

FY2026

Budget Planning Work Session

January 15, 2025





Agenda

- Introduction
- Why are we here tonight?
- Factors to consider
- FY26 Budget drivers
- Where are we now?
- Looking forward to FY26

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



2024/2025 City Council Goals



Enhance the supply of housing choices, especially the supply of below-market rate housing options.



Integrate sustainability, resilience, and climate change mitigation actions throughout City government and community.



Invite and engage the entire community, especially those traditionally unreached, to increase participation and transparency in government.



Support the needs of residents, businesses, nonprofits, arts, and cultural institutions by leveraging City and local resources.



Explore opportunities to support all modes of transportation options.



Why are we here tonight?

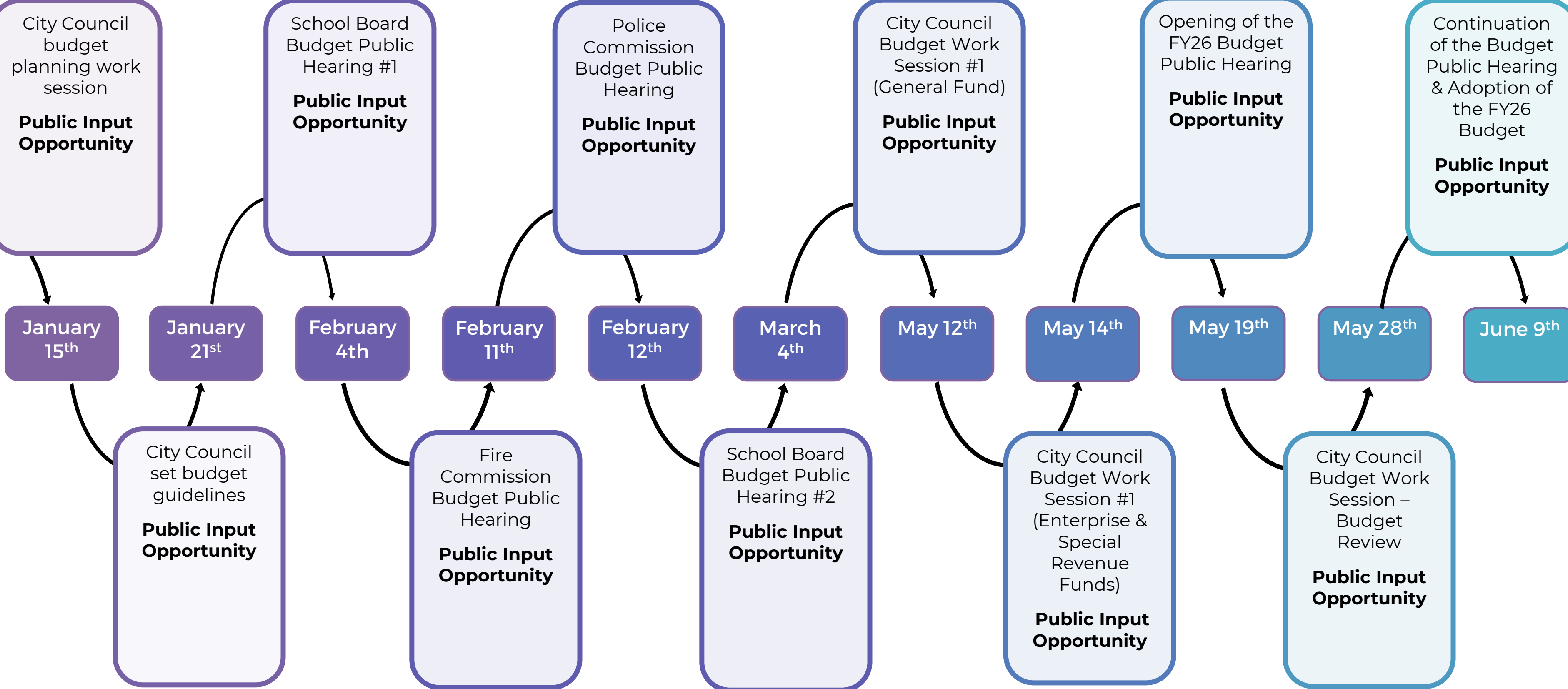
- Review factors
- Identify cost drivers
- Gather guidance



Budget Development Process



Budget Adoption Timeline



Factors to Consider



Federal Level

Consumer Price Index (CPI)	Social Security Administration (SSA)	New Federal Administration
<p>3.09%</p> <p>(Nov 2023 – Nov 2024 CPI-U)</p>	<p>2.5%</p> <p>(January 2025)</p>	<p>Changes in Federal administration may affect:</p> <ul style="list-style-type: none">• Cost of goods/services• Federal funding

State Level

Rand et al v. State of New Hampshire	Contoocook Valley School District (ConVal) v. State of New Hampshire	New State Administration
<p>Excess SWEPT funds</p> <p>A possible return to “donor” status</p>	<p>Fight over change in the State’s Adequate Education Funding formula</p>	<p>Changes in State leadership may affect:</p> <ul style="list-style-type: none">• Revenue sharing• Grant funding

Local Level

Revaluation	Welfare	Energy
<p>Market shift of commercial and residential values</p> <p>Increased burden on residential properties</p>	<p>Increasing requests for shelter assistance</p> <p>Limited shelter space, especially in winter months</p>	<p>1.8% of the current budget</p> <p>Plans for competitive bidding</p>

