

RCL 2018 VOTER PREPARATION

What voters need to know and understand
Budget Presentation – pre-Deliberative Town Meeting
January 31, 2018

www.ryecivicleague.org

Table of Contents

- Summary & Taxes
- Town Budget Key Points
- School Budget Key Points

What happened in November 2017 with the new Tax Rate

Denominator is up more than numerator, so quotient is down



$$\frac{\$21,563,876}{\$2,134,061,700} \times \frac{\$1,000}{1} = \$10.11 \text{ per } \$1,000$$

Money needed for Town, Schools and County for 2017 (up 7.1%)

Total 2017 Assessed value of property in Rye (up 13.3%)

Without the 2017 increase in assessments, the tax rate would have jumped to \$11.44 per \$1,000 because of the 2017 spending increase.

The 2017 13.3% assessment increase overpowered the increased taxation (\$1.4m after \$1.3m reduction from prior-year surpluses applied) to lower the tax rate from the 2016 tax rate of \$10.68 per/\$1K to \$10.11 per/\$1K

Q: How did the 2017 town-wide revaluation affect your taxes?

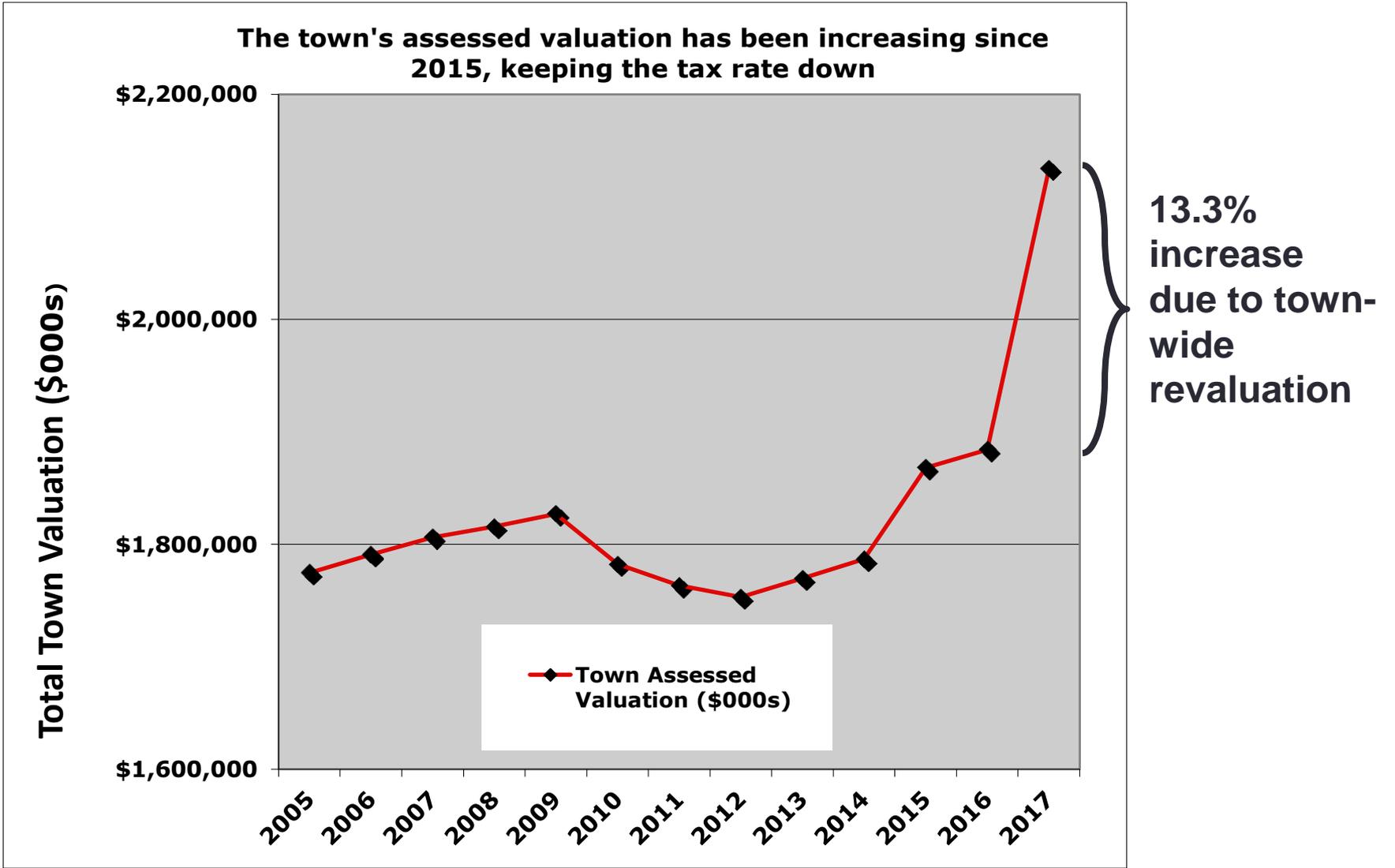
A: If your assessment went up by the same percentage as the total assessed valuation of Rye, the revaluation itself had no effect on your taxes paid. The increase in your taxes was due only to increased overall taxation (both up 7.1 percent).

Calculation: Your house’s assessment is up 13.3%, the same percentage that the total town assessed valuation is up (from \$1,884,140,400 to \$2,134,061,700). If 2017 taxation stayed the same as 2016 (\$20,129,303) the tax rate would have been \$9.43 (\$20,129,303 divided by \$2,134,061.7). However, taxation went up to \$21,563,876.

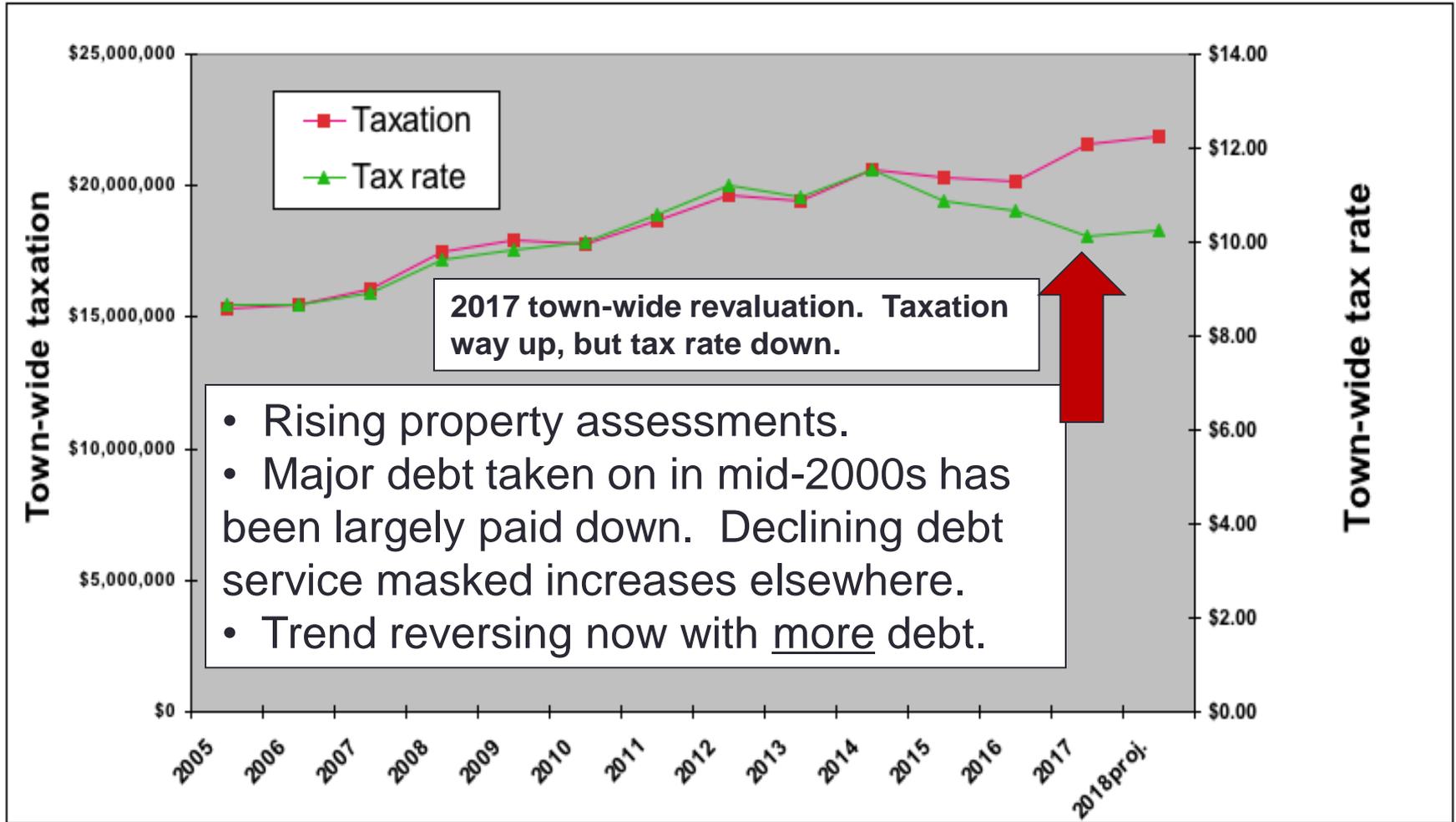
Tax rate after reval. and taxation increase: $\$21,563,876 / \$2,134,062 = \$10.11$

	Before the Revaluation (2016)	Effect of 13.3% (average) Revaluation only (2017)	Effect of Reval. <u>and</u> taxation increase (2017)
House assessed value	\$500,000	\$566,278	\$566,278
Tax rate	\$10.68	\$9.43	\$10.11
Tax bill	\$5340	\$5340	\$5725

Rye property values have jumped over the last few years

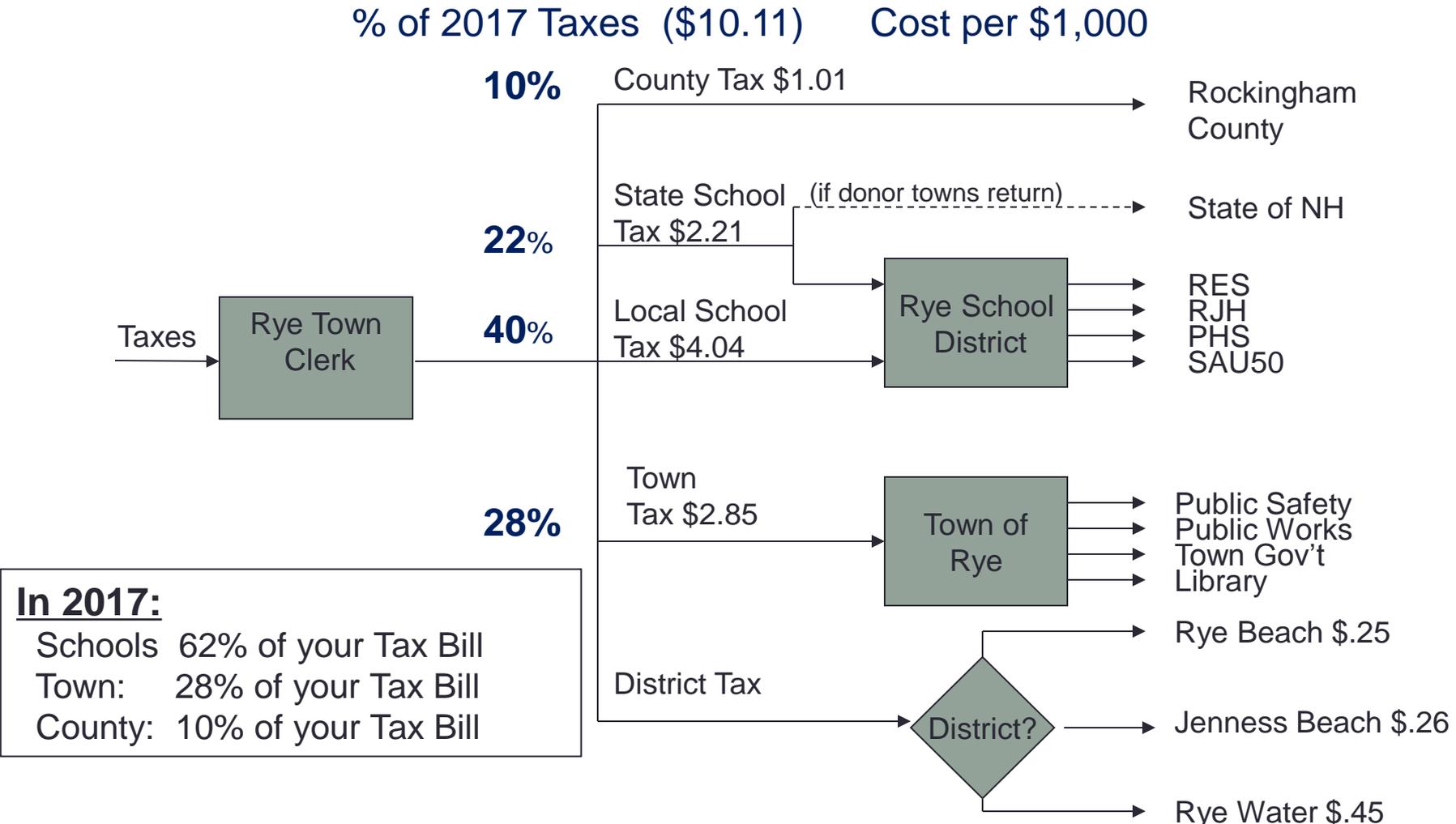


Rye has been living the Good Life. Paying more for government, but still pushing the tax rate down.



