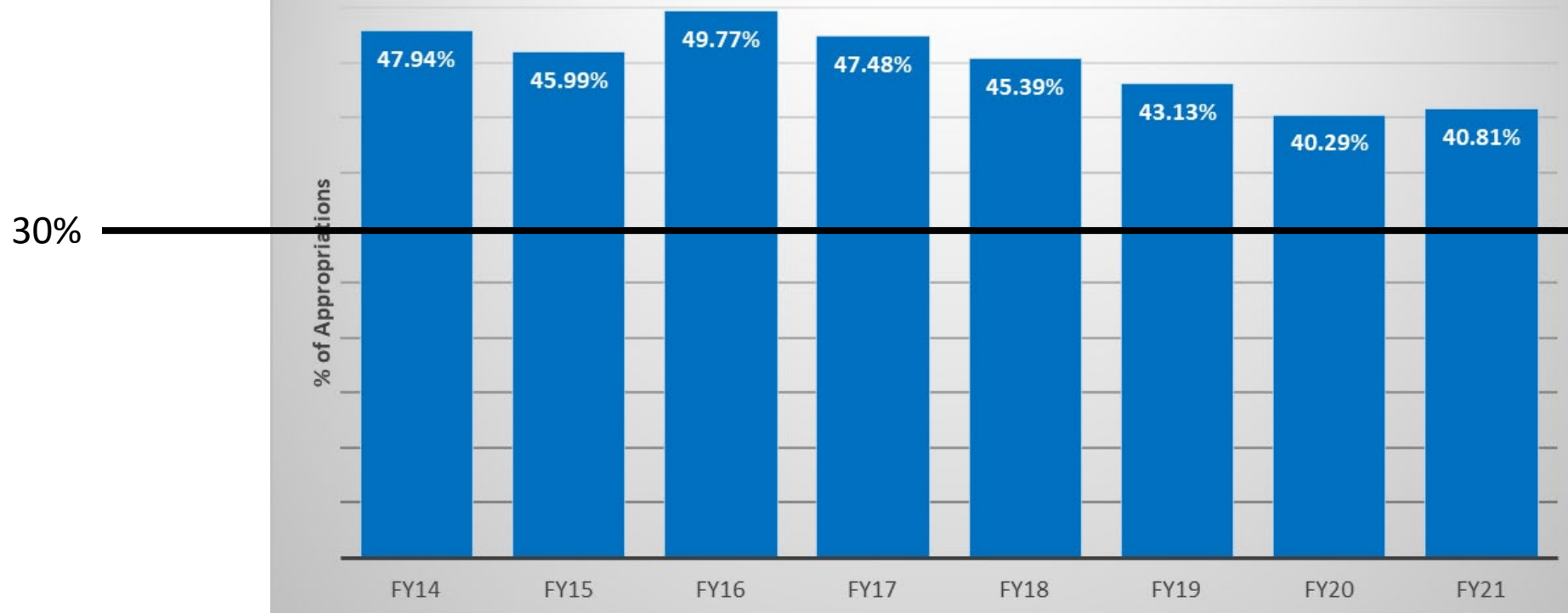


#### Two Supplemental Appropriations:

- \$2,200,000 Skateboard Park
- \$116,000 Community Campus

# Total Fund Balance

## General Fund - Total Fund Balance

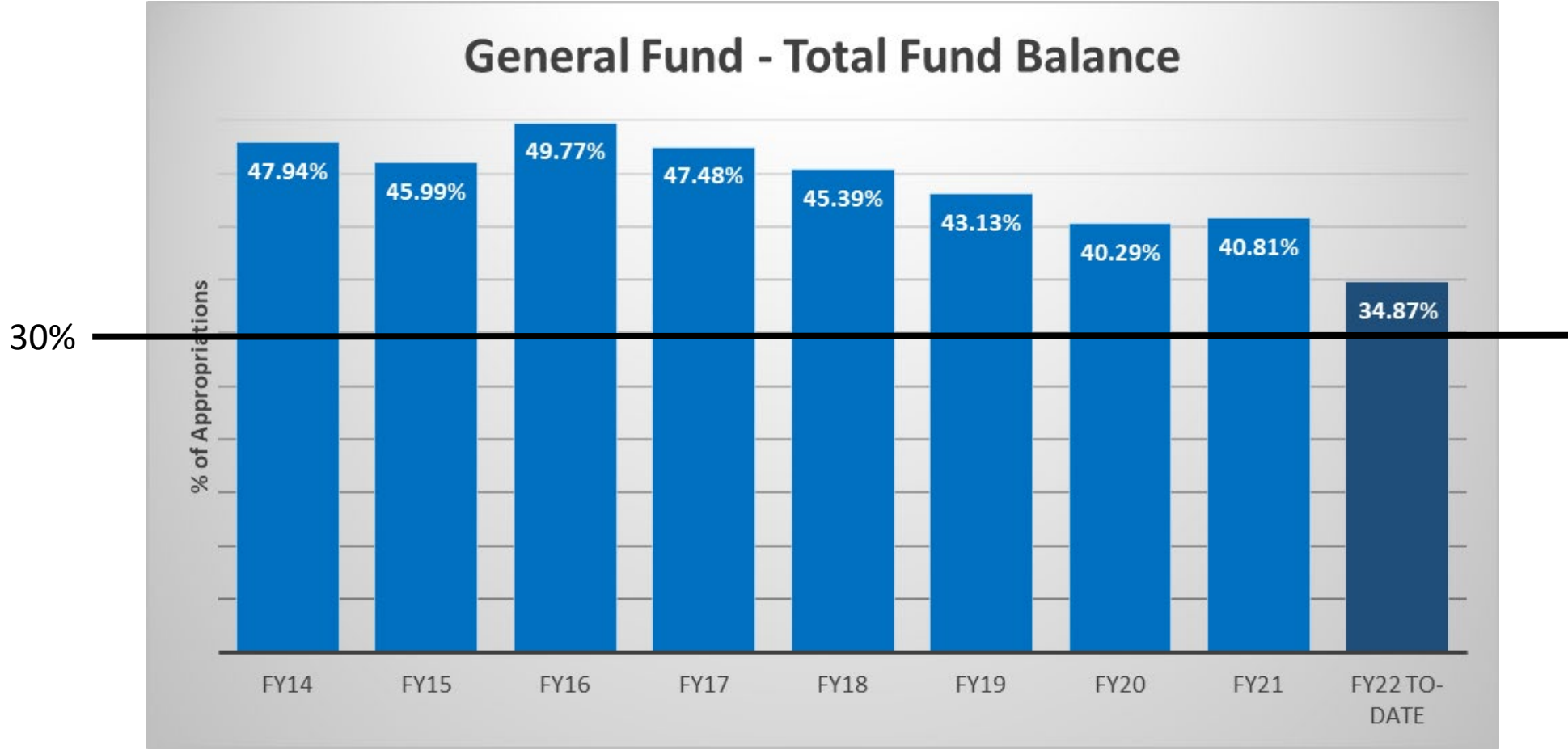


Standard & Poor's  
October 12, 2021  
Stated:  
*"We expect the available fund balance to remain above 30% of expenditures for the current and next fiscal years, which we view as a positive credit factor."*