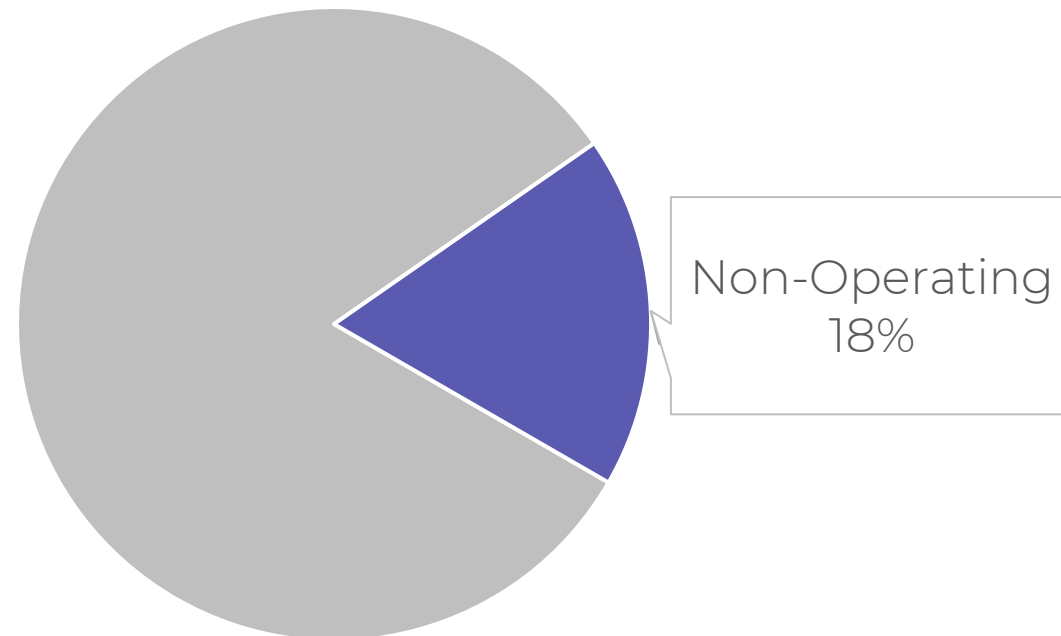
FY26 Budget Drivers



Non-Operating Budget

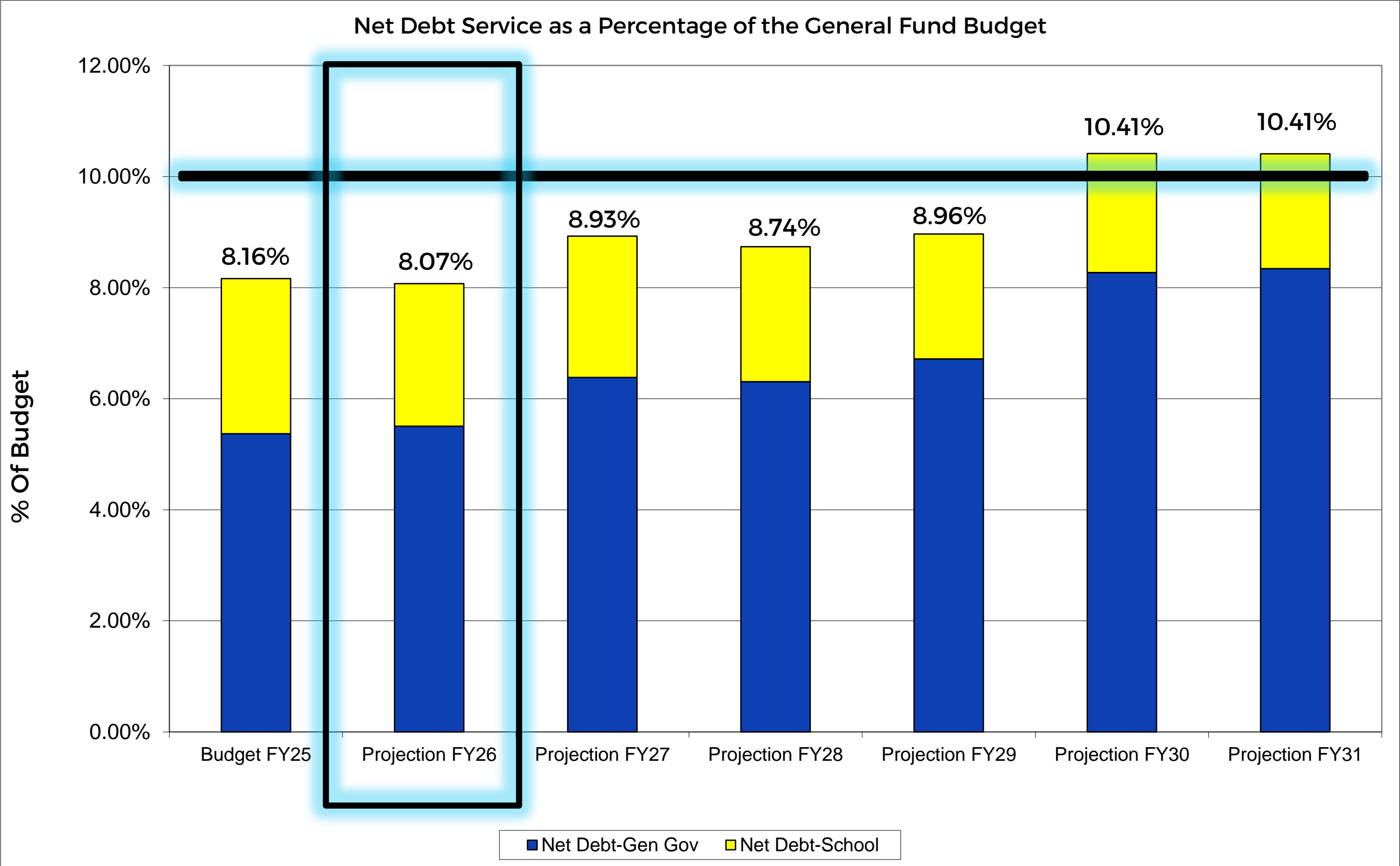
- Debt Service
- Capital Outlay
- Rolling Stock
- Rockingham County Tax
- Other Non-Operating
 - Property & Liability Insurance
 - IT Equipment Upgrades/Replacement
 - Subscription-Based Information Technology Arrangement (SBITA)
 - Police Body Cameras & Tasers