Rye property taxes are divided several ways. All money comes into the Town and is then turned over to independent parts of the government to pay for schools, library, etc.

High property assets (\$2.134 B) => Low Tax Rates



Town Budget Summary:

- Operating budget is down slightly: Lower medical insurance costs, lower capital outlay (Red Mill Lane Culvert is a warrant article in 2018), lower debt service.
- \$2.4 million in warrant articles (\$1.1 million to be funded with new debt). Only conservation debt (and small leases) have been voted since the 2004 PSB bond.
- A 14 Year era of diminishing debt payments offsetting increases is ending. The net effect has helped minimize tax increases.

School Budget Summary:

Flat Budget after nearly \$1 million increase in school taxation in 2017

- Overall Special Education costs are flat due to declining H.S. out-of-district placements
- Fewer 2017-2018 8th Graders than 12th Graders, so a drop in PHS students for 2018-2019.
- PHS early start did not require the extra bus that was in the 2017-2018 budget.

County Summary: Budgeting still in process. Recent increases have been minimal.

Water District Summary: Nearly \$400,000 operating budget increase due to inclusion of two projects in 2018 CIP Plan. RWD tax rate projection: \$.49 vs. \$.45 in 2017.

Rye Beach and Jenness Beach Summary: No information yet.

How we get to the estimated Tax Rate:

How much money do we need (2018 estimate if all BC-recommended articles pass)?

	<u>Town</u>	<u>School</u>	<u>County</u>	<u>Total</u>
Appropriations	\$11,591,373	\$14,000,230	\$2,190,516	\$27,782,119
Revenues, other adj.*	-\$5,269,816	-\$639,676		-\$5,909,492
Equals: taxation	\$6,321,557	\$13,360,554	\$2,190,516	\$21,872,627

2. What could the tax rate be in Fall of 2018?

Add up all of the assessed property values to get the Tax base (property) in Rye. 2017 = \$2,134,061,700. Assume unchanged in 2018. Tax rate is per \$1,000 of property value so divide by 1000.

<u>To Raise:</u>	<u>Tax Rate per \$1,000 of property</u>
\$2,134,062	\$1.00
\$213,406	\$0.10
\$21,341	\$0.01

Rye Low Tax Rates

Expensive homes + not many people = Low tax Rates

$\$21,872,627 / \$2,134,062 = \$10.25$ **projected 2018 tax rate** (if all warrant articles recommended by the Budget Committee pass).

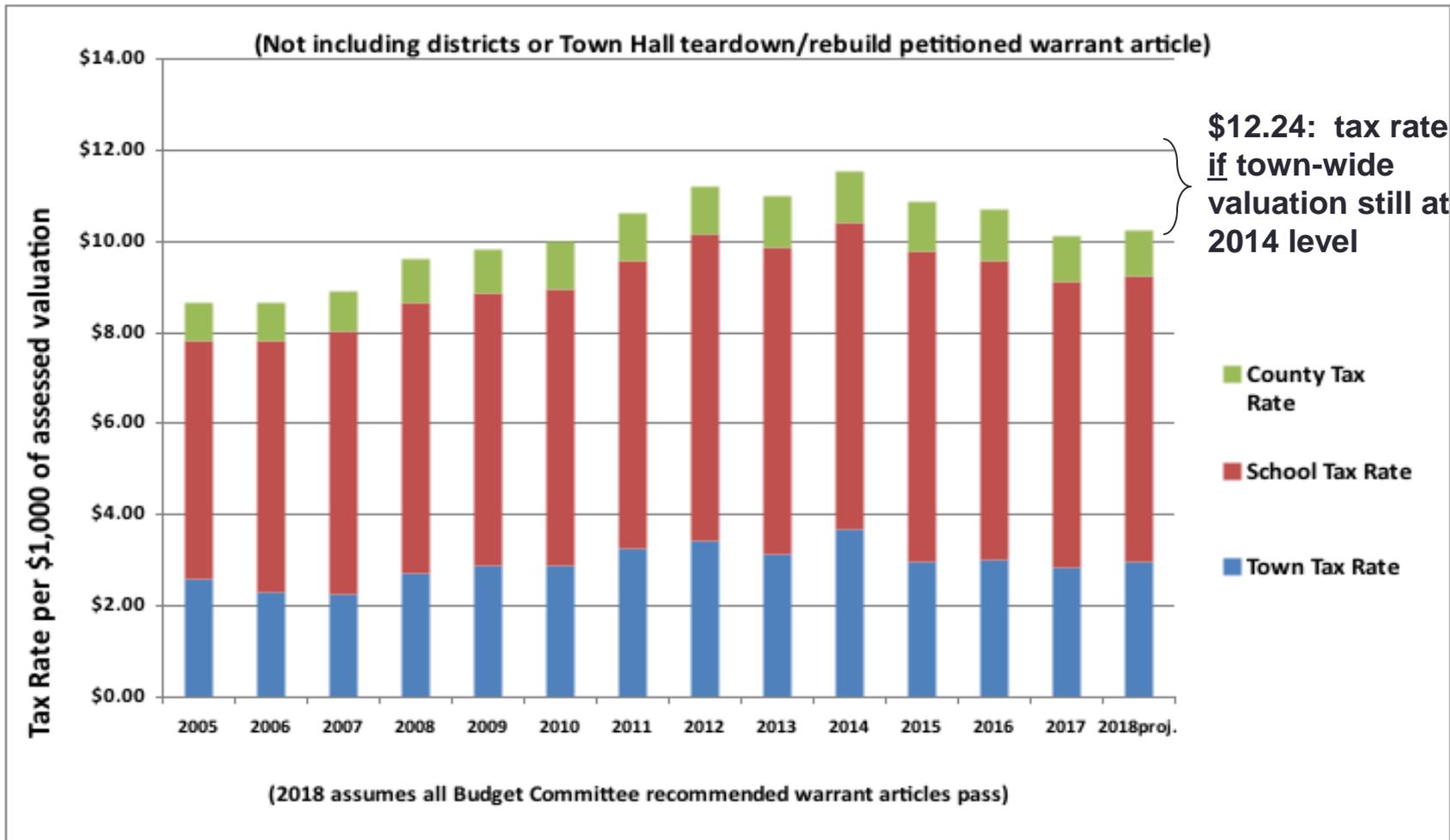
3. What spending costs you:

$\frac{\text{House Assessed Value}}{\$1,000} \times \text{Tax Rate} = \text{Your cost}$

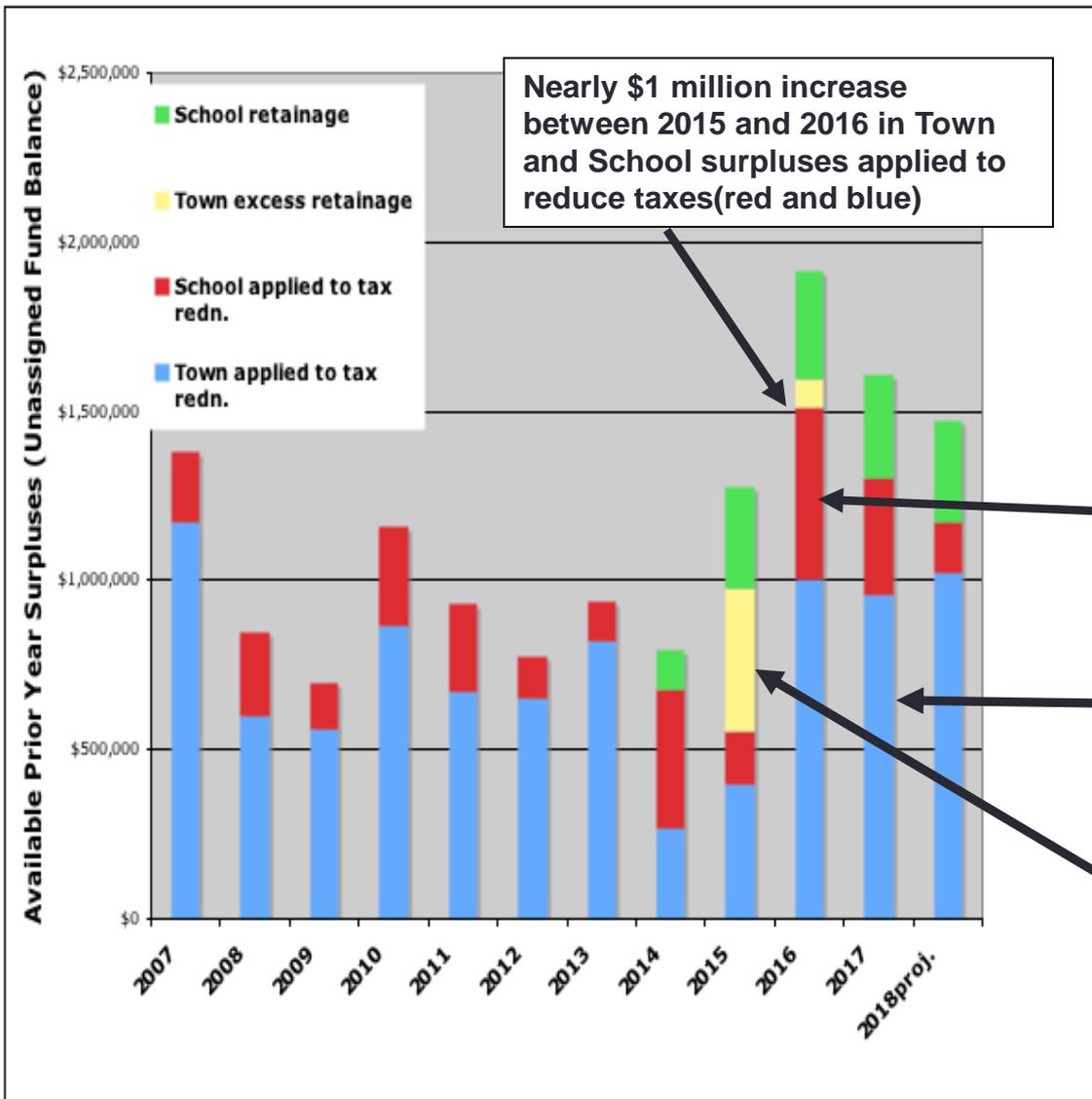
*Assumes that all of excess estimated 2017 surplus is applied to reduce 2018 taxation.