As of June 30, 2021  
\$48,615,321 or 40.81% of Appropriations



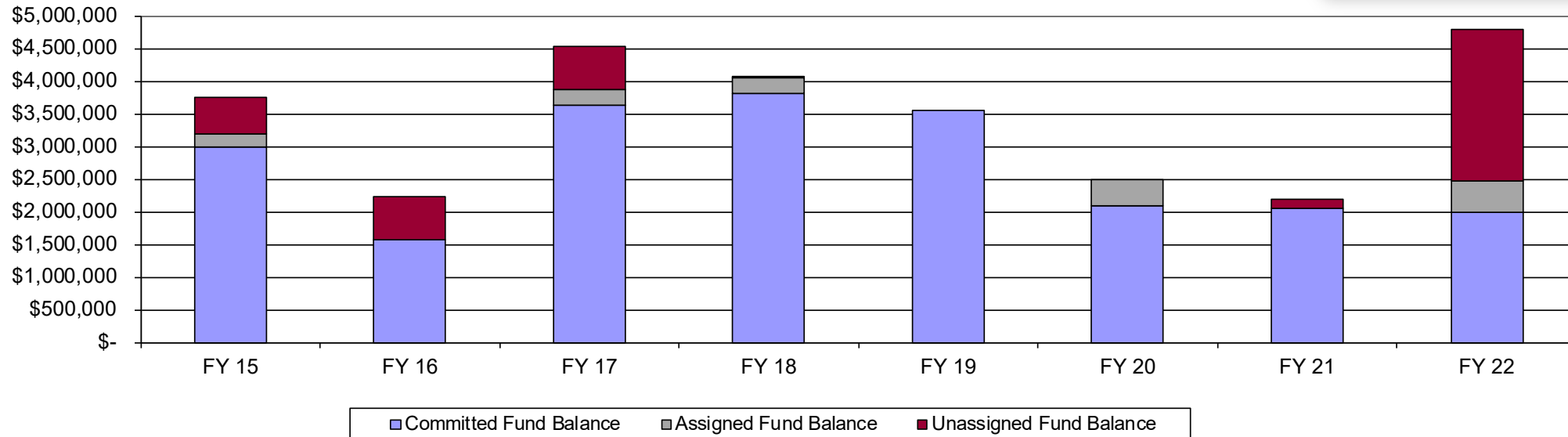
# Total Fund Balance – To Date



# Use of Fund Balance

Use of Unassigned Fund Balance FY22:

- \$2,200,000 Skateboard Park
- \$116,000 Community Campus



Use of:	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	Total FY15-FY22
Committed Fund Balance	2,991,397	1,573,500	3,623,500	3,819,149	3,559,114	2,100,000	2,050,000	2,000,000	21,716,660
Assigned Fund Balance	200,000	-	250,000	231,000	-	400,000	-	480,000	1,561,000
Unassigned Fund Balance	555,500	650,000	665,800	27,167	-	-	150,000	2,316,000	4,364,467
<b>Total Use of Fund Balance</b>	<b>3,746,897</b>	<b>2,223,500</b>	<b>4,539,300</b>	<b>4,077,316</b>	<b>3,559,114</b>	<b>2,500,000</b>	<b>2,200,000</b>	<b>4,796,000</b>	<b>27,642,127</b>
<b>Average Use Per Year</b>									<b>3,455,266</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

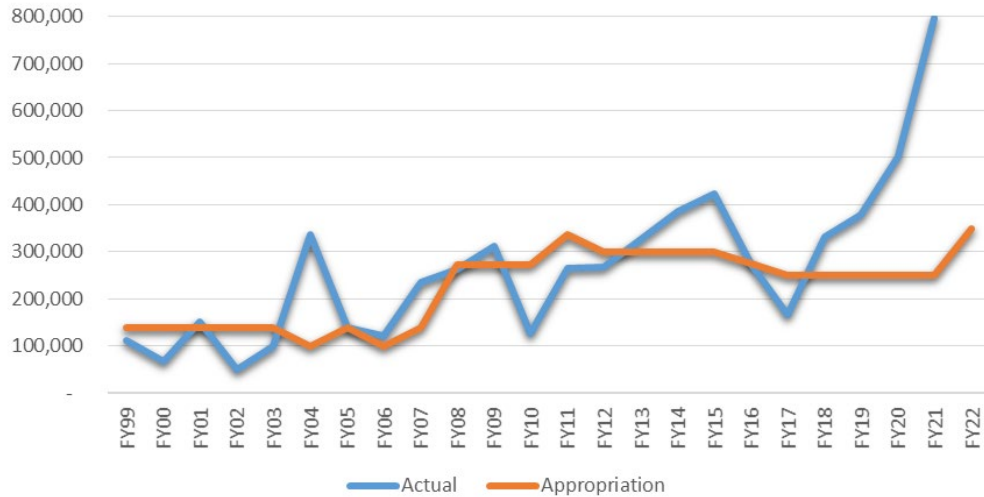
Departments annually budget a fixed amount for each fiscal year which is transferred to the Leave at Termination Stabilization fund where leave liability due to employees upon termination is paid. (General Fund Only)

As of June 30, 2021	FY22 Appropriation
General Government	\$350,000
Police	\$180,203
Fire	\$170,084
School	<u>\$300,000</u>
Total	\$1,000,287