FY26 Preliminary Budget



Debt Service

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



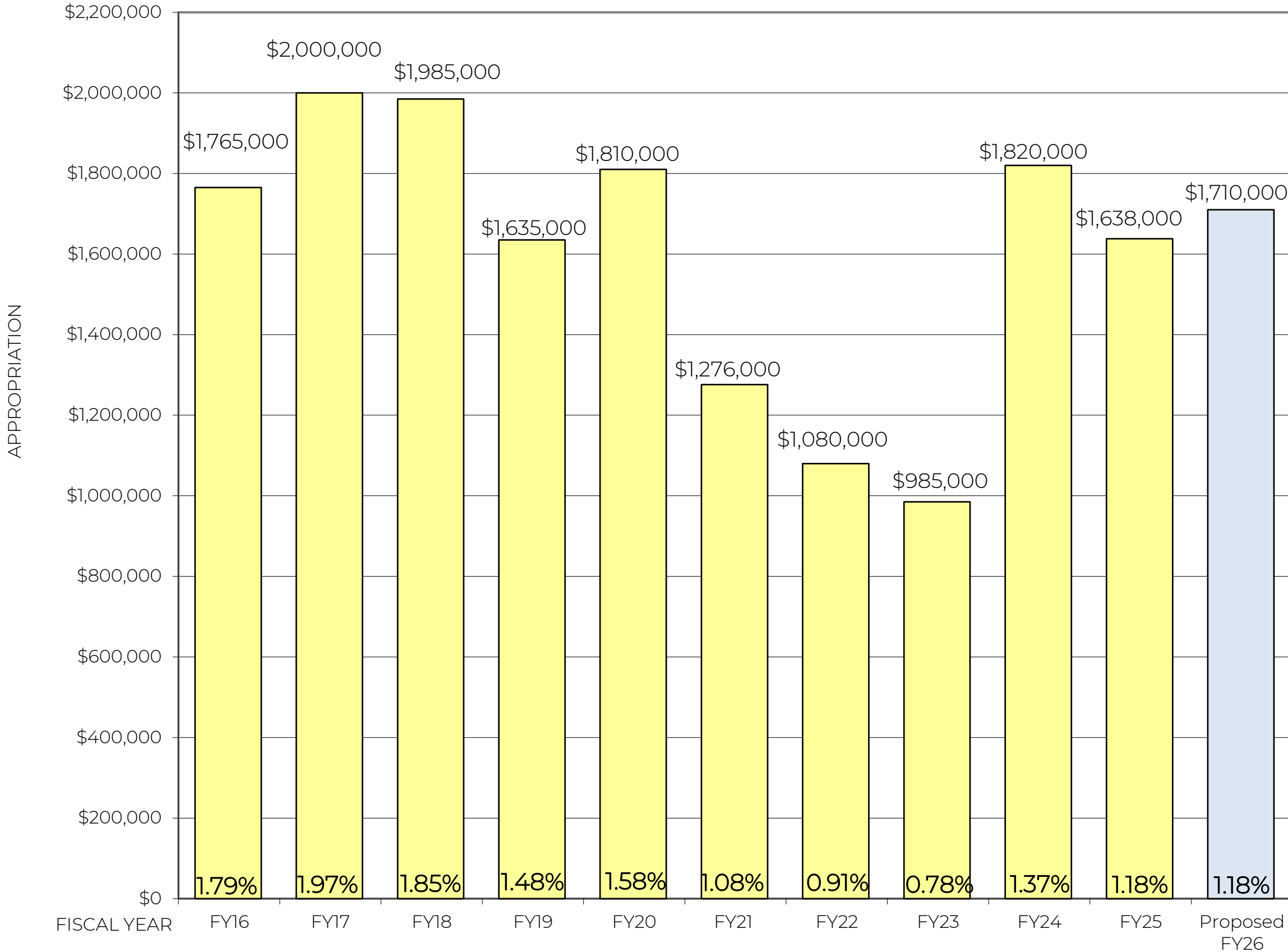
8.07%
FY26 Net Debt Service

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)	80,000
Buildings and Infrastructure (BI)	1,230,000
Transportation Management (TSM)	300,000
Capital Contingency	100,000
Total Proposed Capital Outlay	\$1,710,000

1.18%
FY26 Capital Outlay

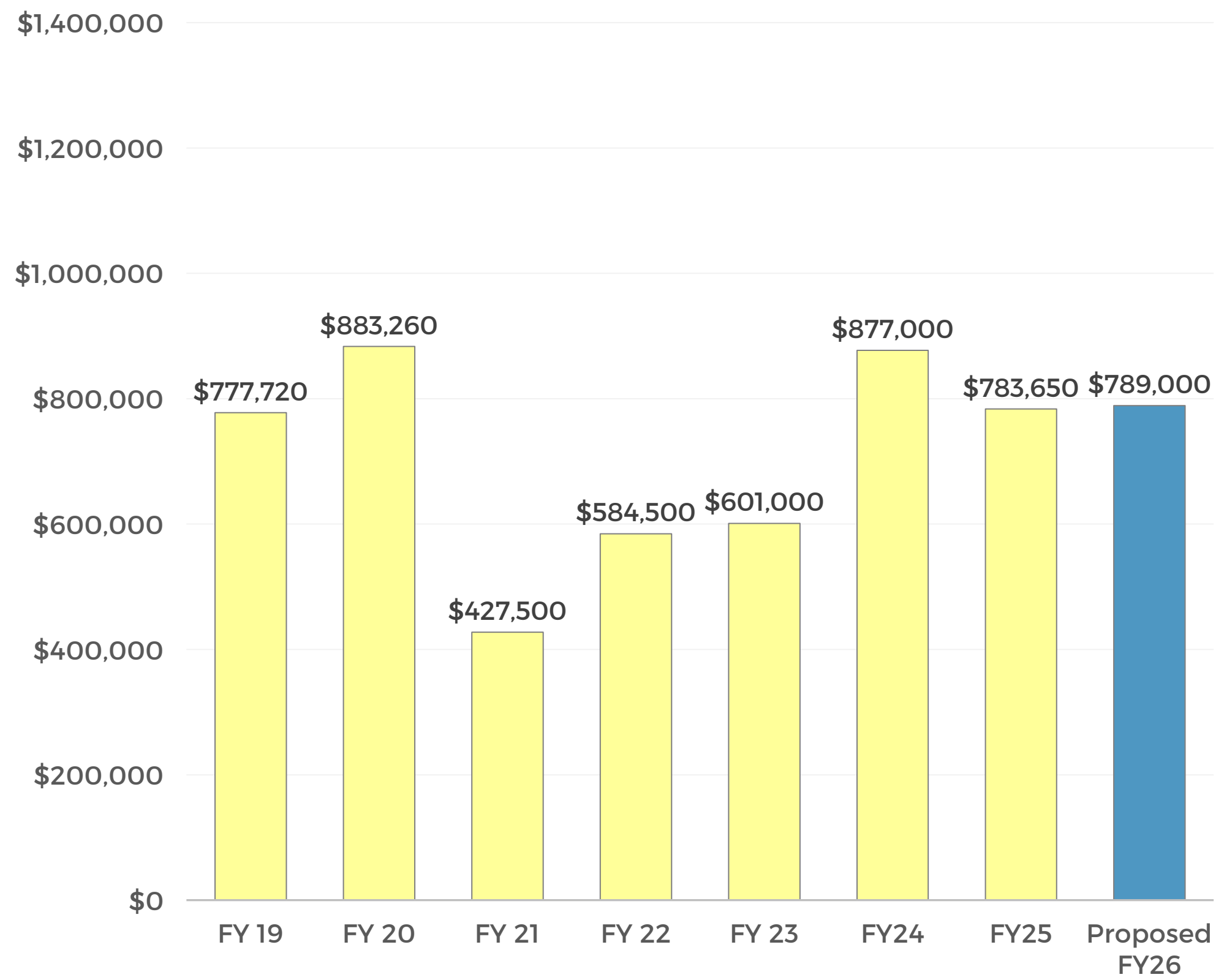


Rolling Stock

FY26 Proposed Budget	\$789,000
FY25 Budget	\$783,650
Change from Prior Year	\$5,350