Spending Increases are in the Warrant articles:

- Town Operating Budget decrease 2.4% 
- School Operating Budget decrease 0.6% 
- \$2,571,101 in Town Warrant Articles (excluding Town Hall tear-down) 
- 2018 Tax increase could be \$0.14 per \$1,000 or about a 1.4% tax rate increase 



The 2016 tax rate was artificially depressed by the application of budget surpluses. Not much is left in the retainages to help for 2018



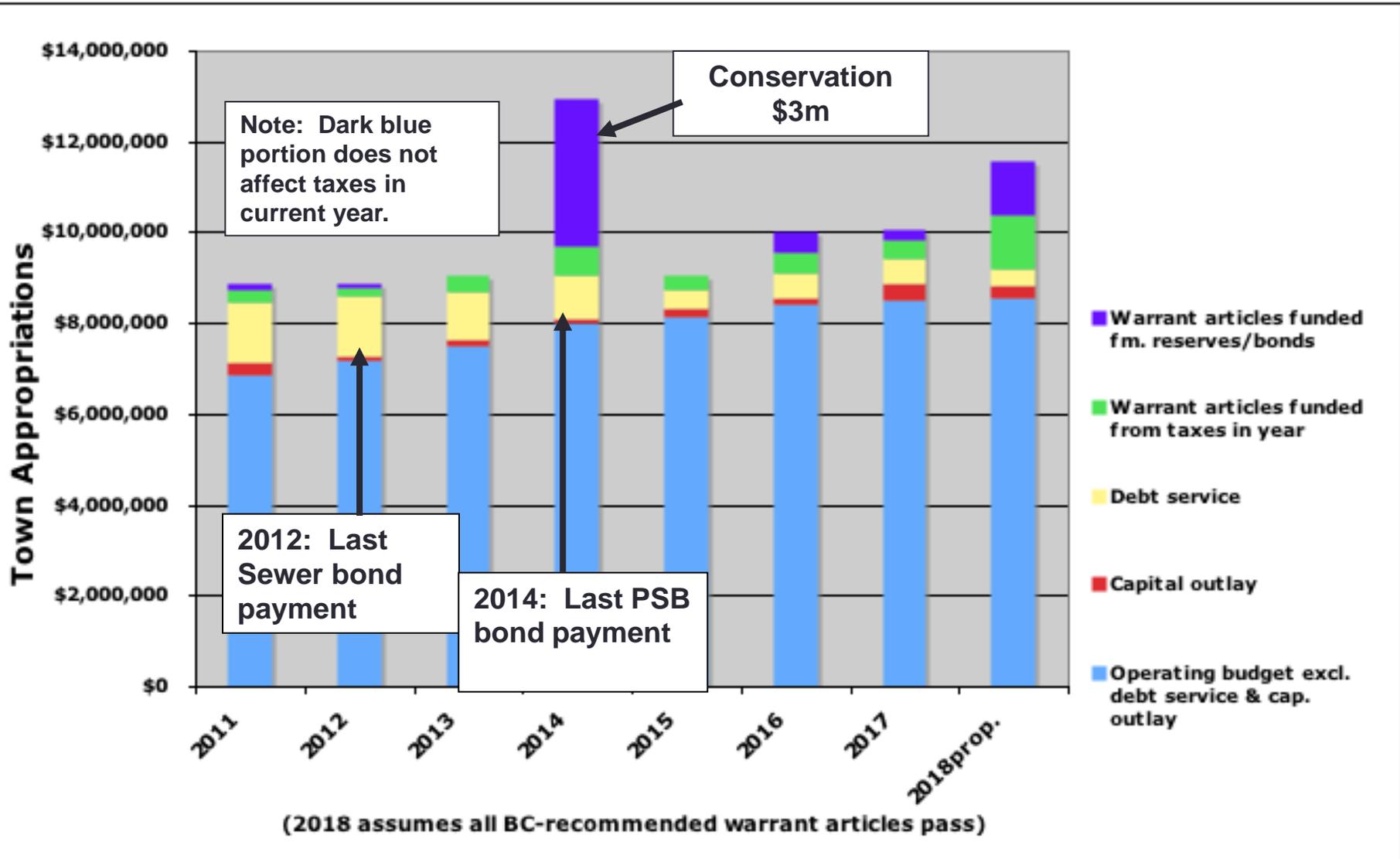
Guidelines require that 5% of regular operating expenses (Town + School) must be held by the Town in case taxes are unpaid.

The School 2015-2016 surplus was used to reduce 2016 taxation by over \$500K

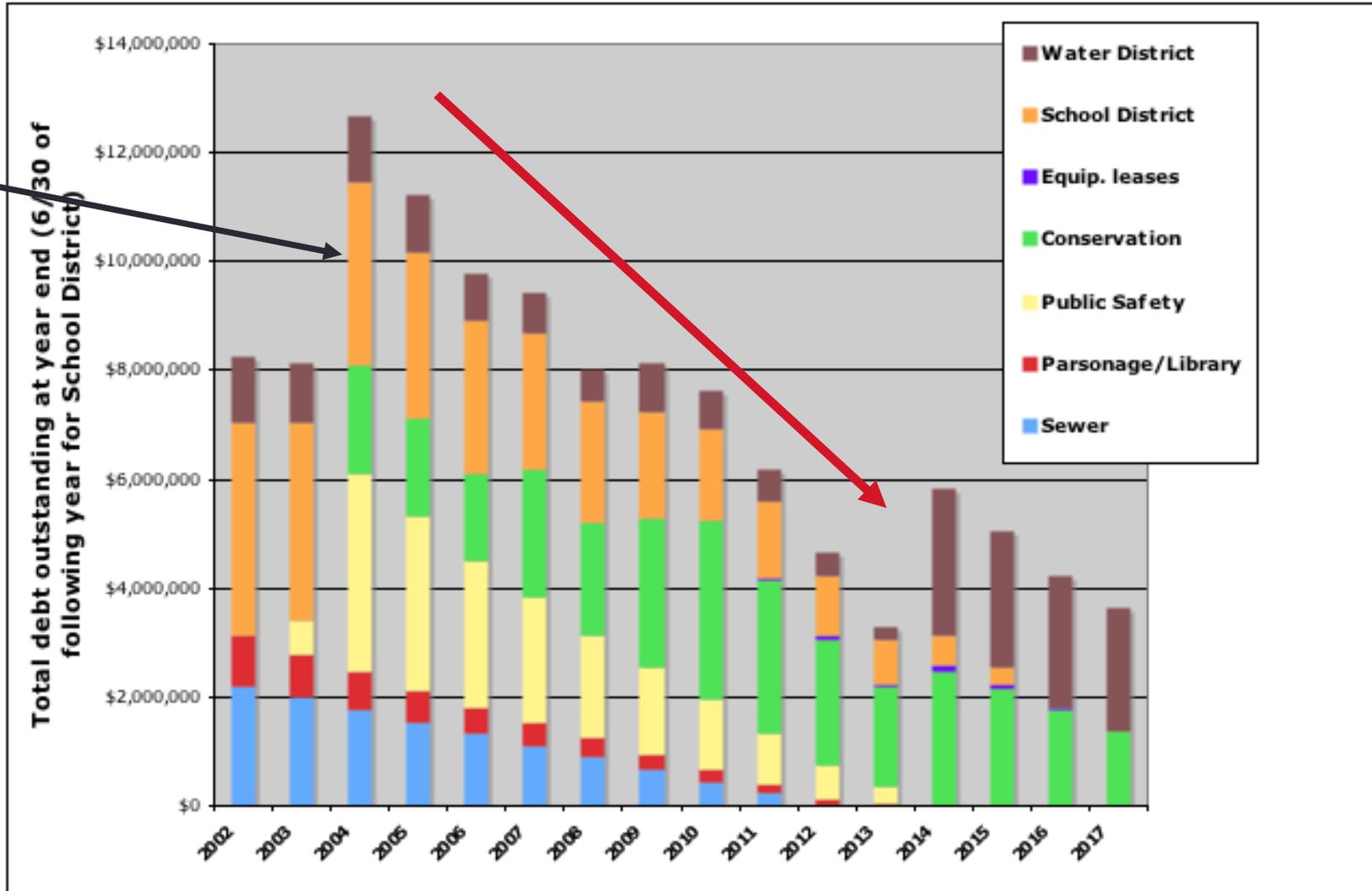
In 2017, the Town released the remaining withheld 2014 surplus as well as the 2016 surplus, reducing taxes.

In 2015, for the first time since the mid-2000s, the Town did not use all of the available surplus to reduce taxes, holding back \$423K (yellow).

As Operating Budgets grew (blue), the debt payments (yellow) declined, masking other Operating Budget increases. For 2018, Capital Outlay will also be down (red). Spending for 2018 has moved to the Warrant Articles.



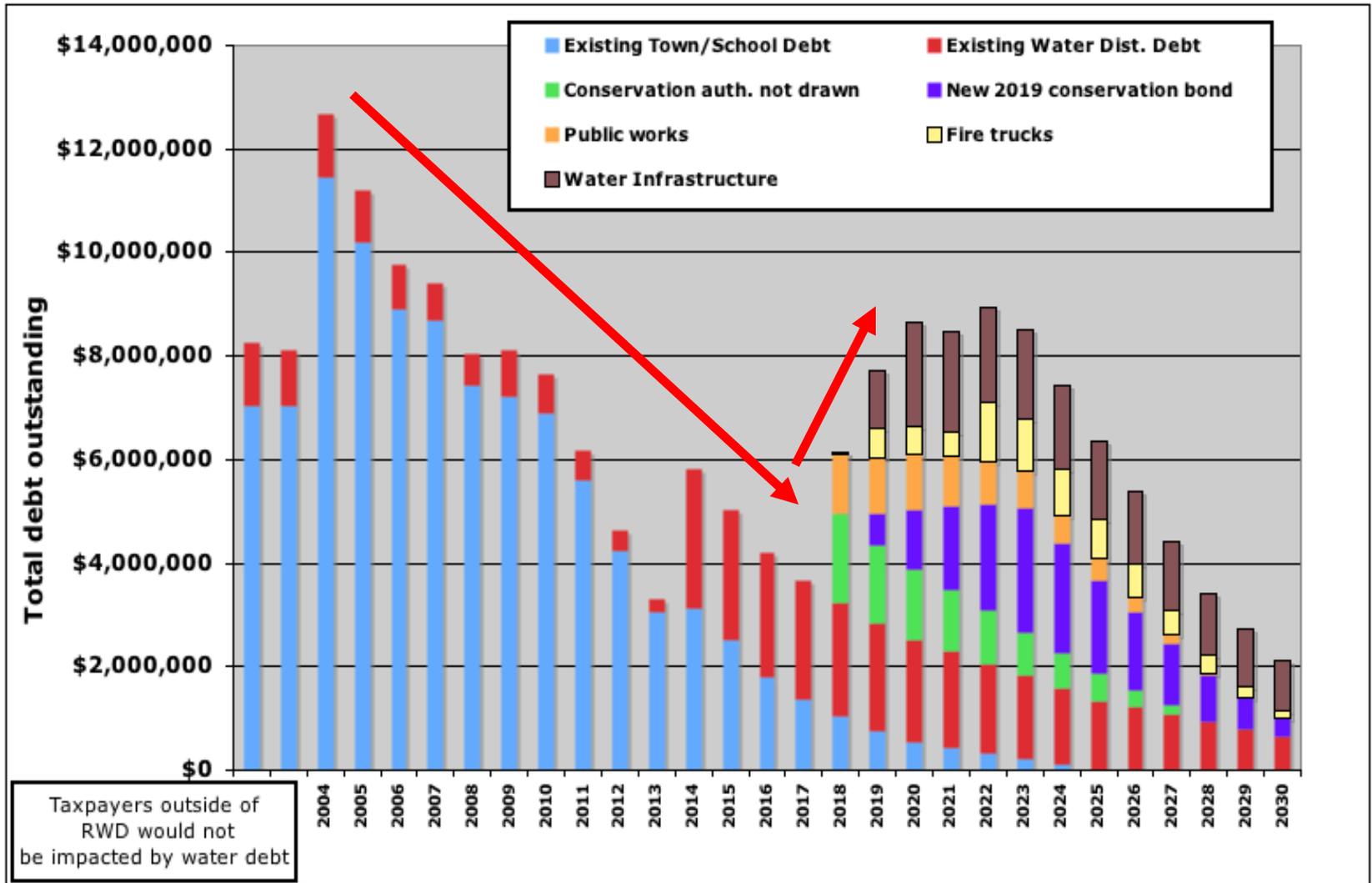
Debt is way down from 10 years ago...