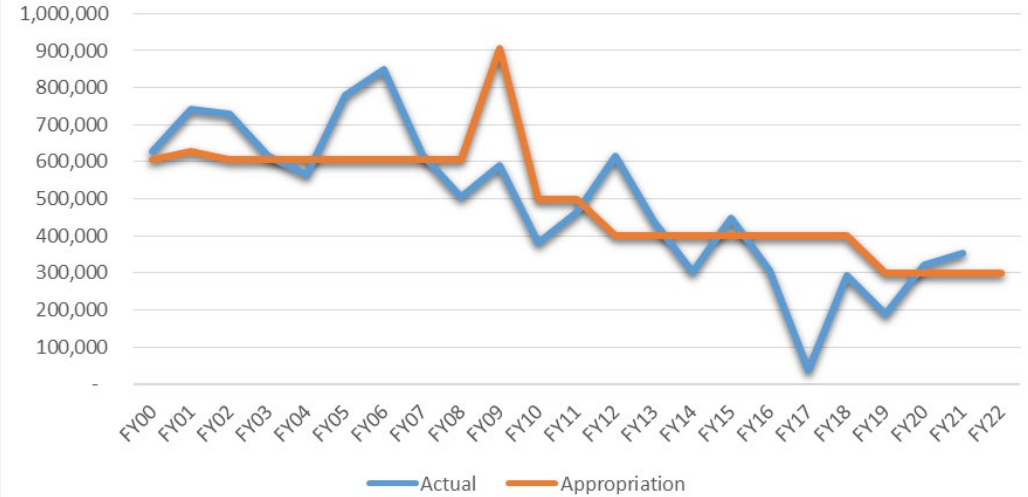
% of Employees Eligible for Sick Leave Payout	Increase/Decrease from Previous Year	FTE Eligible for Sick Leave Payout
10.82%	↓ from 14%	19
6.67%	↓ from 9.57%	6
10.45%	↓ from 14.93%	7
7.6%	↓ from 9.15%	<u>33</u>
		65 or 8.48%

# Actual Leave Payout vs. Annual Appropriation

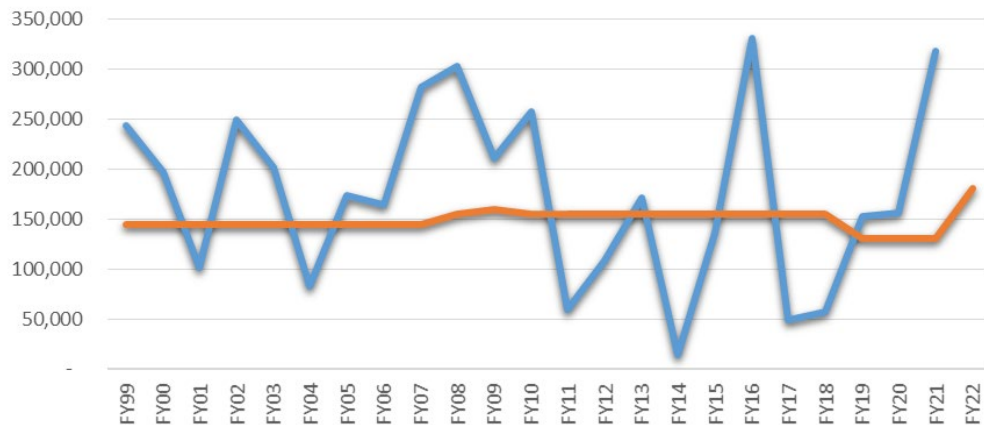
## General Government



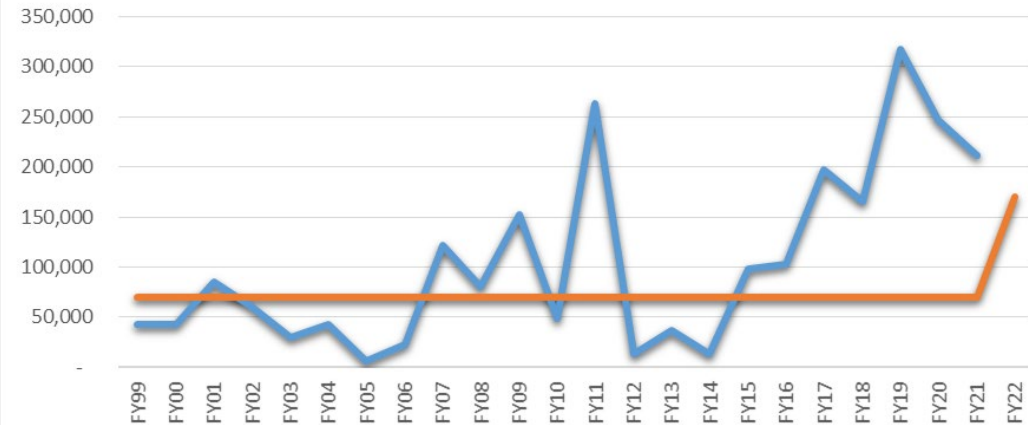
## School Department



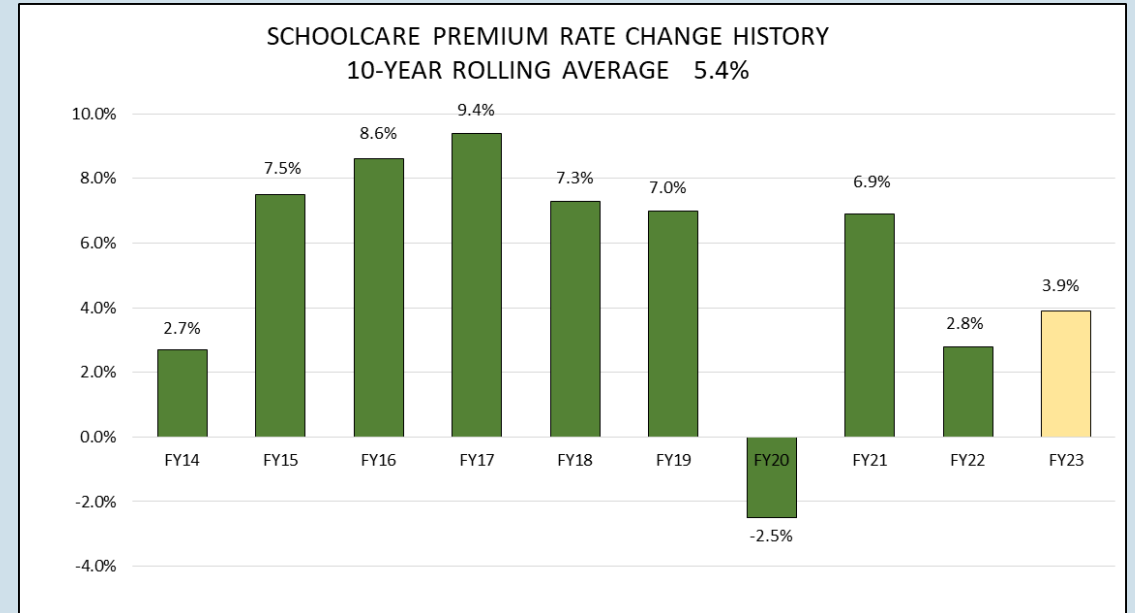
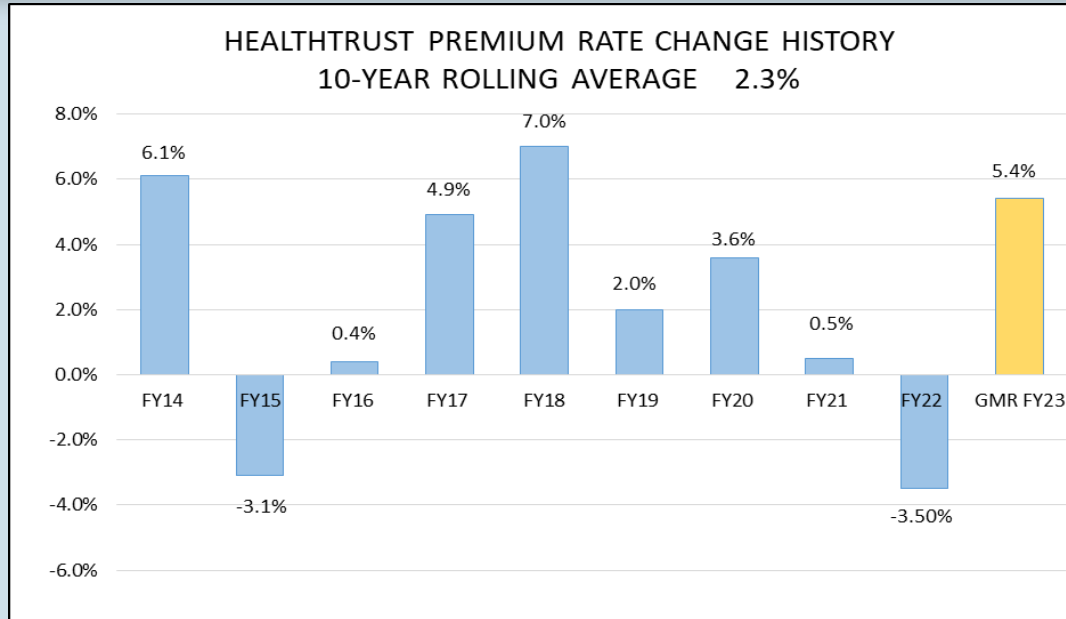
## Police Department