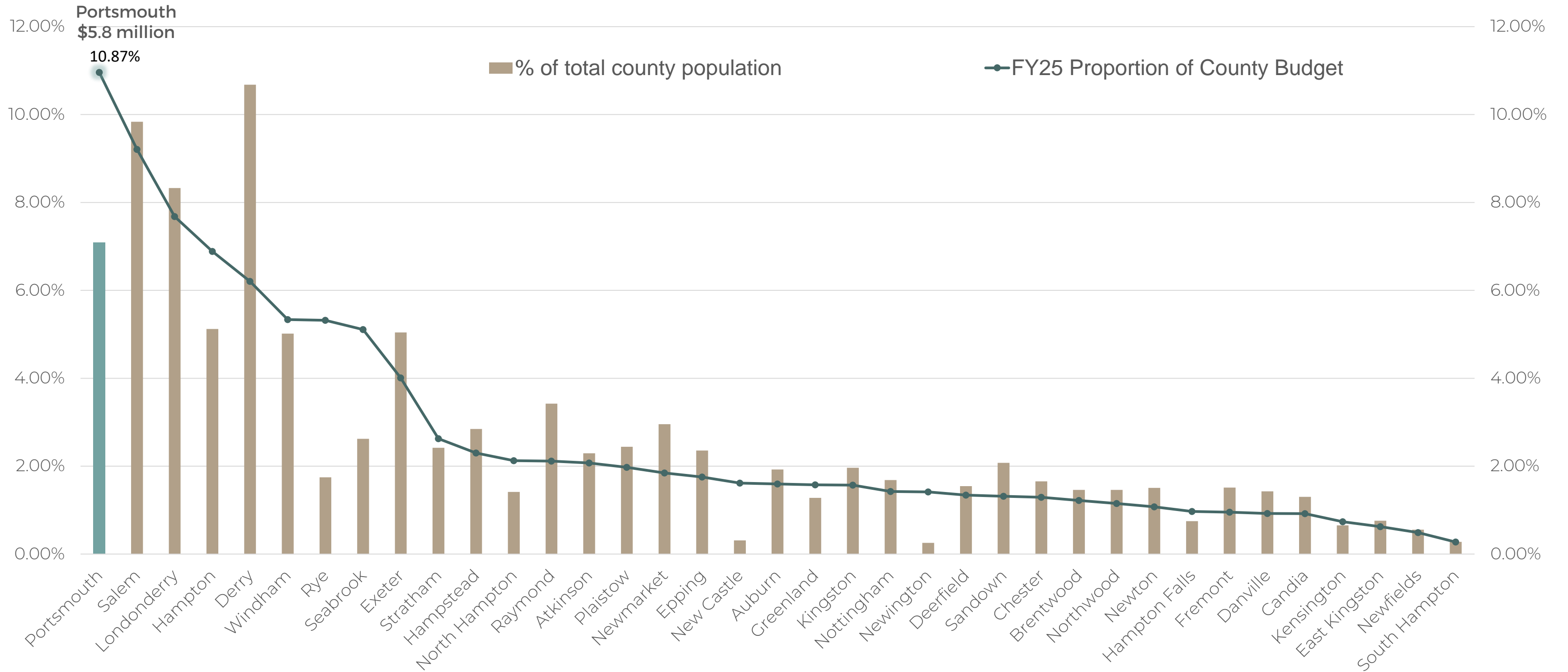


0.68%
Change from FY25 Budget



Rockingham County Tax

Rockingham County Taxpayer Communities FY25
(Proportion vs. Population)



Other Non-Operating

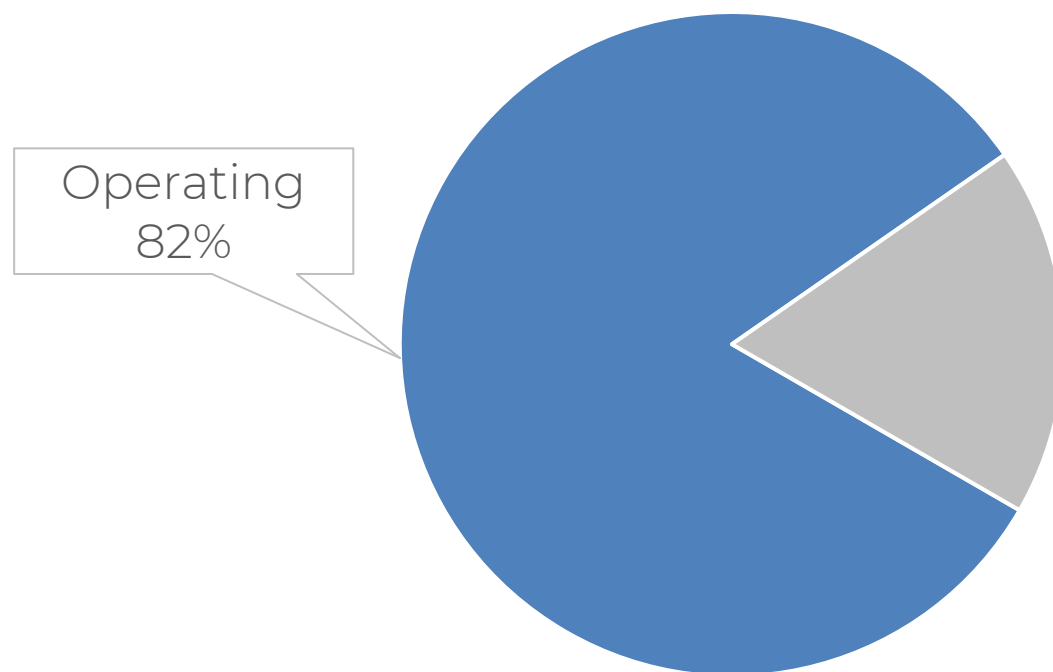
Item	FY26 Budget Impact
Property & Liability Insurance	City – 7% increase School – 9% increase
IT Equipment Upgrades/Replacement <ul style="list-style-type: none"> • CIP Project – "Information Technology Upgrades and Replacements" • CIP Project – Cybersecurity Enhancements • CIP Project – Public Safety Radio Communication System Replacement 	16.0% increase
Subscription-Based Information Technology Arrangements (SBITA)	14.8% increase
Police Body Cameras & Tasers	New – 5-year contract