Donor Towns went away at the same time debt payments spiked. This masked the tax impact

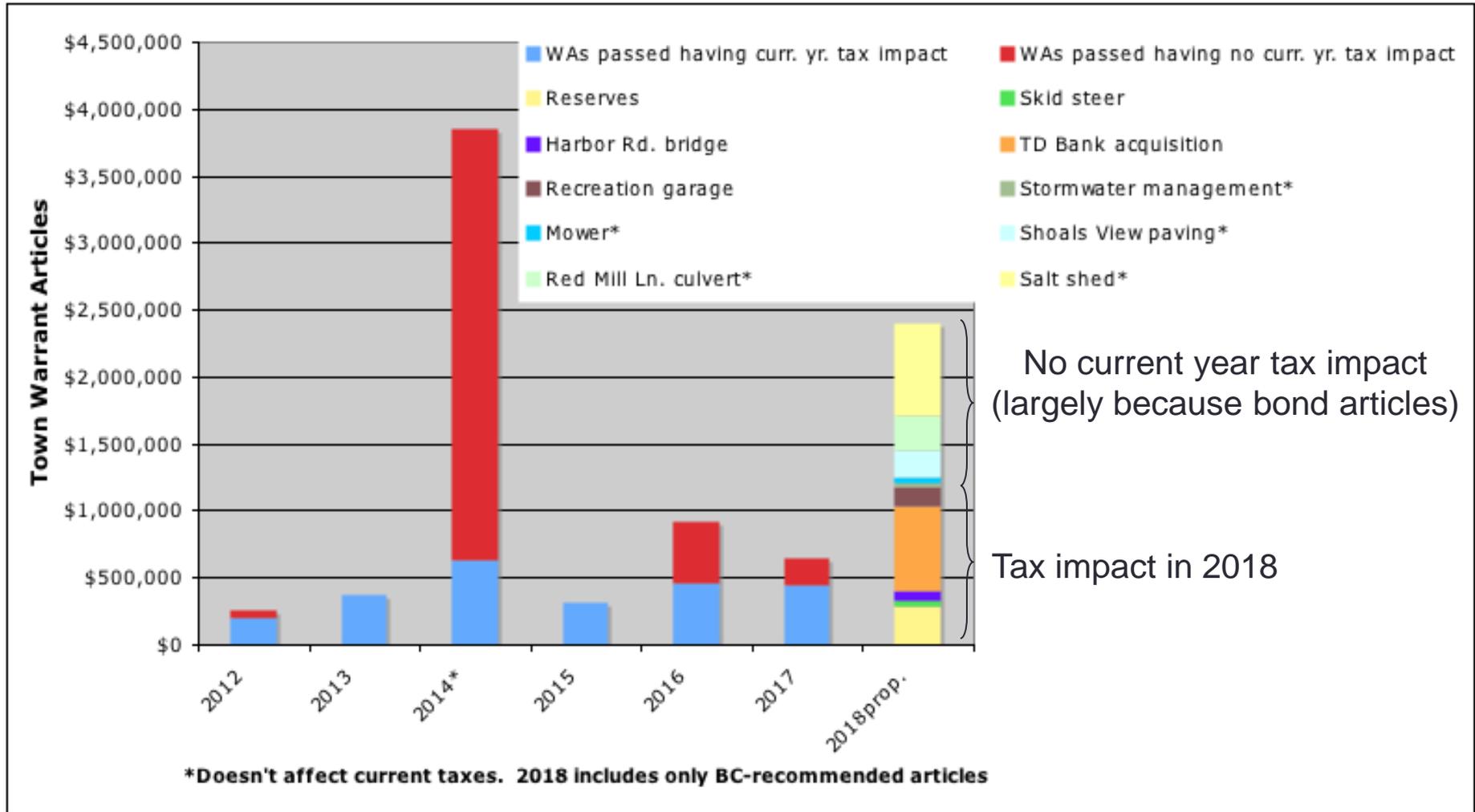
Note: Water District only applies to 2/3 of town (based on assessed value). Only those in the Water District are affected by Water District debt.

...But debt is positioned to increase again.

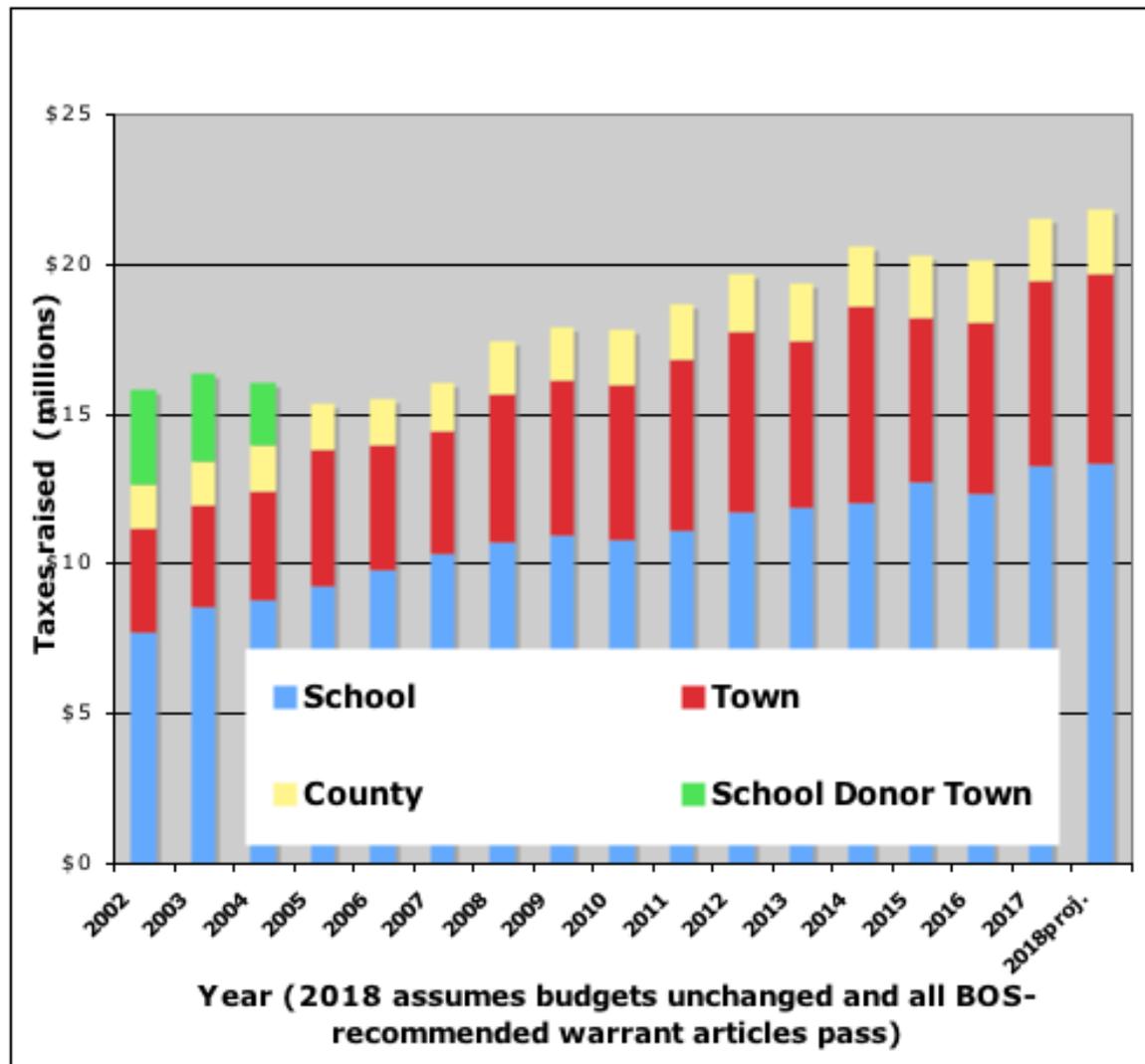


Note: CIP plan projects are frequently delayed or removed from the plan entirely, while other projects may proceed to inclusion in the current year's budget without ever having appeared in the CIP plan.

2018 Warrant articles are way up, and many will increase the Town debt



Rye's net cost of government services (including schools) has grown faster than inflation. Town and School spending resumed their growth in 2017.

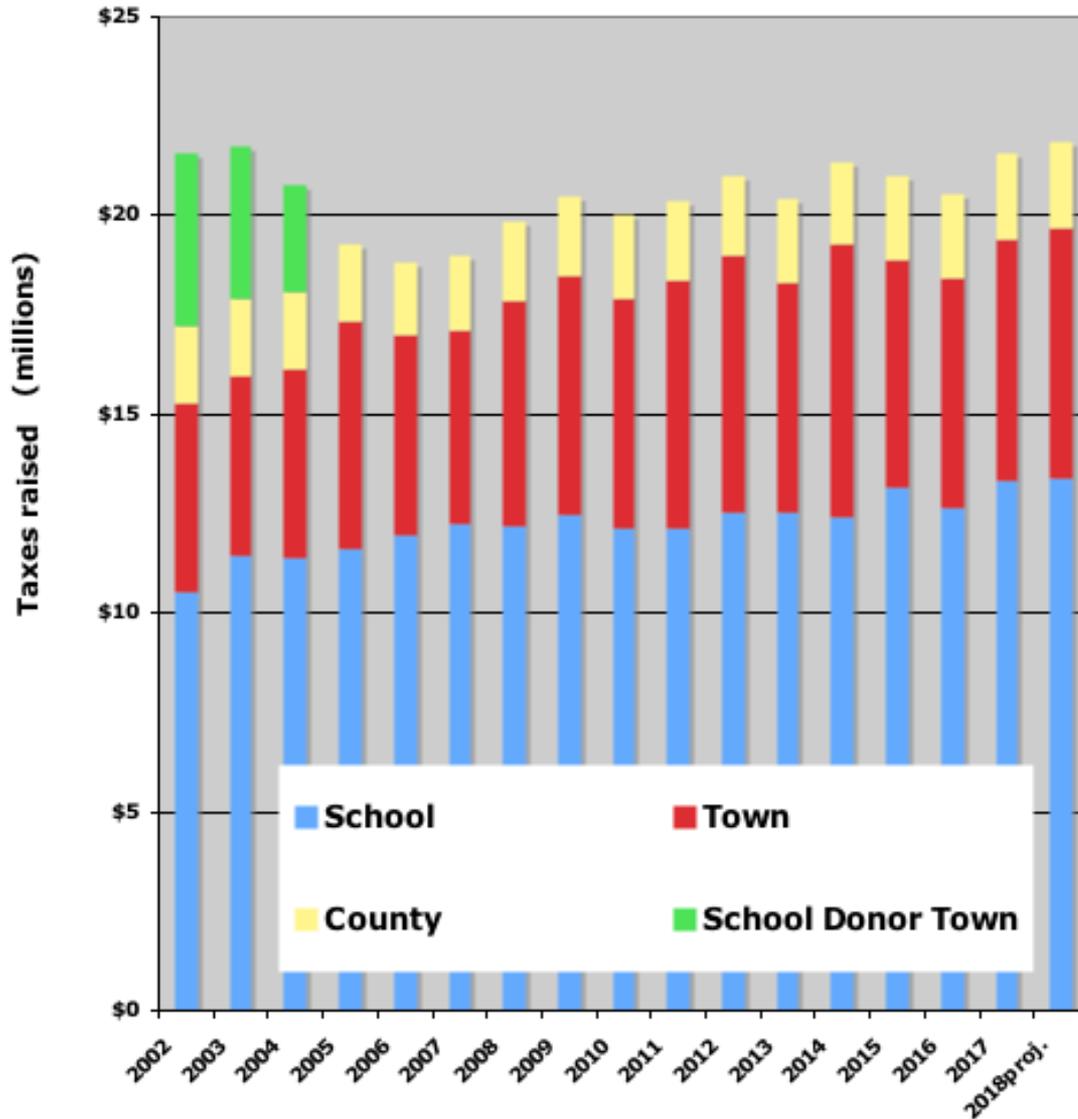


Compound annual growth rates
Town: 3.6%
School (retained): 3.5%
County: 2.5%
Inflation: 2.0%

NOTE: Donor towns (Green bars) ended at the same time as the Safety Building and Conservation funding. This mitigated the tax impact.