## Fire Department



# Health Insurance Stabilization Policy



## HEALTH INSURANCE

	FY22 Budget
General Government	2,096,570
Police Department	1,654,004
Fire Department	1,086,917
School	8,173,354
<b>Total General Fund</b>	<b>13,010,845</b>

# NH Retirement Rates – Employer Rates

## No Change in Rates

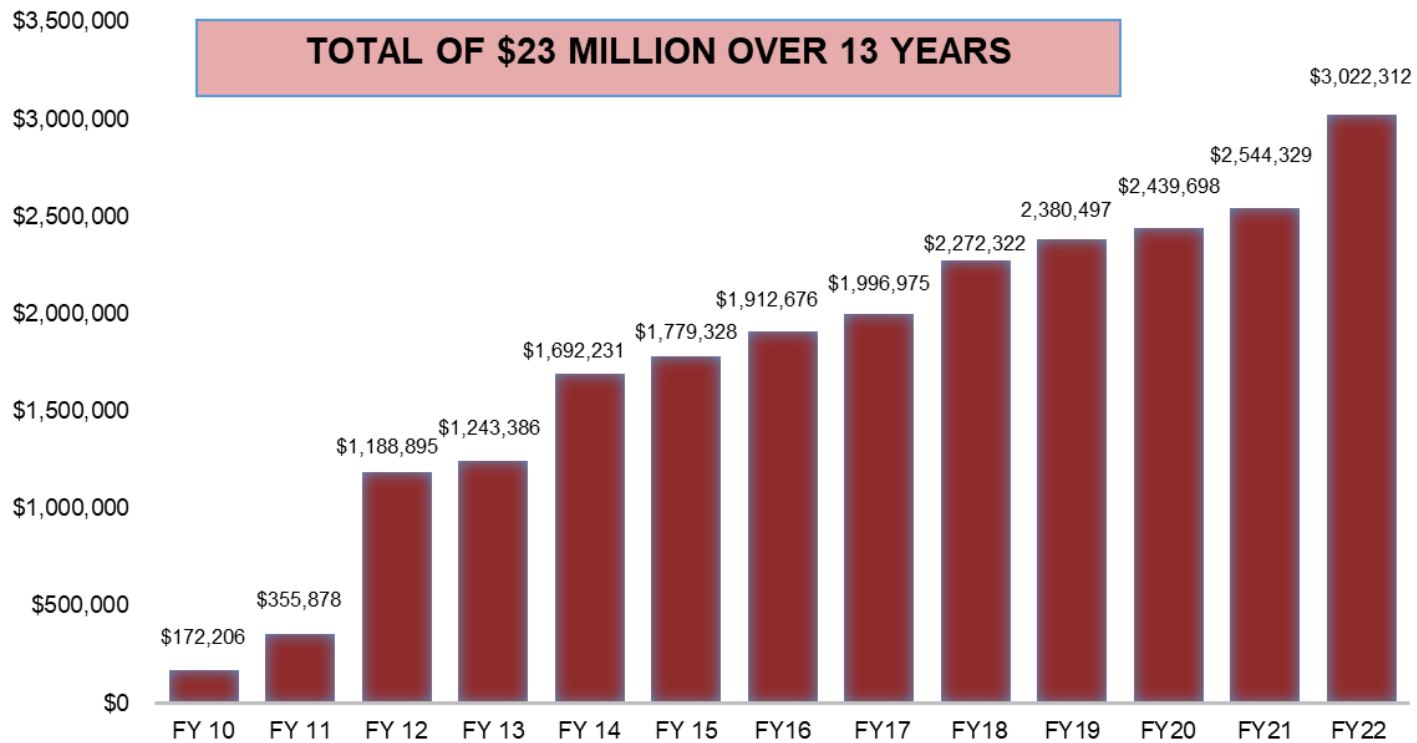
Retirement appropriation will be affected by increase in salaries due to:

- COLA Adjustments
- Step Increases

	<b>FY23 Rates</b>
<b>GROUP I</b>	
Employees	14.06%
Teachers	21.02%
<b>GROUP II</b>	
Police	33.88%
Fire	32.99%

# Retirement Rates – Loss of State Contribution

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



Prior to FY10 the State of NH contributed 35% of employer contributions for Teachers, Police and Fire personnel.

