

Overview and Summary

The City completed the 2015 budget on target and with another clean audit. We also changed audit firms as it's always good to get a fresh set of eyes on the processes and procedures we follow.

Over the past 10 years the average raised on the tax rate for City services has changed **1.24%** while still maintaining city services, which includes a \$2.8 million dollar bond in 2011 for roads (Drapers Corner, North & Main and various streets), a \$5.8 million dollar bond in 2011 for the new Community Center which opened in 2013 as well as a \$1.5 million dollar bond issued in 2016.

The governor's budget proposal in February of 2008 saw the city with proposed cuts of over \$1 million dollars (20% of the City's anticipated revenues) and necessitated drastic steps be taken by the City. The loss of state revenue since 2009 such as the 35% retirement for police, fire and teachers as well as the continued "suspension" of shared revenue and the "freezing" of the City's share of the rooms and meals tax have taken its toll on the city being able to maintain services at a level the citizens expect while level funding the tax rate. ***You can see from the chart on the next page the amount that the city has absorbed over the years is over \$6.3 million dollars this year. Of the last 8 budgets 98% of the total increase in our budgets is a result of downshifting from the State!!***

The amount that the tax rate could have been reduced or the amount of road work we could have gotten done is staggering. We are proposing a **1% decrease** in the tax rate year but it is not without its' challenges. We have many major road projects that need to be done in the coming years. The Municipal Cost Index (MCI), is a formula developed exclusively by *American City and County* magazine. It shows the effects of inflation on the cost of providing municipal services. The MCI is used to study price trends, help control price increases for commodities, make informed government contract decisions, and facilitate sound budget planning. The MCI determines the cost of inflation and the rising cost of doing business as a local government. The MCI has been fairly flat for the last year two years but it is expected to increase which means the cost to the city for doing these projects will increase, leaving us to do less projects for the same amount of money.

State Downshifting - The Effects on the Municipal Tax Rate				*change to fiscal year					
	2009	2010	2011	2012	2013/2014	2014/2015	2015/2016	2016/2017	Cumulative Totals
Elimination of Annual Revenue Sharing	\$ 470,626	\$ 470,626	\$ 470,626	\$ 470,626	\$ 705,939	\$ 470,626	\$ 470,626	\$ 470,626	\$ 4,000,321
Elimination of 35% contribution to NHRS for Group 2 Public Safety Employees	\$ 25,767	\$ 50,406	\$ 159,922	\$ 168,574	\$ 294,658	\$ 238,824	\$ 269,057	\$ 274,991	\$ 1,482,198
Highway Block Grant Revenue Reduction	\$ -	\$ -	\$ -	\$ 44,988	\$ 81,593	\$ 51,050	\$ 52,198	\$ 41,025	\$ 270,854
Meals & Rooms losses	\$ -	\$ -	\$ 48,566	\$ 48,566	\$ 68,964	\$ 117,530	\$ 117,530	\$ 166,096	\$ 567,252
Annual Downshifted Amount Being Covered by Tax Levy	\$ 496,393	\$ 521,032	\$ 679,114	\$ 732,754	\$ 1,151,154	\$ 878,030	\$ 909,411	\$ 952,738	\$ 6,320,626
Cumulative downshifted amount	\$ 6,320,626								
Average downshifted amount (PER YEAR) over the years	\$ 790,078								
What is the Municipal cost of the State Downshifting?									
FY 2017 (Tax Year 2016) - Projected Total Municipal Tax Levy	\$ 10,381,174								
FY 2009 (Tax Year 2008) - Total Municipal Tax Levy	\$ 9,408,995								
Increase in Total Tax Levy FY 2009-2017	\$ 972,179	(a)		\$ 1.36	per thousand of assessed value				
Downshifted Portion of FY 2017 Total Tax Levy	\$ 952,738	(b)							
The percentage of the increase in Total Tax	98.00%	(b) ÷ (a)							

General Fund

City proposes level funded tax rate for 5 out of 8 years and *a decrease of 1% this year*

The General Fund accounts for the cost of general City government; it is the general operating fund of the City. All property tax revenues and other receipts not allocated by law to other funds are accounted for in the General Fund.