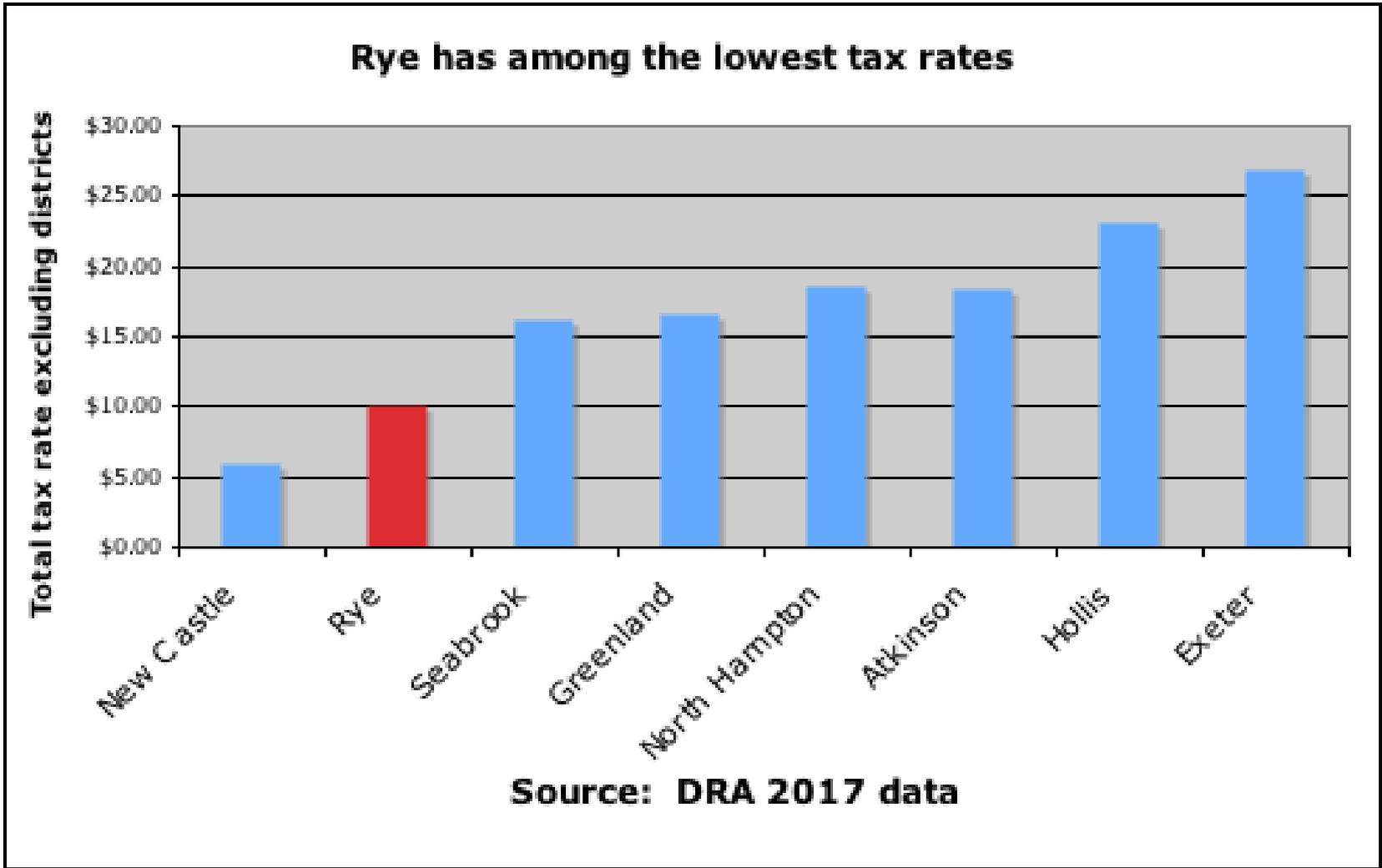
NOTE: Taxation in 2016 was down substantially due to large budget surplus and flat school budget. School spending drove 2017 increase. If all 2018 warrant articles pass, 2018 Town and School spending would be up substantially again.

Inflation adjusted figures do not change the conclusion (taxation adjusted to 2017 dollars): Spending is rising faster than inflation.



<u>Compound annual growth rates</u>		
	<u>Nominal</u>	<u>Real</u>
Town:	3.6%	1.6%
School (retained):	3.5%	1.5%
County:	2.5%	.6%
Inflation:	2.0%	N/A

The myth of low Rye tax rate and good management.



The average Rye resident owns more property value than the average resident in surrounding towns. Despite our low tax rate, this results in a higher tax burden per person than in surrounding towns

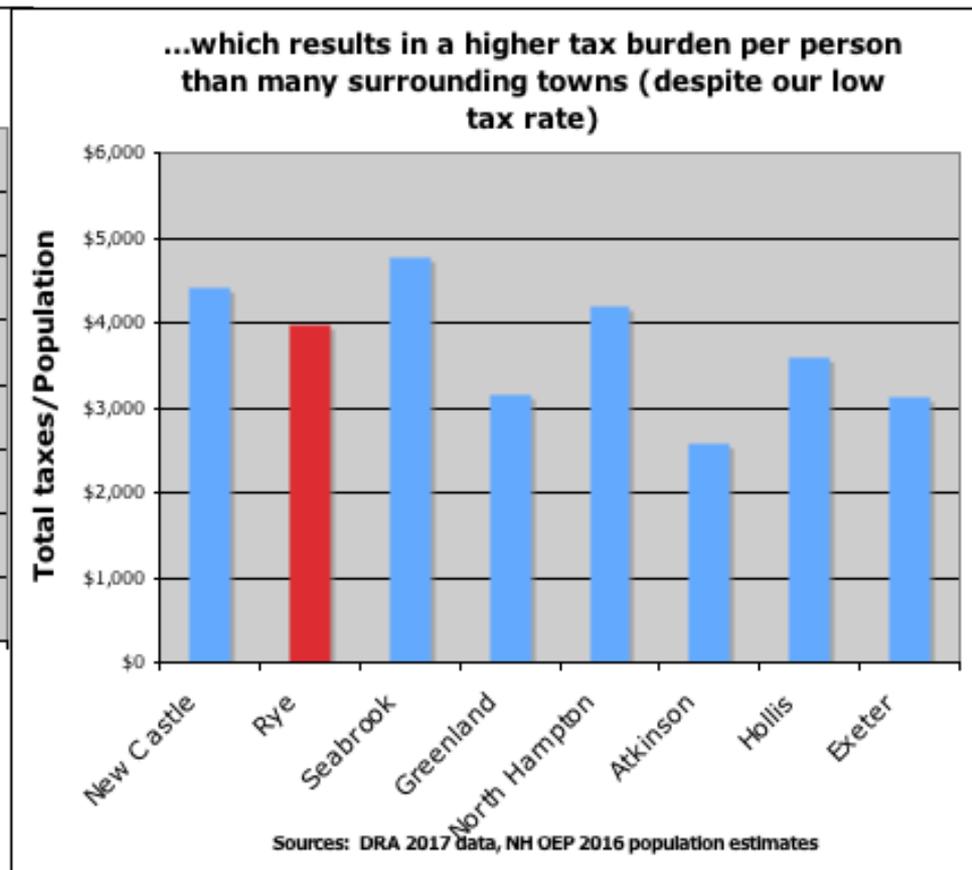
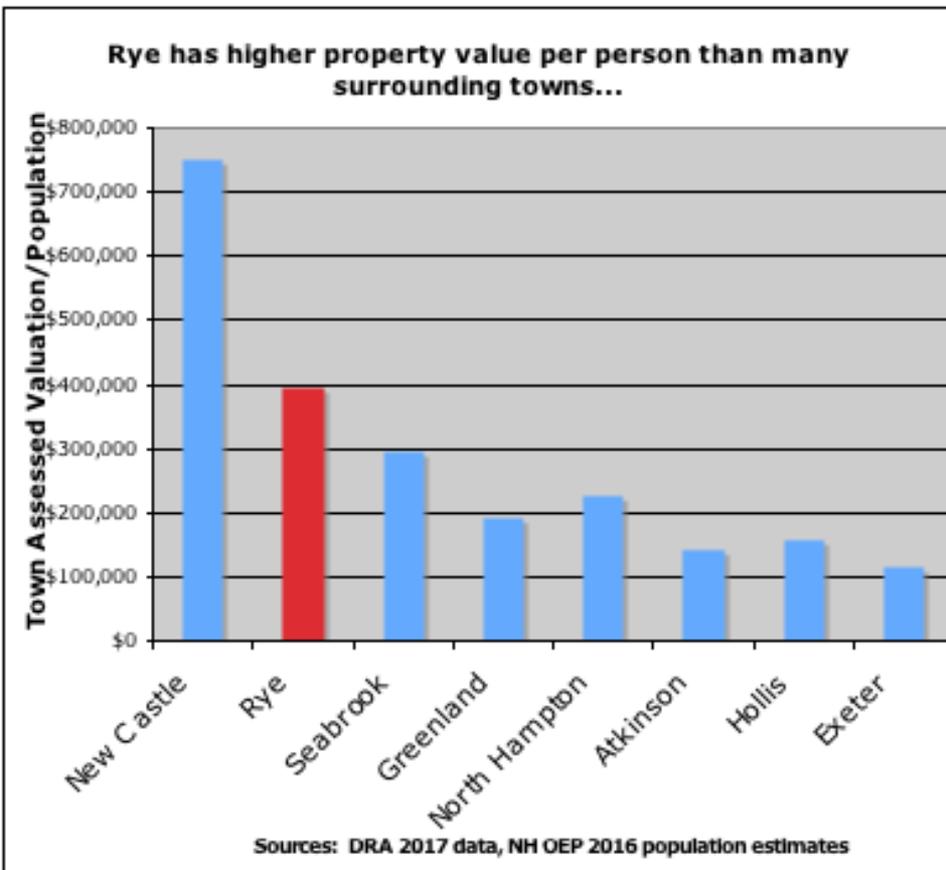
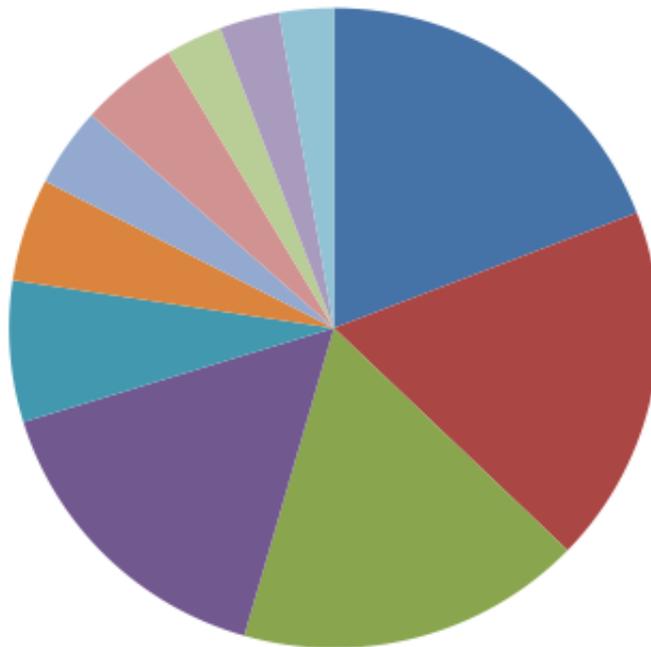


Table of Contents

- Summary and Taxes
- Town Budget Details
- School Budget Details

% of Town Budget



- Total General Government
- Total DPW
- Fire Total
- Police Total
- Library Operations
- Other Services Total
- Total Debt Service
- Other revolving
- Sewer excl. debt svc.
- Recreation Operations
- Capital Outlay

Fire continues to increase, but capital outlay and debt service declines more than compensate for increases elsewhere. Note the change in Capital Outlay (now in warrant articles)

Category	2017	2018	\$ Change	% Change	% of Budget
Police Total	\$ 1,440,150	\$ 1,452,095	\$ 11,945	0.8%	15.8%
Fire Total	\$ 1,530,889	\$ 1,583,672	\$ 52,783	3.3%	17.2%
Total DPW	\$ 1,684,037	\$ 1,660,695	\$ (23,342)	-1.4%	18.1%
Total General Government	\$ 1,711,733	\$ 1,757,715	\$ 45,982	2.6%	19.1%
Library Operations	\$ 673,573	\$ 655,289	\$ (18,284)	-2.8%	7.1%
Recreation Operations	\$ 266,350	\$ 273,854	\$ 7,504	2.7%	3.0%
Other Services Total	\$ 457,744	\$ 477,327	\$ 19,583	4.1%	5.2%
Sewer excl. debt svc.	\$ 258,343	\$ 258,255	\$ (88)	0.0%	2.8%
Other revolving	\$ 479,339	\$ 450,976	\$ (28,363)	-6.3%	4.9%
Capital Outlay	\$ 387,500	\$ 249,000	\$ (138,500)	-55.6%	2.7%
Total Debt Service	\$ 524,295	\$ 367,396	\$ (156,899)	-42.7%	4.0%

Town Hall Government Includes:

Executive Office, Town Clerk, Tax Collector, Assessing, Finance Office, Legal, Zoning Board, Planning Board, Building Inspection, Town Custodian, Town Hall Facility, and Insurance.

