

April 29, 2016

To the Honorable Mayor and City Council:

2017 Fiscal Year Budget (July 1, 2016 – June 30, 2017)

Following careful consideration of Department Requests, and after review by the Administration, I am submitting, for your deliberation, the Fiscal Year (FY) 2017 Operating Budget. The budget process requires the Administration to make very difficult choices and to prioritize the needs of the City. I believe that although there are many needs, the number one problem that we must address is the property tax issue. Keep in mind that minimizing tax increases also limits the number of projects that can be completed by the City Administration. However, the Administration is pleased to propose a budget which will reduce the City's tax rate by 1%. This, of course, means that the City has either level funded or reduced its tax rate in seven (7) of the last eleven (11) years.

I want to call your attention to the pavement line item in the Public Works budget. Pavement has not been funded in the FY 2017 budget, however, keep in mind that we have approximately \$750,000 remaining from the road bond which equals the goal we had in mind for the 2017 budget. These funds will be used to pave roads this coming year. In addition, we will be making capital investments totaling almost \$2.4 million dollars on Main Street, \$150,000 on North & Main Street and \$30,000 on the Washington-Bowen intersection during 2016-2017 budget year, far exceeding expenditures made on roads in recent memory. As you may recall, we successfully applied for \$7,364,738 which was earmarked for Claremont (Drapers Corner/North & Main). An additional \$500,000 was earmarked for Main Street and it will be expended this year. We accomplished this by convincing our Congressional Delegation of the importance of these projects. This allows us to make major infrastructure investments in Claremont while only paying a very small percentage of the total cost (15% to 20%) on the taxpayers and even that amount is off-set by prior year savings (from fund balance).

Under our City Charter *only* the City Council can decide to expend City funds. My role as City Manager is to recommend a budget based solely on the needs of the City. The proposed budget is simply the Administrations opinion and recommendation to the Council. However the budget that is adopted will be

a product of the City Council. You may make any changes to the budget as you see fit. You may increase or decrease expenditures and/or the proposed tax rate. The final budget can only be approved by the Council.

Despite the fact that the City has not increased taxes in seven (7) of the eleven (11) years, we continue to deliver essential services to local residents while at the same time making selective investments in our infrastructure. The River Road TIFD which was created in February of 1995 will end and close out effective June 30, 2016. This TIFD has been very successful especially in view of the Great Recession of 2008 when the country experienced some of the biggest declines in property values in recent history.

In February of 1995, the Claremont City Council voted to establish the River Road Tax Increment Financing District and in May of 1995, they approved a bond of \$602,196 for capital investment within the district. This amount represented the River Road TIF portion of a larger bond. In 2006, the Claremont City Council amended the development program and tax increment financing plan for the River Road TIF to extend the duration of the district and proposed a new bond to construct approximately 2,100 linear feet of roadway extensions as well as extensions of municipal water and sewer lines, widening and re-paving of Calavant Hill Road, and lighting improvements, thus creating the Syd Clarke Industrial Park. The River Road TIF ends on June 30, 2016, with all bond payments complete. Among the new developments/redevelopments that have occurred or are presently underway in the River Road TIF are Mikros Technologies, Crown Point Cabinetry, Canam Bridge, Jewell Trucking, New Hampshire Industries, a second Davis Frame building, North Country Smokehouse and Fulling Mill Fly Fishing. The assessed value in the district is almost double the assessed value at the time of creation, from \$11,682,837 in 1995 to a current assessed value of \$22,157,960. This increase does not include several projects currently underway that will be added to the tax base on April 1, 2017 (North Country Smokehouse and Jewell Trucking). The objective in the original River Road Industrial Tax Increment Finance plan was to enhance the economic capability of the City's River Road industrial area through enhancement of public improvements necessary to attract private investors, as well as to expand the property tax base for the City of Claremont. I am delighted to report that as the River Road TIF ends, it has successfully met those objectives.

As you can see, the proposed FY 2017 budget contains eight columns and columns six (6) and seven (7) demonstrate the difficult decisions the Administration was forced to make. Many Department Requests

had much merit, but because of our goal to minimize the tax burden on local residents, I decided not to propose funding those items. Keep in mind that the Administration encouraged the Department Heads to budget based on their needs. That way, the Council would be aware of the difference between what was requested and the amount that was allowed. This process also helped to create a record of needs that may be funded in the future.

For your information and for future planning, I have compiled a total General Fund amount requested by Department Heads and the amount allowed by the Administration.

	2017 Department Request	2017 City Manager Proposed	Difference
Total Revenue	\$6,205,014	\$6,568,134	\$363,120
Total Expenditures	\$18,380,349	\$16,949,308	(\$1,431,041)
Amount to be Raised	\$12,175,335	\$10,381,174	(\$1,794,161)
Total Assessed Valuation **	700,783,000	700,783,000	
Estimated Tax Rate	\$17.374	\$14.814	\$2.404
Current Tax Rate	\$14.97	\$14.97	
% increase (decrease)	16%	(1%)	

If the Council adopts the budget as presented, a 1% decrease on the tax rate would apply for Fiscal Year 2017.

Respectfully submitted,

Guy A. Santagate