The total tax rate is made up of four components. Municipal (general City services), based on the 2015 tax rate make up about 36% of the Total Tax Rate), School: Local & State (about 57%) and County (about 7%). Appropriations (the authorization to spend public monies) can only be made by vote of the legislative body. The Claremont City Council is the City's legislative body. **This budget concerns the Municipal Tax Rate** as the annual Claremont School District meeting and Sullivan County Delegation (State Representatives from Sullivan County) are the legislative bodies for the Claremont School District and Sullivan County, respectively.

The amount to be raised for Municipal Services (the City Tax Rate) is projected to be \$10,381,174. The 2017 General Fund Budget requested is \$16,949,308 (which includes increased offsetting revenues due to increased grant funds for personnel as well as withdrawals from capital reserve and fund balance). The City Budget has an estimated 2016 Municipal Tax Rate of \$14.81 which is **1% decrease** over last year. *It is important to note that this budget represents 53 pay weeks in the coming budget as well as a 17.1% increase in Health Insurance premiums over the 2016 approved budget.*

The average assessed value of a single family home in Claremont is \$112,207, which means that property assessed for \$112,207 will have an estimated Municipal Tax Rate bill in 2016 of about \$1,662.35. The 2016 tax rate will be set in the fall by the NH Department of Revenue Administration. Of the estimated 2016 Municipal Tax Rate, about 17.3% or \$2.57 is for debt related service (principal and interest payments on long term debt (\$1.69); capital leases payable (\$.88).

The general fund budget is comprised of \$10,357,238 for personnel services (wages, statutory and non-statutory employee benefits) which makes up 61% (or \$9.05) of the Municipal Tax Rate. Of these personnel costs, 65% of the total personnel costs city-wide are attributable to Public Safety Services (police-44.2%, fire -32.8% and public works -23%). This budget includes 104 full-time personnel positions and 103 regular part-time positions (all but 22 are CSBCC/Parks personnel). These numbers exclude seasonal and occasional employees as well as call firefighters.

The City has 218 employees. 79 full time positions and 8 part time positions (total of 87 positions) are represented by one of four collective bargaining units. 36 full time and 95 part time positions (total of 131 positions) are not affiliated with a collective bargaining unit. The fire union CBA (collective bargaining agreement) expired 3/31/16 and the other three unions (Police, Clerical & Public Works) will all be expiring 12/31/16.

The New Hampshire Public Employees Labor Relation Board is the administrative agency charged with determining the composition of public employee collective bargaining units requiring by State statute that public employers negotiate collectively with those exclusive representatives on terms and conditions of employment of the members of the bargaining unit and recognize the right of such exclusive representatives to represent employees in the settlement of grievances. The terms and conditions of employment means wages, hours and other conditions of employment other than managerial policy

within the exclusive prerogative of the public employer, or confided exclusively to the public employer by statute or regulations adopted pursuant to statute.

The terms and conditions of employment of non-bargaining unit employees is governed by the city's Personnel Policies and Procedures. Collective bargaining agreement ratification involves approval by collective bargaining units and the city council. A public hearing and formal action by the city council is required to ratify the tentative collective bargaining agreements. Only cost items shall be submitted to the city council for approval. Cost item means any benefit acquired through collective bargaining whose implementation requires an appropriation by the legislative body of the public employer (city council) with which negotiations are being conducted. Cost items shall be submitted within 30 days to the city council for approval. Within 30 days of the receipt of the submission, the city council shall vote to accept or reject the cost items. If the city council rejects any part of the submission or while accepting the submission takes any action which would result in a modification of the terms of the cost item submitted to it, either party may reopen negotiations on all or part of the entire agreement.