Other Services Include:

Health Officer, Animal Control, Mosquito Control, Direct Assistance, Cemetery, Beaches, Land Management, Patriotic Purposes, Historic District, Heritage Commission, Conservation and Other Services.

This table shows what a household pays each year for the different Town and School Services

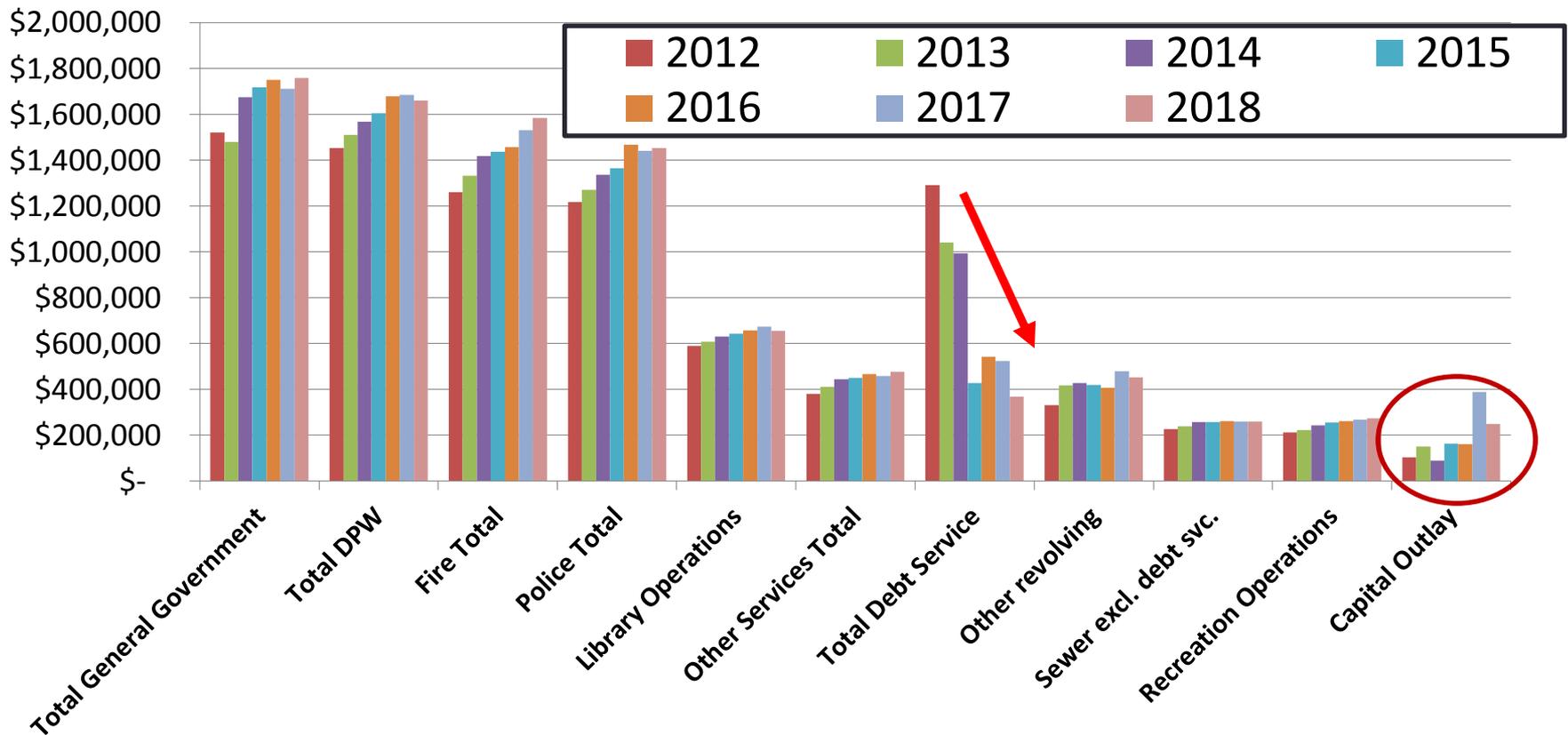
	If your property is assessed for this amount, this is an approximation of what you pay for each service				
Budget Item	\$350,000	\$500,000	\$750,000	\$1,000,000	\$1,250,000
General Government	\$288	\$412	\$618	\$824	\$1,030
DPW	\$272	\$389	\$584	\$778	\$973
Fire	\$260	\$371	\$557	\$742	\$928
Police	\$238	\$340	\$510	\$680	\$851
Library	\$107	\$154	\$230	\$307	\$384
Other Services Total	\$78	\$112	\$168	\$224	\$280
Debt Service	\$60	\$86	\$129	\$172	\$215
Other revolving	\$74	\$106	\$158	\$211	\$264
Sewer excl. debt svc.	\$42	\$61	\$91	\$121	\$151
Recreation	\$45	\$64	\$96	\$128	\$160
Capital Outlay	\$41	\$58	\$88	\$117	\$146
School	\$2,296	\$3,280	\$4,920	\$6,560	\$8,200

Seeing what a household invests each year in Education, many more residents could be more engaged in the return on that annual investment.

Growth in General Government and Police has stopped, and DPW is flat, but Fire continues to grow year over year.

Note the big drop in Debt Service until 2016 (2014 Conservation Bond repayments starting)

Capital Outlay more than doubled in 2017. 2018 Capital Outlay dropped, and is a major reason the operating budget is down, but the Red Mill Ln. culvert moved from Capital Outlay to a warrant article in 2018.



Bottom line:

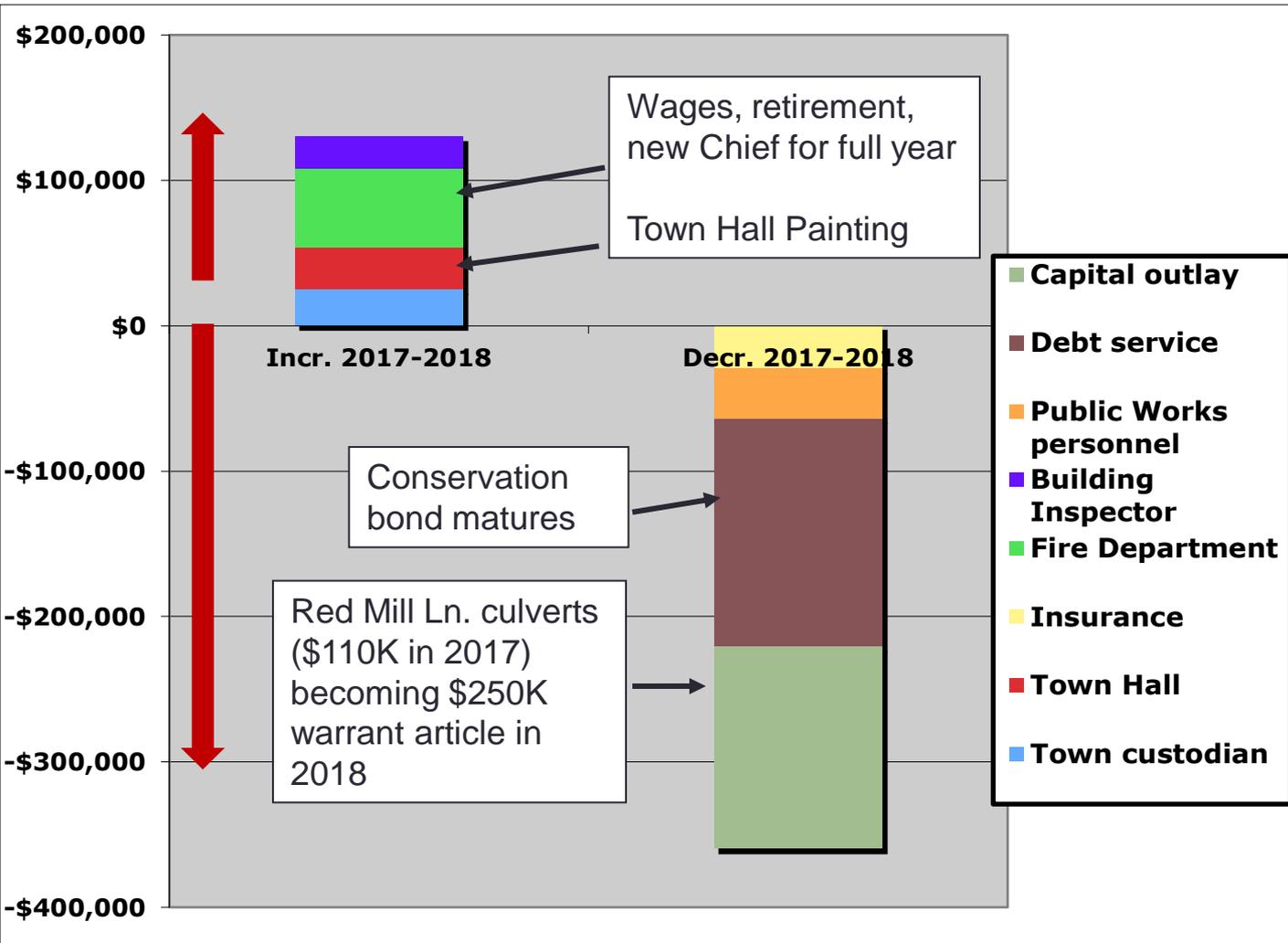
Operating Budget down (less capital outlay, smaller debt payments)
 Warrant Articles would drive up the total Town budget

What is NOT included:

- \$3.05 million bond article to tear down and rebuild Town Hall

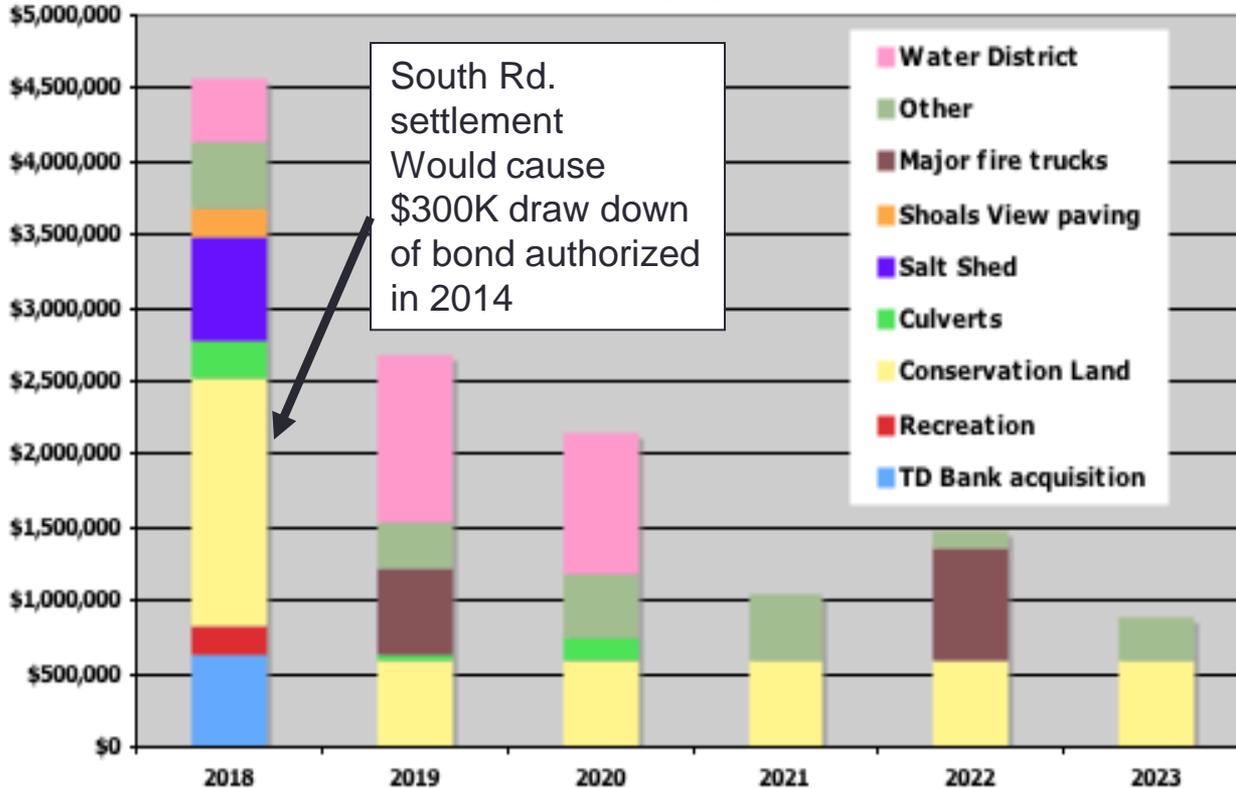
\$2.505m in BOS-recommended Warrant Articles

- 1.180 million in bond articles: Salt Shed (\$700K), Red Mill Ln. culvert (\$250K), Shoals View Dr. (\$200K), Storm Water (\$30K)
- TD Bank acquisition for town offices \$625K
- Recreation storage \$150K
- Harbor Rd. bridge deck \$75K
- Misc. equipment and funding of reserves \$475K



There are a number of large projects in the Capital Improvement Plan

The CIP Plan includes nearly \$13 million in projects through 2023



(assumes \$1.7 million remaining conservation funds spent in 2018 and \$3 million bond in 2019 lasting 5 years). CIP Plan for 2018 adjusted based on actual BOS and Water District recommended projects)

Caution: CIP does not include:

- a) Transfer Station improvements
- b) Possible Parsons Creek Watershed actions
- c) Water treatment plant
- d) Town Hall refurbishment
- e) Recreation Community Center

If all CIP projects are approved, Rye is looking at much bigger debt payments

Post-2023 projects are not yet in the Capital Improvement Plan.