FY10 – State reduced its obligation to 30%  
FY11 – State reduced its obligation to 25%  
FY12 – State reduced its obligation to 0%



# Cost of Living Adjustment - COLA

General Government	Expires	Police	Expires	Fire	Expires	School	Expires
Professional Management Association (PMA)	6/30/2022	Ranking Officers Association	6/30/2023	Fire Officers Association	6/30/2023	Principals/Directors	6/30/2022
Supervisory Management Alliance (SMA)	6/30/2022	Portsmouth Patrolman Association	6/30/2023	FireFighter Association	6/30/2023	Association of Portsmouth's Teachers	6/30/2022
AFSCME Local 1386B Library & Clericals	6/30/2022	Civilians	6/30/2023			Clerical Employees	6/30/2022
AFSCME Local 1386 Public Works	6/30/2022					Custodial	6/30/2021
						Cafeteria	6/30/2022
						Paraeducators	6/30/2023
						Custodial Supervisors	6/30/2022

CONSUMER PRICE INDEX	
CPI-U (NOV. TO NOV. BOSTON-CAMBRIDGE-NEWTON, MA-NH)	
FY 14	2.00%
FY 15	0.92%
FY 16	1.60%
FY 17	0.84%
FY 18	1.26%
FY 19	2.86%
FY 20	3.15%
FY 21	2.12%
FY 22	0.40%
<b>FY 23</b>	<b>5.31%</b>
<b>10 Year Average</b>	<b>2.05%</b>

**Social Security COLA 5.9%**

Salaries:	Benefits:	Total
FT, PT, OT, holiday pay, longevity, special detail, education & other stipends	Social security, Medicare, Retirement, Life, LTD,	
\$51,641,541	\$14,328,640	\$65,970,181

# FY23 General Fund Estimated Budget Impacts

## General Government

- Salary Adjustments
- Departmental Needs / FTEs
  - Economic Development
  - Inspection
  - Public Works
  - Information Technology
  - PPE

## School Department

- Salary Adjustments
- Special Education Tuitions & Services
- Student Transportation
- Restoration of Operating Cuts
- Proposed Staffing Changes – New Needs

## Police Department

- Salary Adjustments
- Additional FTEs
- Mandated Training
- Software Maintenance Agreement

### Other Operating Budgetary Factors:

- Health Insurance
- Property & Liability
- Worker's Compensation Premiums
- Leave At Termination
- Transfers to Stormwater, Prescott Park, Community Campus, McIntyre Building, and Indoor Pool

## Fire Department

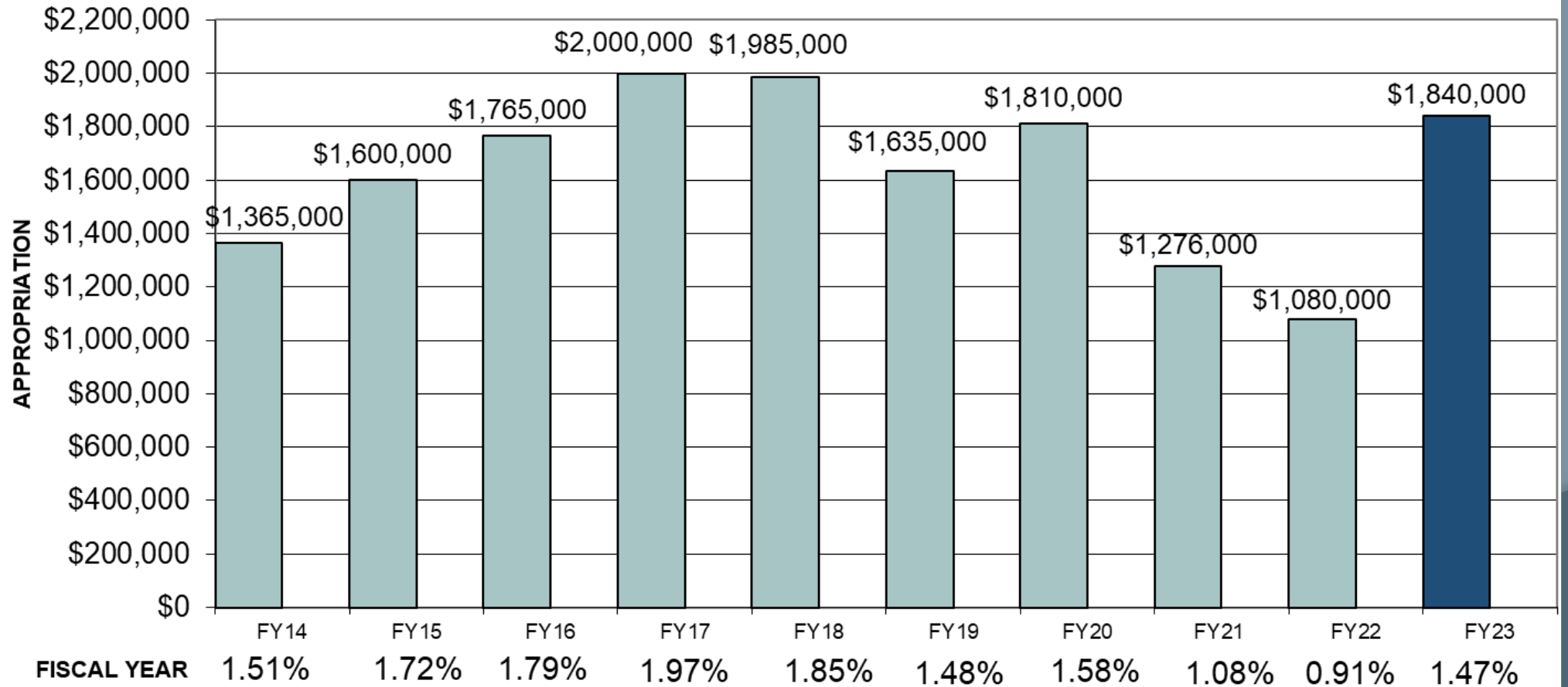
- Salary Adjustments

# Capital Outlay

The City will pay for capital projects on a pay-as-you-go basis using current revenues whenever possible.

The Preliminary Appropriation of \$1.84 million is 1.47% of the FY22 Budget

Policy is to budget no more than 2% of the prior year's appropriation for Capital Outlay.