Statutory benefits are provided by law; non-statutory benefits are provided by virtue of the City's Personnel Policy or through negotiated collective bargaining agreements. Health and retirement benefits have been and continue to be important compensation components in the city achieving and maintaining a competent, skilled, experienced and stable work force. While costs of responsive health insurance keeps trending upward (**2016 rate was up 17.1%**), causes and solutions that are global in nature are outside the control of the city. The city gets workers' and unemployment compensation coverage and property-liability insurance from Primex; Health and Dental coverage through the Local Government Center Health Trust LLC and short-term disability and life insurance from Sun Life Assurance Company.

Employee benefits- non-statutory expenditure-type category, consisting of short term disability insurance, basic life insurance and dental insurance as well as health insurance that is provided to all full-time city employees. Health insurance is by far the largest of the four programs.

Retirement - is a statutory benefit. The city participates in the New Hampshire Retirement System which is the administrator of a cost sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Section 401 (a) and 501 (a) of the Internal Revenue code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Provisions for benefits and contributions are established and can be amended by the New Hampshire State Legislature. Full-time employees working 32 hours or more a week are eligible for enrollment. The System is financed by contributions from both the employees and the city. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. (In preparing the actuarial valuation, assumptions, which are based on past Retirement System experience, are made for the following: Rate of return on assets, inflation, salary increases until retirement, separation from active employment for reasons such as termination, disability, retirement and death, life expectancy and new members. If the assumptions differ from what actually has occurred since the last actuarial valuation, the State and participating employer rates will vary from one valuation to the next valuation. If the value of the future retirement benefits is greater than what was expected or if the return on investments is lower than the assumed rate of return, the State and participating employer rates will increase. Conversely, if the value of the future retirement benefits is less than what was expected or if the return on investments is greater than the assumed rate of return, the State and participating employer rates will decrease.

Keep in mind that the city does NOT contribute to social security for police and fire. All employees (Group I), except police officers and firefighters, are required to contribute 7% of earnable compensation. Police officers and firefighters (Group II) are required to contribute 11.3% of gross earnings. Up until July 1, 2009 the State of New Hampshire funded 35% of employer costs for firefighters and police officers employed by the city. As of July 1, 2009 that number decreased to 30% and decreased to 25% as of July 1, 2010 and to 0% percent as of July 1, 2011. The State had never participated in funding the employer cost of other city employees.

Period	Group I Employees	Group II Employees	
	Municipal	Police	Fire
July 1, 2015 – June 30, 2017	11.17%	26.38%	29.16%
July 1, 2014 – June 30, 2015	10.77%	25.30%	27.74%
July 1, 2012 – June 30, 2013	8.80%	19.95%	22.89%
July 1, 2009 - June 30, 2011	9.09%	12.68%	16.05%
July 1, 2007 - June 30, 2009	8.74%	11.84%	15.92%
July 1, 2005 - June 30, 2007	6.81%	9.68%	14.36%
July 1, 2003 - June 30, 2005	5.90%	7.87%	13.44%
July 1, 2001 - June 30, 2003	4.14%	5.33%	6.61%
July 1, 1999 - June 30, 2001	4.24%	4.93%	5.70%

FICA/Medicare - is a statutory benefit. The city's contribution for FICA/Medicare is calculated at 7.65% of wages. It is comprised of two elements: FICA (Social Security), 6.2%, and Medicare, 1.45%. The 7.65% cost applies to all city employees **with the exception of fire and police personnel where only Medicare (1.45%) is paid and then only to hires subsequent to 1986.**

Workers' Compensation - is a statutory benefit. The city receives coverage through the Primex. Annual contributions are based on employment classification budgeted dollars times Classification Rate, times Experience Modification Factor (EMF). The EMF is a reflection of how successful the city is in preventing workplace accidents. The city carries commercial insurance for all other risks of loss, including employee and public official fidelity bonds, health and accident insurance.

Unemployment Compensation - is a statutory benefit. The city receives coverage through Primex.