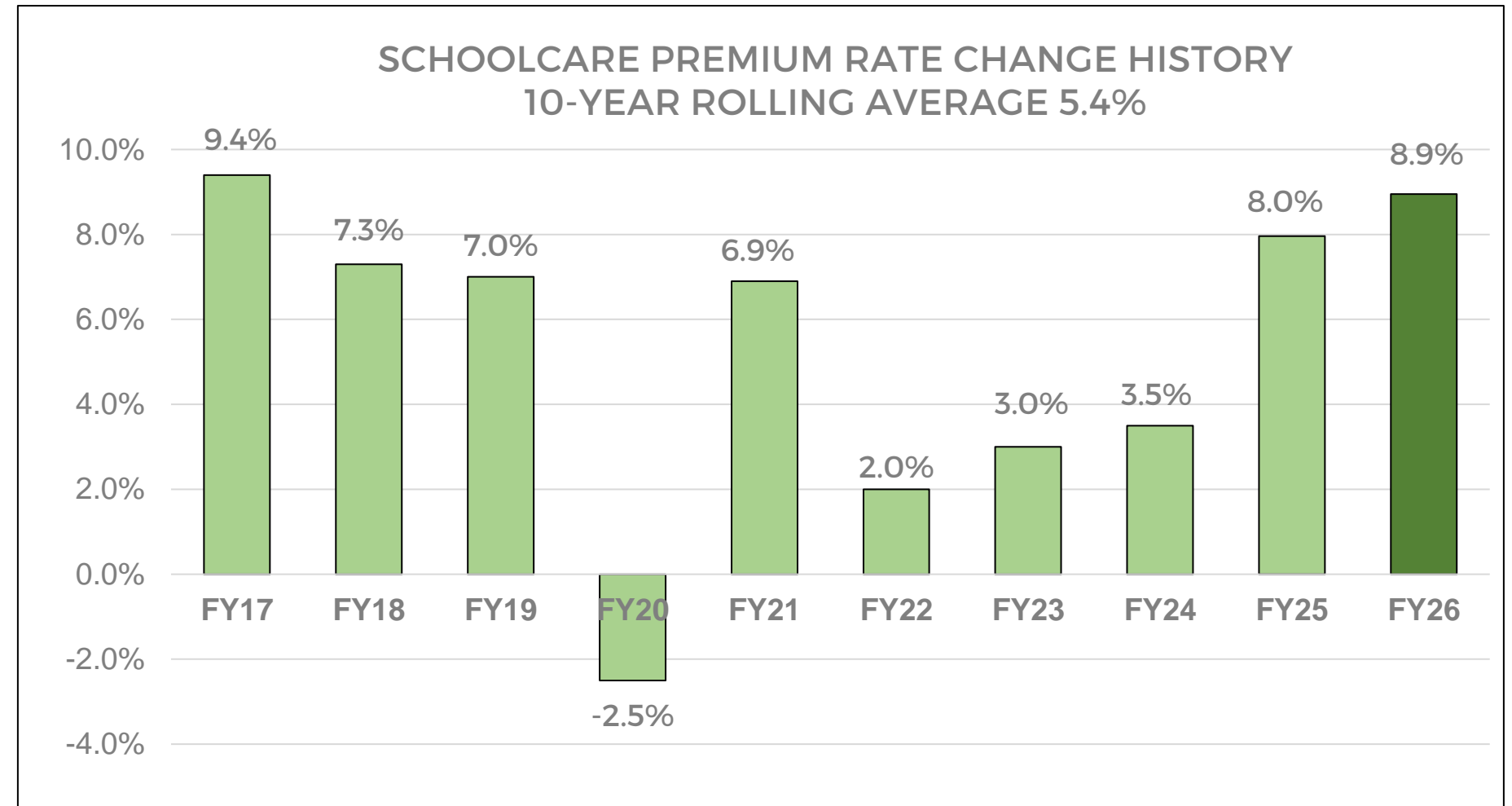
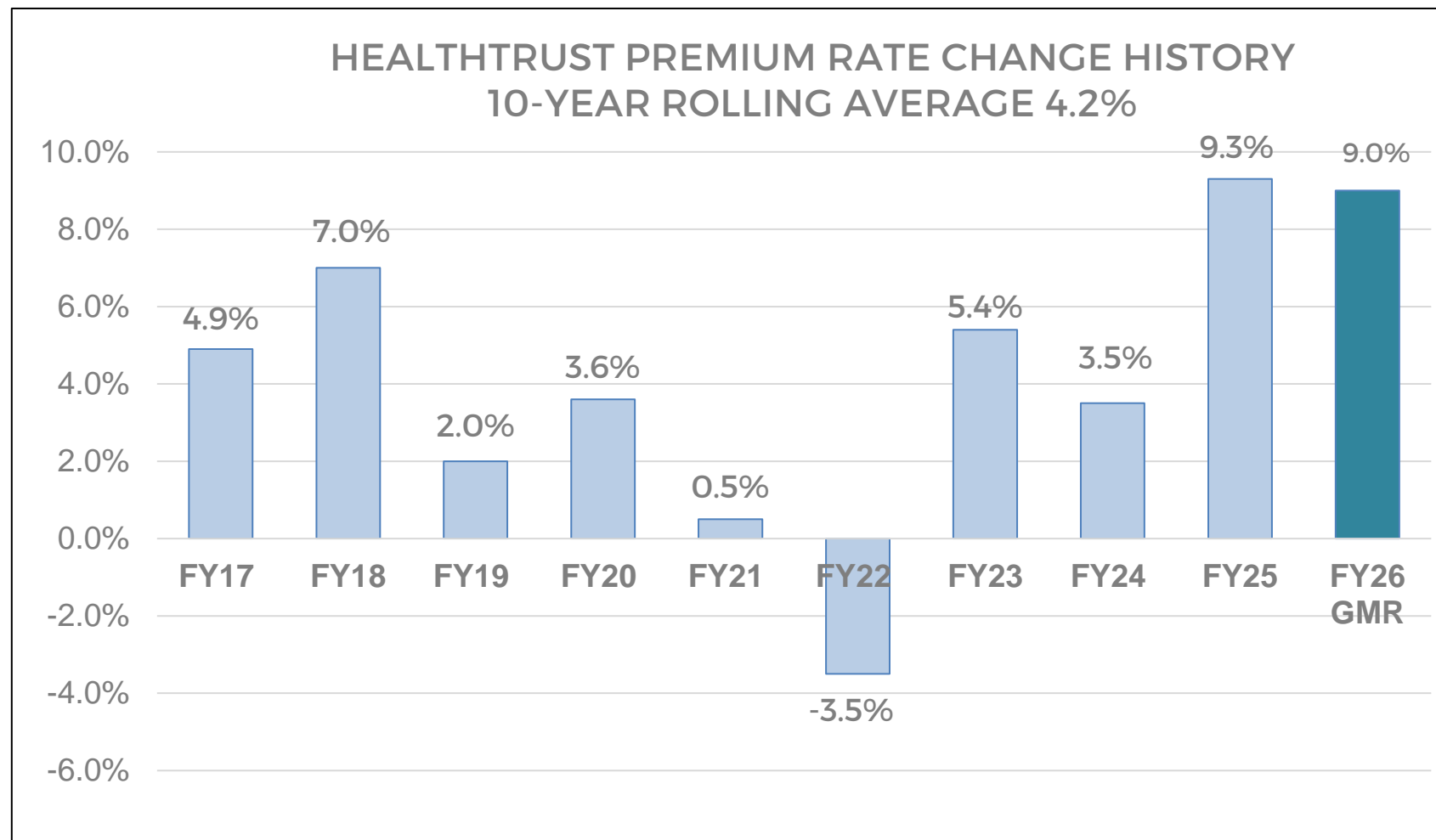
Operating Budget

- Health Insurance
- NH Retirement
- Other Contractual Obligations
- Collective Bargaining

FY26 Preliminary Budget



Health Insurance Rates



HEALTH INSURANCE				
	FY25 Budget	FY26 Budget % Change	FY26 Budget \$ Change	FY26 Proposed Budget
General Government	2,209,576	4.17%	92,139	2,301,715
Police Department	1,711,360	4.17%	71,364	1,782,724
Fire Department	892,822	4.17%	37,231	930,053
School	9,963,182	7.35%	732,394	10,695,576
Total General Fund	\$14,776,940		\$933,127	\$15,710,067

New Hampshire Retirement System

Employer Rates (year 1 of 2-year rate)

	FY24/FY25	FY26/FY27	Rate Change (%)
Municipal	13.53%	12.75%	(5.76%)
Teachers	19.64%	19.23%	(2.09%)
Police	31.28%	30.95%	(1.05%)
Fire	30.35%	29.15%	(3.95%)

Employee Contributions

Full-Time employees pay 7% - 11.8% into the New Hampshire Retirement System.