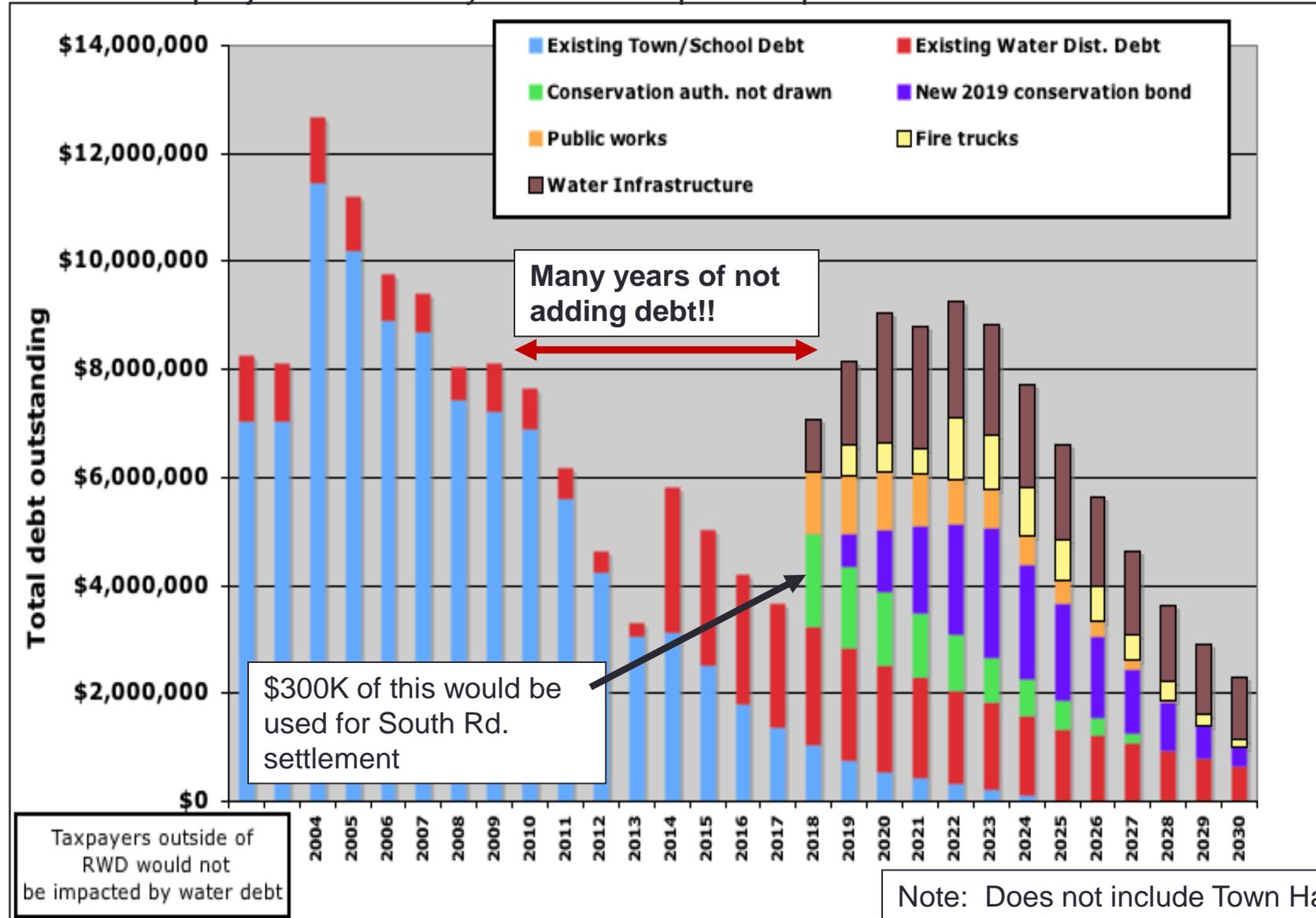


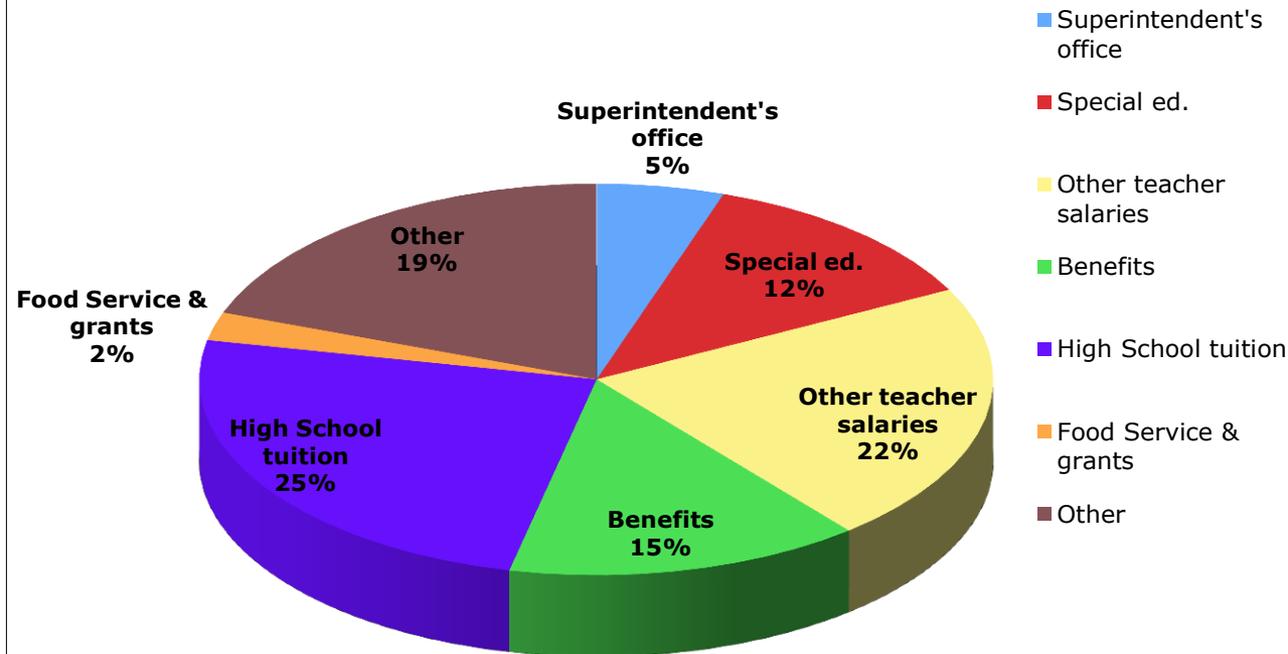
Table of Contents

- What Makes up the Tax Rate
- Town Budget Details
- **School Budget Details**

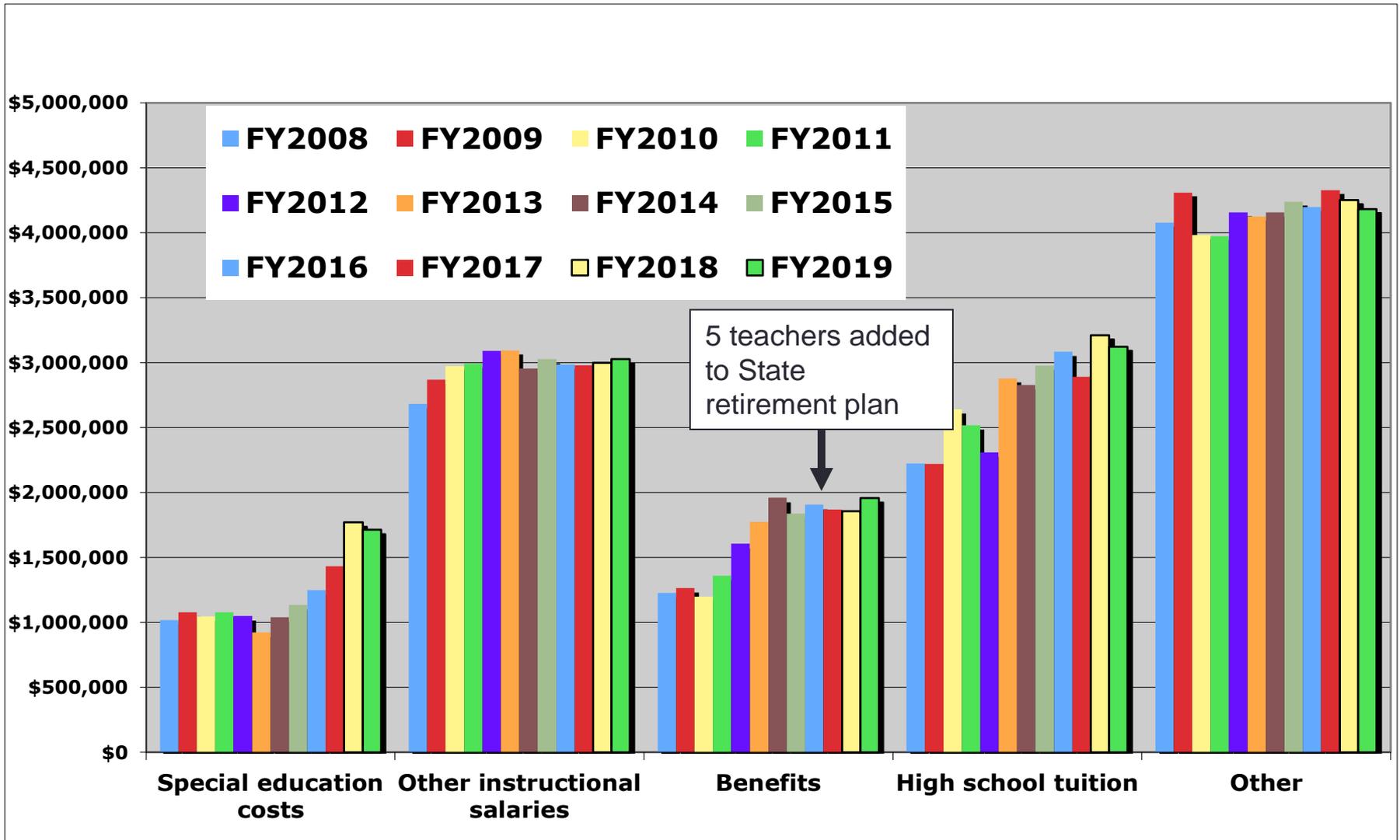
Key Points:

- 62% of the budget is Tuition and Salaries/Benefits (excluding Special ed. salaries)
- Major increase for 2017-2018 brings Special Ed. to 12%
- Rye is less than 1/2 of SAU 50 costs (Office of the Superintendent).