# Capital Outlay

Planning Board

Adopted 12-16-21

Durable Medical Equipment	\$135,000
Personal Protective Clothing Replacement (Fire)	\$70,000
Permanent/Historic Document Restoration, Preservation and Scanning	\$100,000
Trail Development Projects	\$25,000
McIntyre Federal Office Building Redevelopment	\$25,000
Climate Action Plan	\$50,000
Greenland Road Recreation Facility	\$200,000
Citywide Playground Improvements	\$50,000
Community Campus	\$100,000
Citywide Park & Monument Improvements	\$200,000
Bow Street Overlook	\$50,000
Historic Cemetery Improvements	\$25,000
Sound Barriers in Residential Area Along I-95	\$100,000
Citywide Traffic Signal Upgrade Program	\$100,000
Traffic Calming (formerly) South St. at Middle Rd. Pedestrian Accomodations & Traffic Calming	\$300,000
Edmond Avenue	\$60,000
Citywide Storm Drainage Improvements	\$150,000
Capital Contingency	\$100,000

**Total Capital Outlay FY 23**

\$1,840,000

Non-Operating Budget

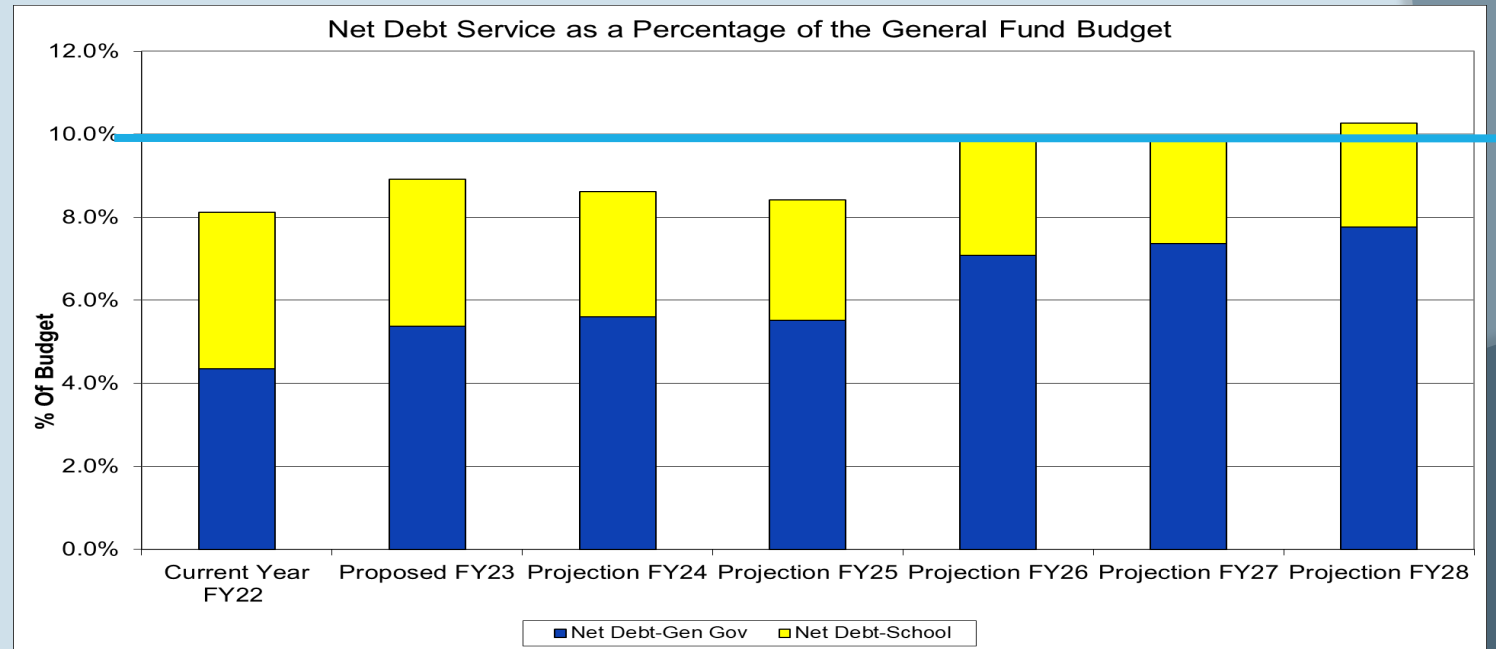
# Debt Service

The City's policy is to use no more than 10% of annual appropriations toward net debt service payments to keep debt manageable.

	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>	<u>FY 28</u>
Existing Debt Service-School	6,407,958	6,154,444	4,302,169	4,168,569	3,959,669	3,778,644	3,658,744
Existing Debt Service-Gen Gov	7,151,372	6,201,028	5,752,403	4,834,252	4,295,103	3,206,853	2,330,978
Projected Debt Service-School	-	120,000	350,500	419,625	637,500	676,625	739,750
Projected Debt Service-Gen Gov	110,560	2,348,125	3,202,556	4,213,463	7,245,101	9,044,889	9,143,098
<b>Total Gross Debt Service</b>	<b>13,669,890</b>	<b>14,823,596</b>	<b>13,607,628</b>	<b>13,635,908</b>	<b>16,137,373</b>	<b>16,707,010</b>	<b>15,872,569</b>
Net Debt-School	4,650,762	4,517,248	3,911,695	3,847,220	3,856,195	3,714,295	3,657,520
Net Debt-Gen Gov	5,361,932	6,849,153	7,254,959	7,347,715	9,840,204	10,551,741	11,341,688
<b>Total Net Debt</b>	<b>10,012,694</b>	<b>11,366,400</b>	<b>11,166,654</b>	<b>11,194,934</b>	<b>13,696,399</b>	<b>14,266,036</b>	<b>14,999,208</b>
<b>%tage Net Debt Service of Budget:</b>	<b>8.13%</b>	<b>8.91%</b>	<b>8.61%</b>	<b>8.41%</b>	<b>9.85%</b>	<b>9.96%</b>	<b>10.27%</b>

**Building Aid  
\$1,757,196**

**Use of Debt  
Service Reserve  
\$1,700,000**





# Rolling Stock Replacement Program – City Wide

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.