Other Contractual Obligations

Item	FY26 Budget Impact
Leave at Termination	Level funding
Dental Insurance	City – 5% increase School – 4% increase
Workers Compensation	8% increase



Collective Bargaining

8 of 16 Unions will have expired contracts as of 6/30/2025

General Government	Expires
Professional Management Association (PMA)	6/30/2025
Supervisory Management Alliance (SMA)	6/30/2025
AFSCME Local 1386B Library & Clericals	6/30/2025
AFSCME Local 1386 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	6/30/2025
Association of Portsmouth's Teachers	6/30/2025
Clerical Employees	6/30/2025
Custodial	6/30/2025
Cafeteria	6/30/2025
Paraeducators	6/30/2026
Custodial Supervisors	6/30/2026

- In the FY26 Budget, employees of the unsettled unions will receive their steps but no COLA.
- Monies for contract settlement are put aside in the budget for all General Fund employees.
- Enterprise Fund & Special Revenue Fund employee Collective Bargaining monies are shown in their individual budgets.

Cost of Living Adjustment (COLA)

CONSUMER PRICE INDEX

CPI-U, Not Seasonally Adjusted (Nov to Nov)

Boston-Cambridge-Newton, MA-NH

1	FY 17	0.84%
2	FY 18	1.26%
3	FY 19	2.86%
4	FY 20	3.15%
5	FY 21	2.12%
6	FY 22	0.40%
7	FY 23	5.31%
8	FY 24	7.00%
9	FY 25	2.39%
10	FY 26	3.09%

10-Year Rolling Average

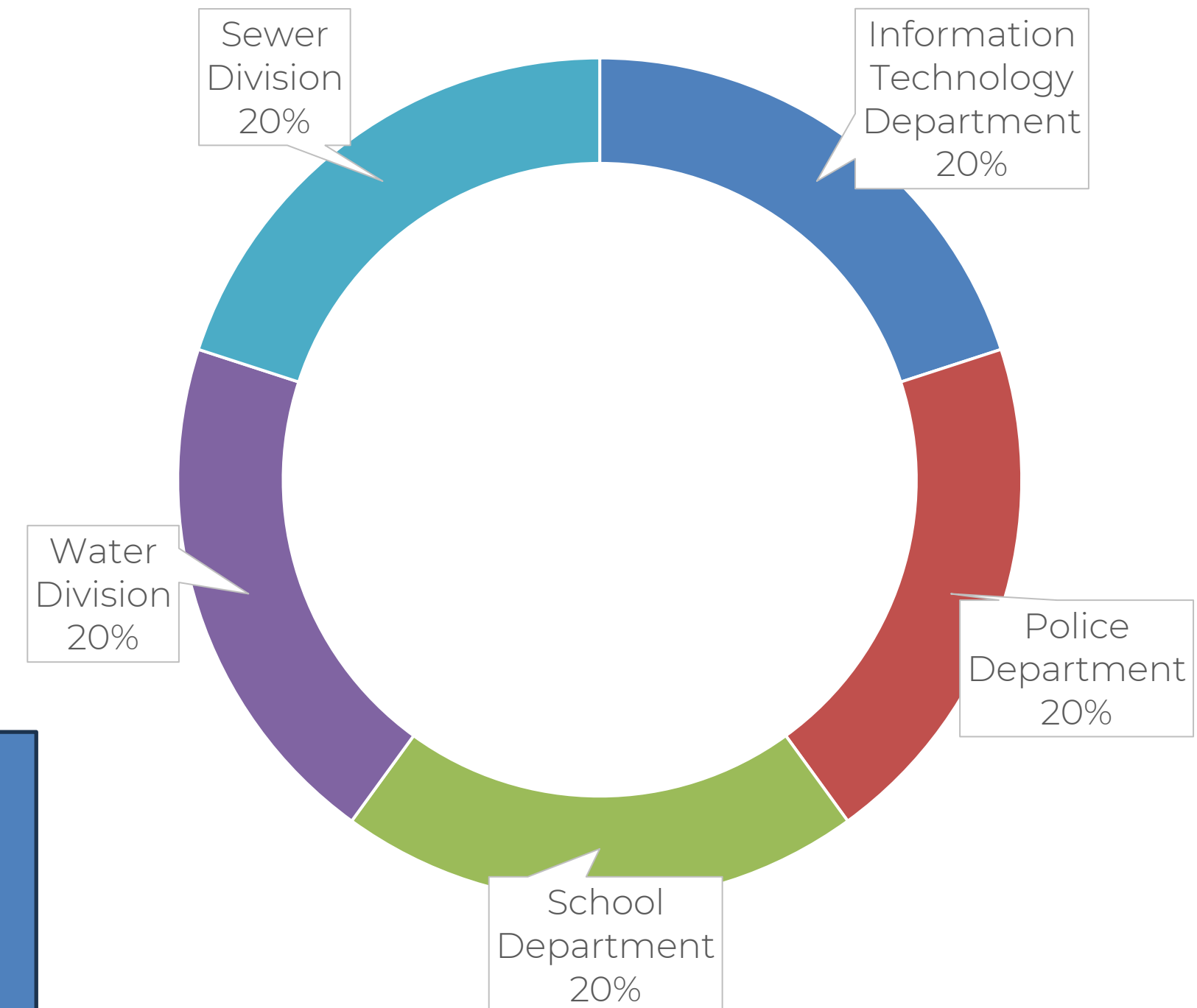
2.84%



Increasing needs of IT

- Increasingly complex threat environment
- Ransomware attacks against cities becoming more prevalent
- Criminals specifically targeting municipalities

Cybersecurity Specialist Salary Distribution



Proposing: 1 new FTE Cybersecurity Specialist
(60% funded by General Fund)

