



*William E. Sanders
Finance Officer*

CITY OF MANCHESTER
Finance Department

July 30, 2015

Board of Mayor and Aldermen
C/o Matthew Normand
Office of the City Clerk
One City Hall Plaza
Manchester, NH 03101

RE: FY17 Tax Cap / Selected Costs

Dear Honorable Board,

As requested at the July 7 BMA meeting, the attached schedules provide estimates regarding the FY 2017 tax cap and cost increases/decreases anticipated in the 2017 and 2018 budgets.

I note the following with respect to the schedules:

- The City is out of contract with all collective bargaining units. Accordingly, it is not possible to calculate salary increases or savings for concessions.
- With the exception of the proposed teacher contract, all School District collective bargaining agreements expire on June 30, 2016.

Predicting future movement of the Consumer Price Index with confidence is problematic. I will however note one data point for your consideration. The CPI-Urban index at June 30, 2014 was 2.1%. Over the last six months of calendar 2014 the index fell to .8% on December 31, 2014 due to the precipitous decline in oil prices during the last six months of 2014. This negative consumer price trend in the last six months of 2014 will provide a lower base for computation of the CPI over the last six months of 2015. This could result in a somewhat higher increase in CPI in the second half of 2015 than the .1% reported thru June 2015.

Respectively submitted,

William E. Sanders
Finance Officer

Cc: Karen DeFrancis

Attachments

Tax Cap Estimates
FY 2017 Budget

	<u>Low</u>	<u>Medium</u>	<u>High</u>
2013	1.50%		
2014	0.80%		
2015 (June)	0.10%	1.00%	1.90%
Avg. (2017 Cap)	<u>0.80%</u>	<u>1.10%</u>	<u>1.40%</u>
Increase in Prop. Taxes	<u>\$1,597,256</u>	<u>\$2,196,227</u>	<u>\$2,795,198</u>

Estimated Budget Drivers
School District
Increase/(Decrease)

	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
Selected Items			
Salaries			
Teachers	\$ 3,108,000	\$ 1,718,000	\$ 1,760,000
Health Insurance			
Teacher Contributions	-	(512,000)	(570,000)
Trend-All Employees (3.5%)	-	607,000	629,000
Other	(4,131,000)	(298,000)	-
Social Security			
Teachers	238,000	131,000	135,000
Pensions			
Teachers	487,000	269,000	276,000
City Retirement	-	56,000	32,000
Savings from Retirements	-	(1,200,000)	(1,200,000)
Debt Service	-	51,000	451,000
Tuition Sending Districts	-	1,062,000	289,000
	<u> </u>	<u> </u>	<u> </u>
Total of Selected Items	<u>\$ (298,000) (1)</u>	<u>\$ 1,884,000</u>	<u>\$ 1,802,000</u>
Additional Property Tax Revenue per each 1% increase in average CPI (2)		<u>\$ 998,000</u>	<u>\$ 1,008,000</u>

- (1) The estimated surplus from the health insurance savings will be transferred to the expendable trust for health insurance. The balance estimated in all five expendable trust funds at 6/30/16 is \$1.5 mil, not including the \$298k as that will be used during FY17.
- (2) Amounts represent 50% of property tax increase allocated to the City and 50% allocated to School District.

Estimated Budget Drivers
City
Increase/(Decrease)

	<u>FY17</u>	<u>FY18</u>
Selected Items:		
- Salaries	\$ -	\$ -
- Health Care (6%)	735,000	780,000
- City Retirement	240,000	140,000
- Debt Service (1)	-	-
- Cash CIP	(330,000)	-
- Severance	<u>(200,000)</u>	<u>(100,000)</u>
Total of Selected Items	<u>\$ 445,000</u>	<u>\$ 820,000</u>
 Additional Property Tax Revenue per each 1% increase in average CPI (2)	 <u>\$998,000</u>	 <u>\$1,008,000</u>

(1) Including the City's most recent bond offering in June 2015, the debt service line item will decline \$540,000 in 2017 and an additional \$800,000 in 2018. However, these declines will be completely offset by increases associated with \$16.5 million of new bonds authorized by the BMA with the 2016 budget. These bonds include right-of-way improvements (\$6 million), radio system (\$5.8 million) and vehicle replacement (\$3 million).

(2) Amounts represent 50% of property tax increase allocated to the City and 50% allocated to School District.