## Vehicle Inventory

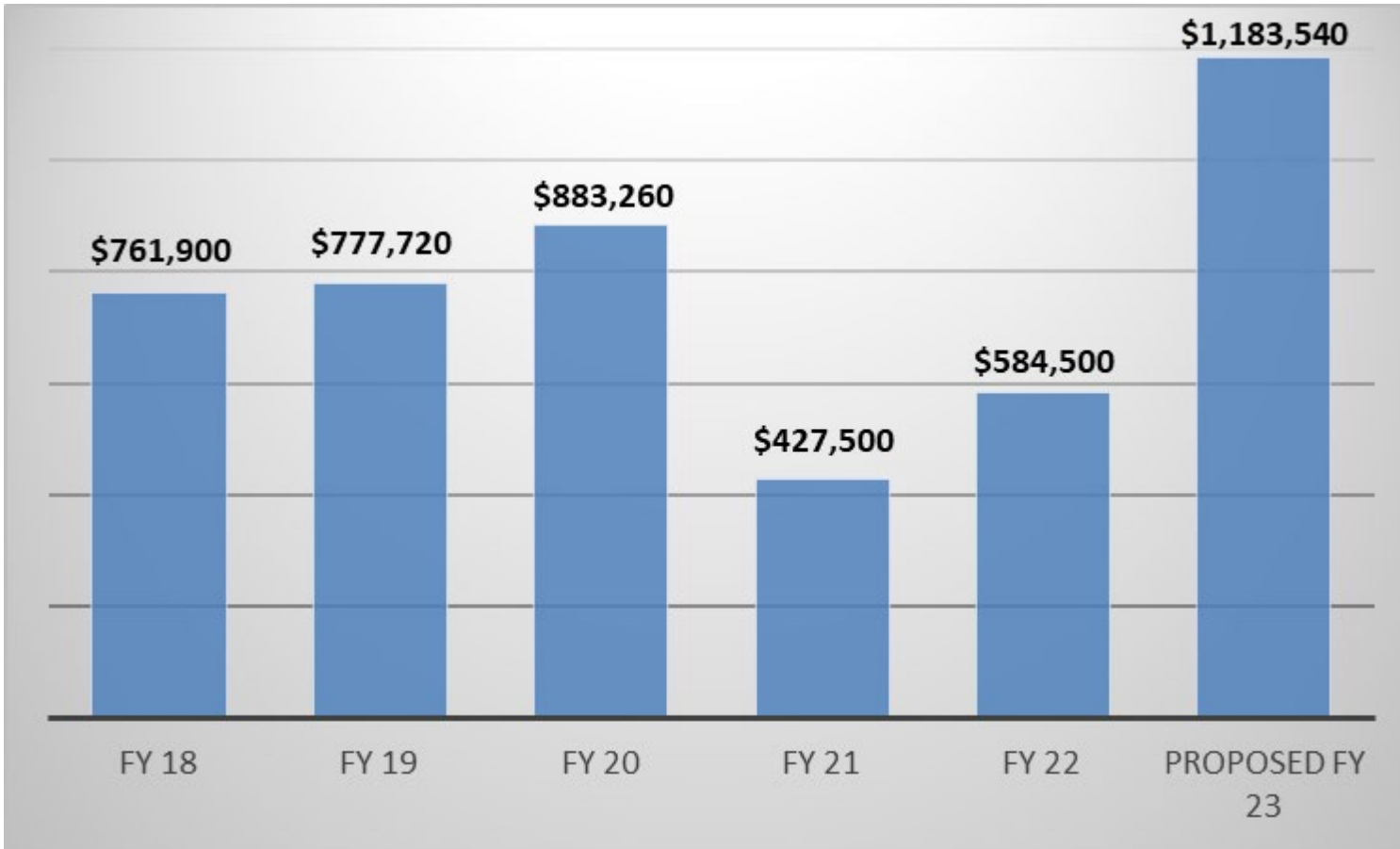
Department	City ID #	Description	Make	Year of Mfg.	Mfg. Identification Number	Fiscal Year Purchased	Purchase Cost	Useful Life
Highway	H010	Explorer (black)	Ford	2014	1FM5K8AR2EGB19738	2020	\$ 1.00	5
Highway	H011	F-550 4x4 (yellow) w/plow (6/7 Diesel)	Ford	2015	1FDUF5HT4FEA65484	2014	\$ 40,743.00	10
Highway	H015	4'x8' Flatbed Trailer	Carry-On	2006	4YMUL08146V011548	2008	\$ 700.00	20
Highway	H018	F550 Dump (white) w/plow	Ford	2020	1FDUF5HN1LDA00823	2020	\$ 73,181.85	10
Highway	H019	C20 4x4 Pick-up w/plow (yellow) (ordered)	Chevrolet	2010	1GC5KVBG1AZ239500	2010	\$ 27,317.00	10
Highway	H020	Silverado 4x4 Utility Body (yellow) w/plow	Chevrolet	2009	1GBJK74K69F181199	2010	\$ 44,015.00	10

## Replacement Schedule

City ID #	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
H010					\$ 30,000		
H011		\$ 45,000	\$ 45,000				
H015							
H018					\$ 40,000	\$ 40,000	
H019							
H020	\$ 80,000						



# Rolling Stock Appropriation – General Fund



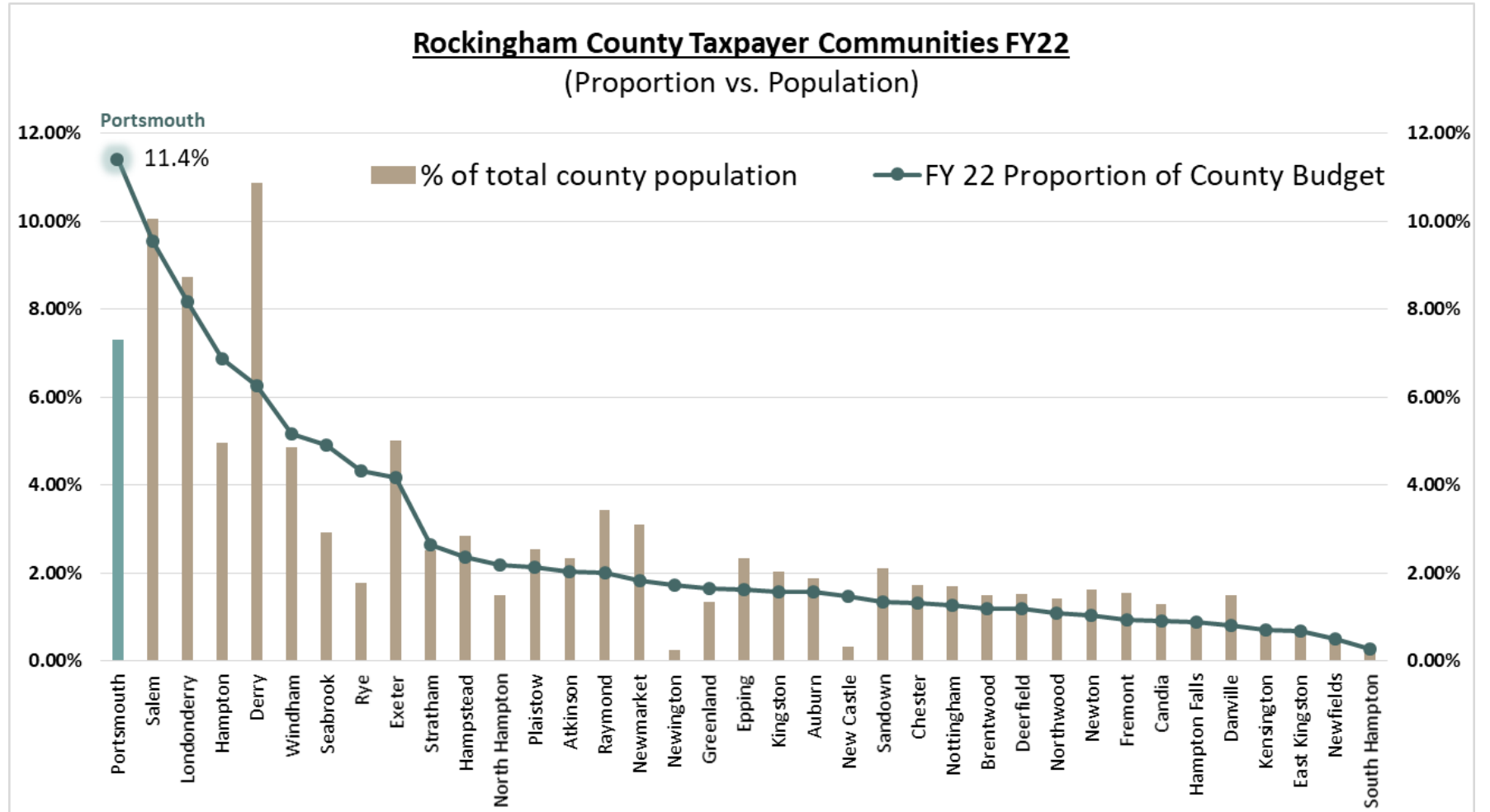
FY22 BUDGET	FY23 PROPOSED	\$ CHANGE	% CHANGE
\$584,500	\$1,183,540	\$599,040	102%