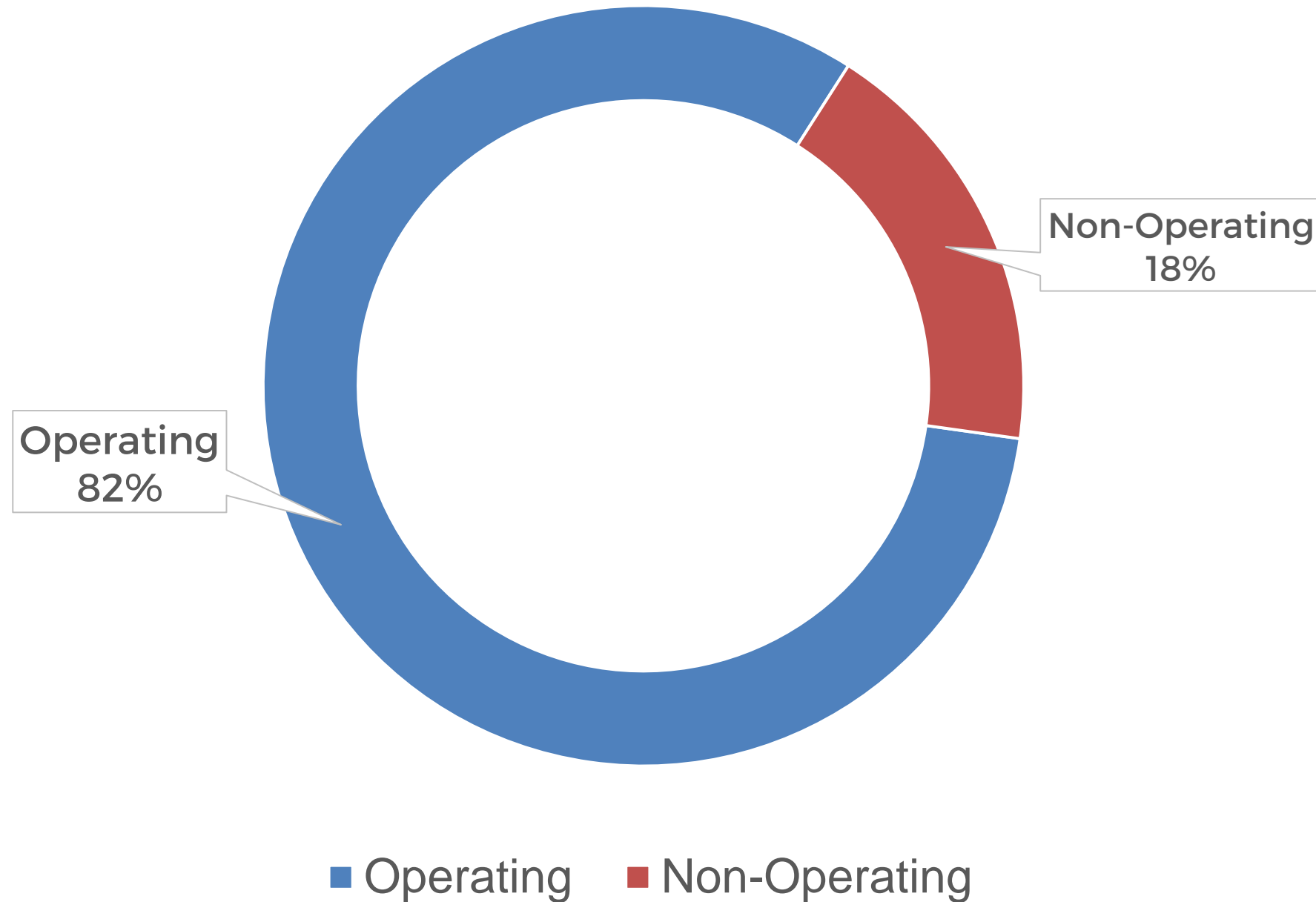
Looking at where we are now . . .



Looking at where we are now...

FY2025 Budget

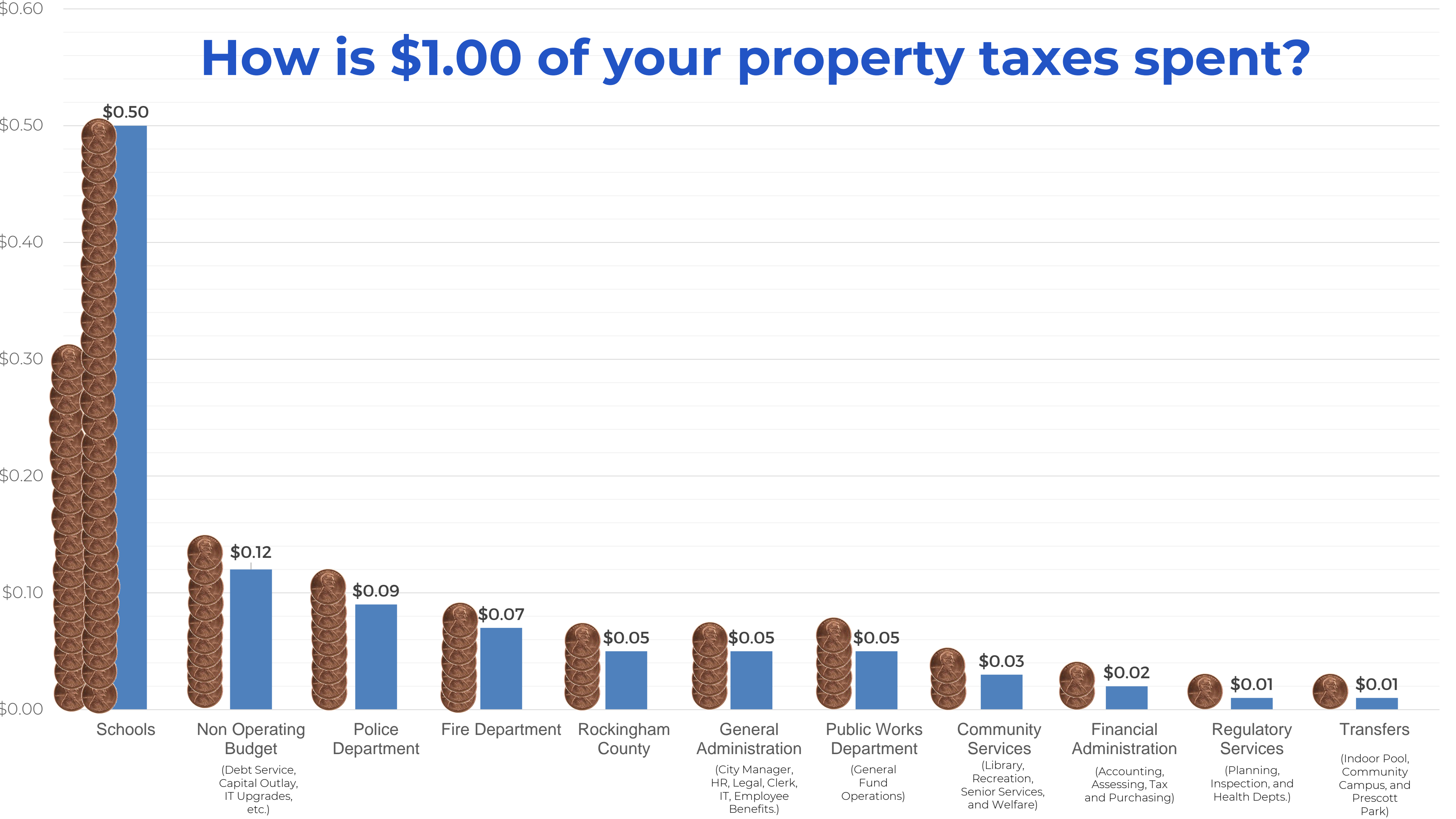
FY25 Budget (Operating v Non-Operating)



4.5% Increase over FY24

	FY24 Adopted Budget	FY25 Adopted Budget
OPERATING BUDGET:		
General Government	25,761,255	26,485,432
Police	13,959,993	14,586,704
Fire	11,243,307	12,492,159
School	60,680,961	64,061,713
Collective Bargaining	0	0
Transfer to Indoor Pool	200,000	200,000
Transfer to Prescott Park	243,653	262,930
Transfer to Community Campus	476,443	465,355
Subtotal Operating Budget	112,565,612	118,554,293
NON-OPERATING BUDGET:		
Debt Service & Related Costs	13,180,206	14,284,300
Overlay	1,000,000	60,000
Property & Liability Insurance	393,307	424,292
County	5,730,000	5,730,000
Contingency	300,000	300,000
Rolling Stock	877,000	783,650
IT Equipment Replacement	1,172,336	992,180
Capital Outlay	1,820,000	1,638,000
Professional Services - Outside Counsel	450,000	500,000
McIntyre Settlement	500,000	0
Other General Non-Operating	634,914	1,594,632
Subtotal Non-Operating Budget	26,057,763	26,307,054
Total Budget	138,623,375	144,861,347

How is \$1.00 of your property taxes spent?



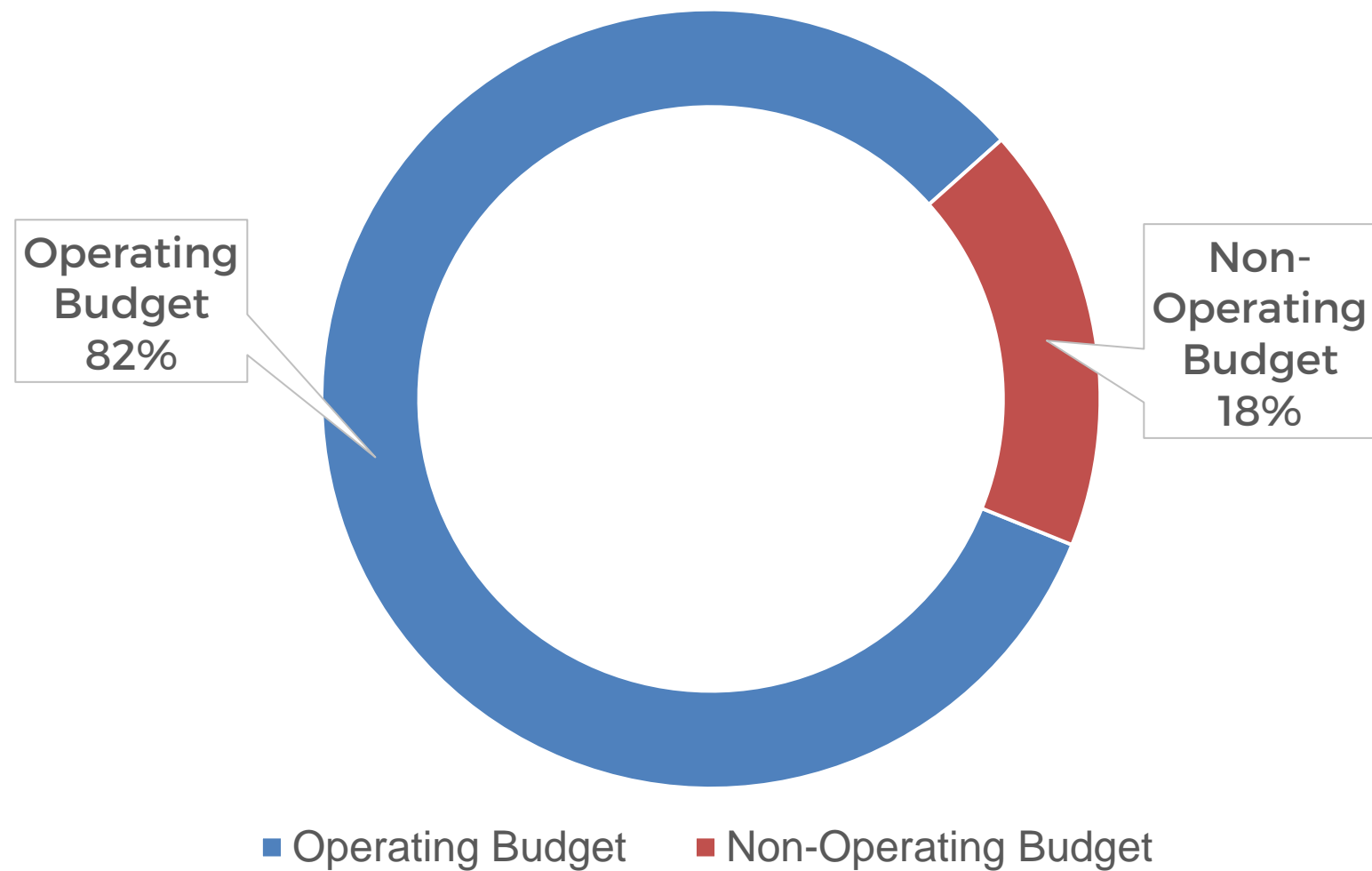
Looking forward to FY26 . . .



Preliminary FY26 Budget Projections

	FY25 BUDGET	FY26 PRELIMINARY BUDGET	\$ CHANGE FROM FY25	% CHANGE FROM FY25
Operating	\$118,554,293	\$126,525,959	\$7,971,666	6.72%
Non-Operating	\$26,307,054	\$27,218,015	\$910,961	3.46%
Total	\$144,861,347	\$153,743,974	\$8,882,627	6.13%

FY26 Preliminary Budget



The City's Charter Departments (Police Department, Fire Department, and School Department) comprise 77% of the City's Operating Budget.

Closing Thoughts

- Changes in City Policies and/or the adoption of new City Plans are potential budget drivers today and tomorrow
- Anticipate expectation of no new FTE's for FY26



Discussion