Non-Operating Budget

# Rockingham County Proportion

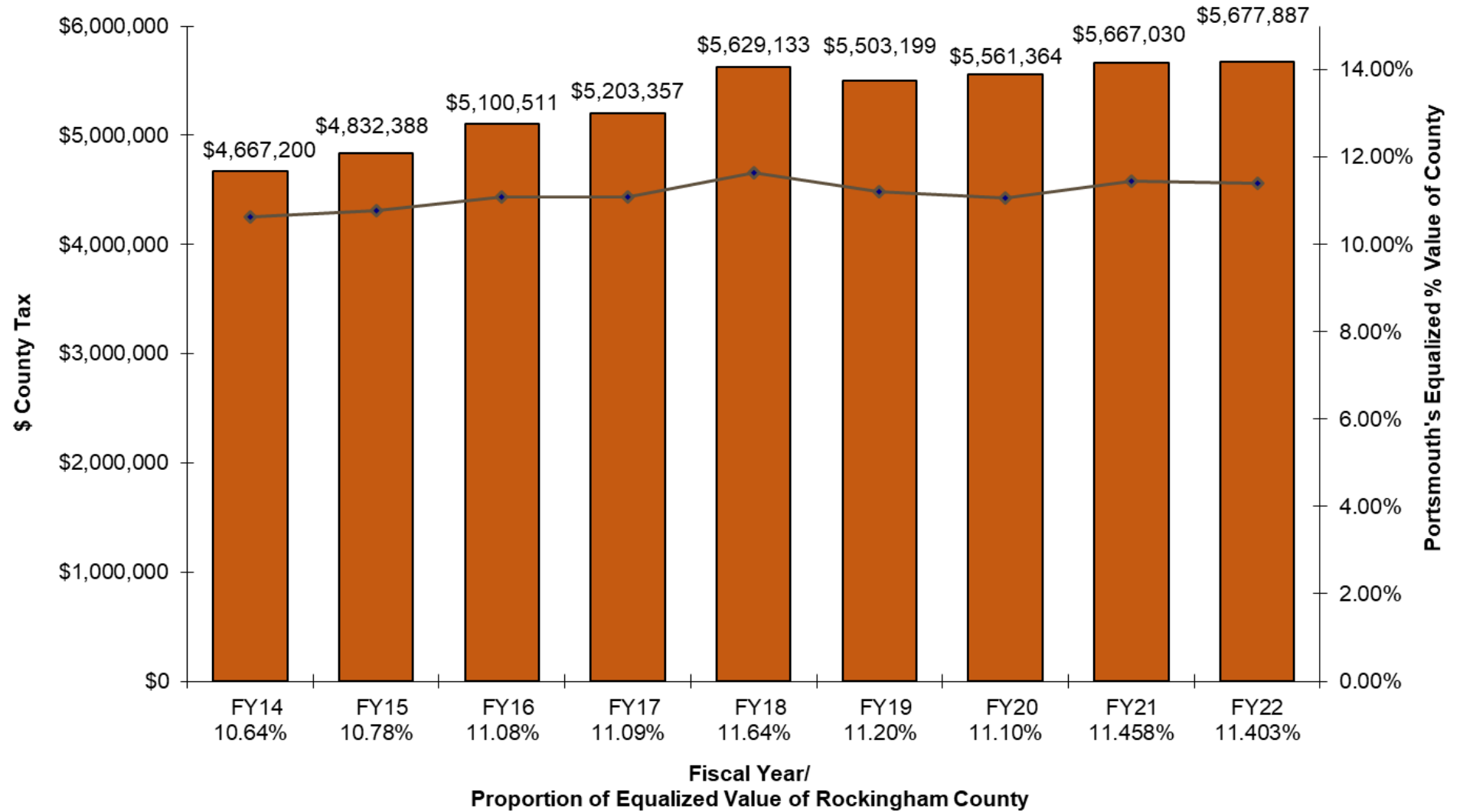
County Tax Obligation is calculated by:

1. The County's Adopted Budget, and
2. Proportion of all 37 communities in Rockingham County based on equalized value.





# Rockingham County Tax Obligation



# Non-Operating Preliminary Budget Projections

	FY22 Budget	FY23 Preliminary Budget	\$ Change
• Debt Service	\$13,669,890	\$14,823,596	\$1,153,706
• Rolling Stock	\$584,500	\$1,183,540	\$599,040
• IT Upgrades	\$1,194,208	\$1,391,658	\$197,450
• Capital Outlay	\$1,080,000	\$1,840,000	<u>\$760,000</u>
		SUB TOTAL	\$2,710,196

Other Non-Operating not determined yet:

- Rockingham County Tax
- Property & Liability Premiums
- Landfill Closure Monitoring
- Other Non-Operating



DISCUSSION