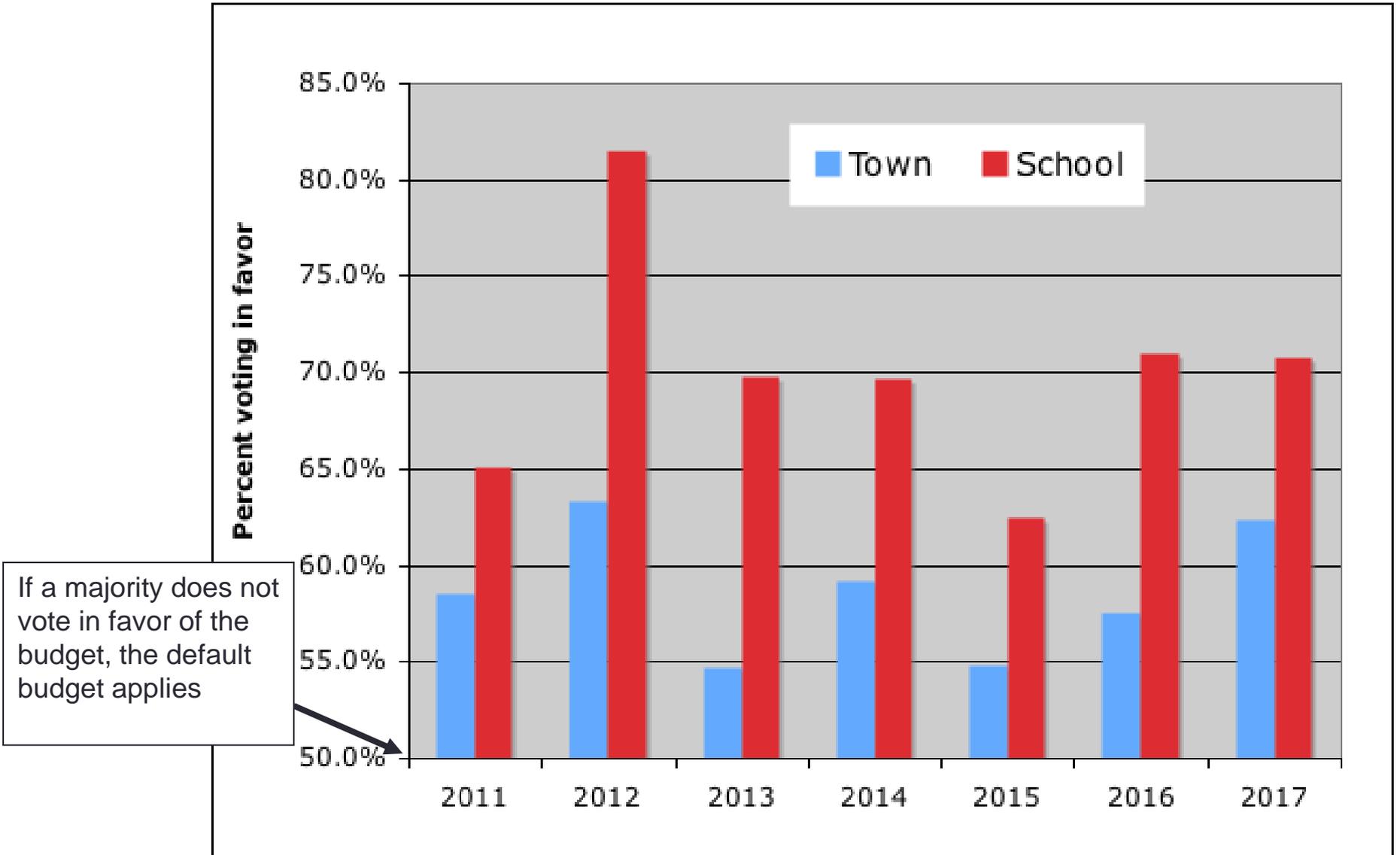
2018-2019 Budget Request



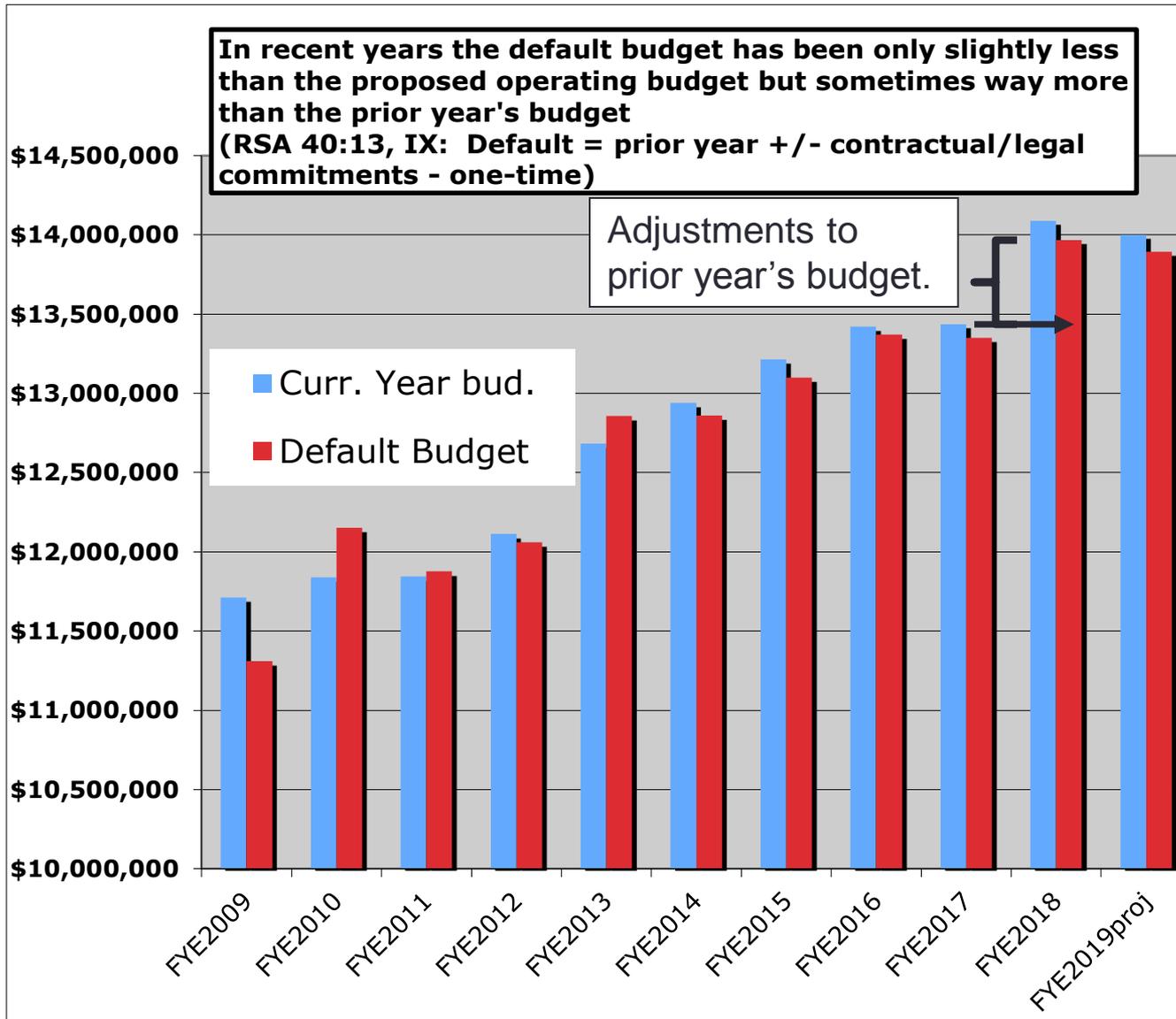
Special Education costs have finally flattened, but only because of a \$220K reduction of High School out-of-district placement costs. Instructional salaries are again flat despite CBA increases.



While School budgets have usually passed with well over 50 percent of the vote, the Town has often been close to adopting the default budget



If the budget fails to pass, the Default Budget becomes effective. The concept is a budget freeze at the prior year's level



Default Budget is supposed to be the prior year's budget (blue for FYE2017) with some adjustments, but FYE2018 default budget (red for FYE2018) is **up \$531K** over FYE2017 budget **despite \$295K** decline in debt service

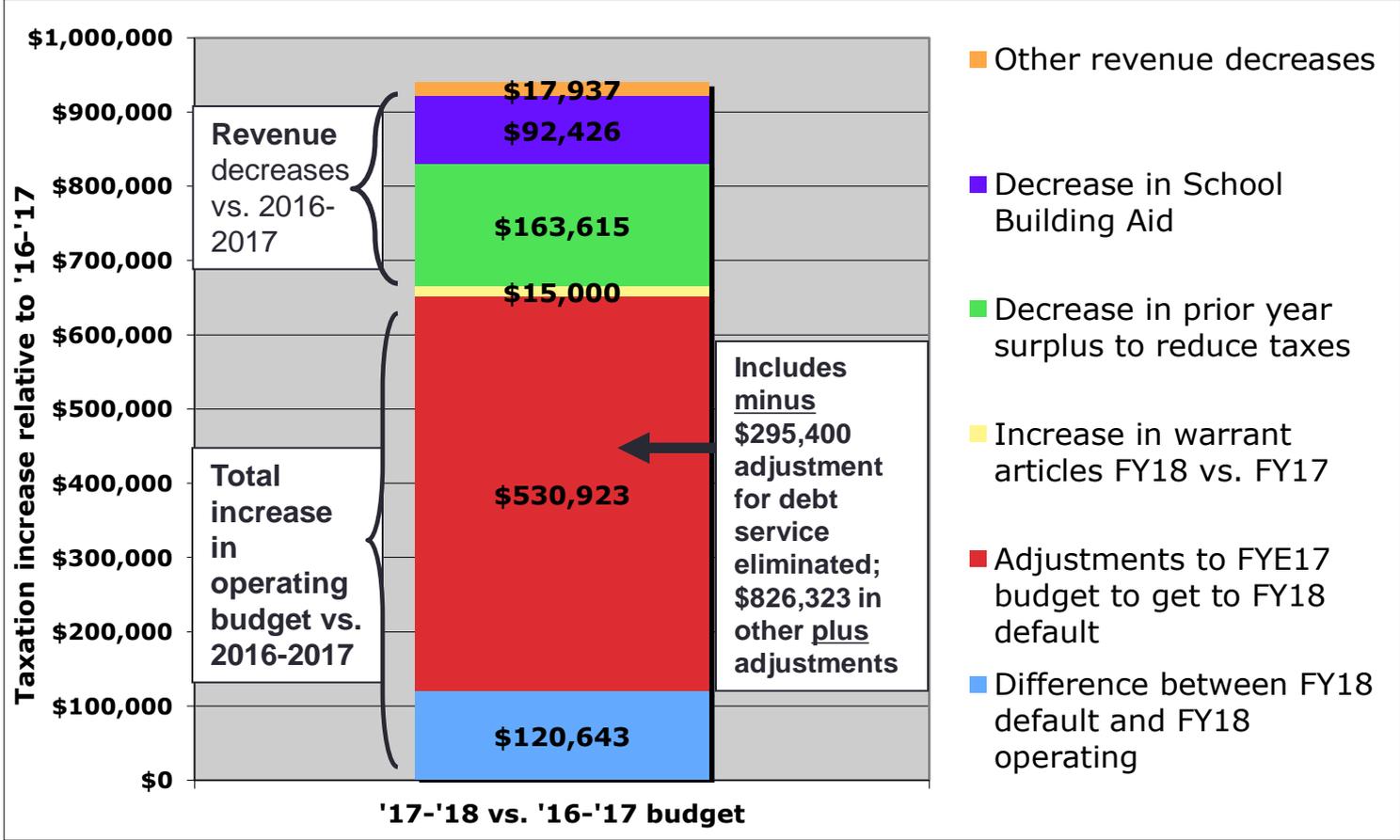
Legally specified default budget adjustments:
 Prior year's budget
 +/-
 contractually/legally mandated costs
 - one-time costs

How was 2017 School District taxation up \$940,544 from 2016 when the operating budget was only \$120,643 over the default budget (blue)?

What voters saw (Article 1 2017 School District ballot):

therein, totaling **\$14,087,950 (Fourteen Million Eighty-Seven Thousand Nine Hundred Fifty Dollars)**? Should this article be defeated, the default budget shall be **\$13,967,307 (Thirteen Million Nine Hundred Sixty-Seven Thousand Three Hundred Seven Dollars)** which is the same as last year, with certain adjustments required by previous action of the Rye School District or by law; or the

Wrong!



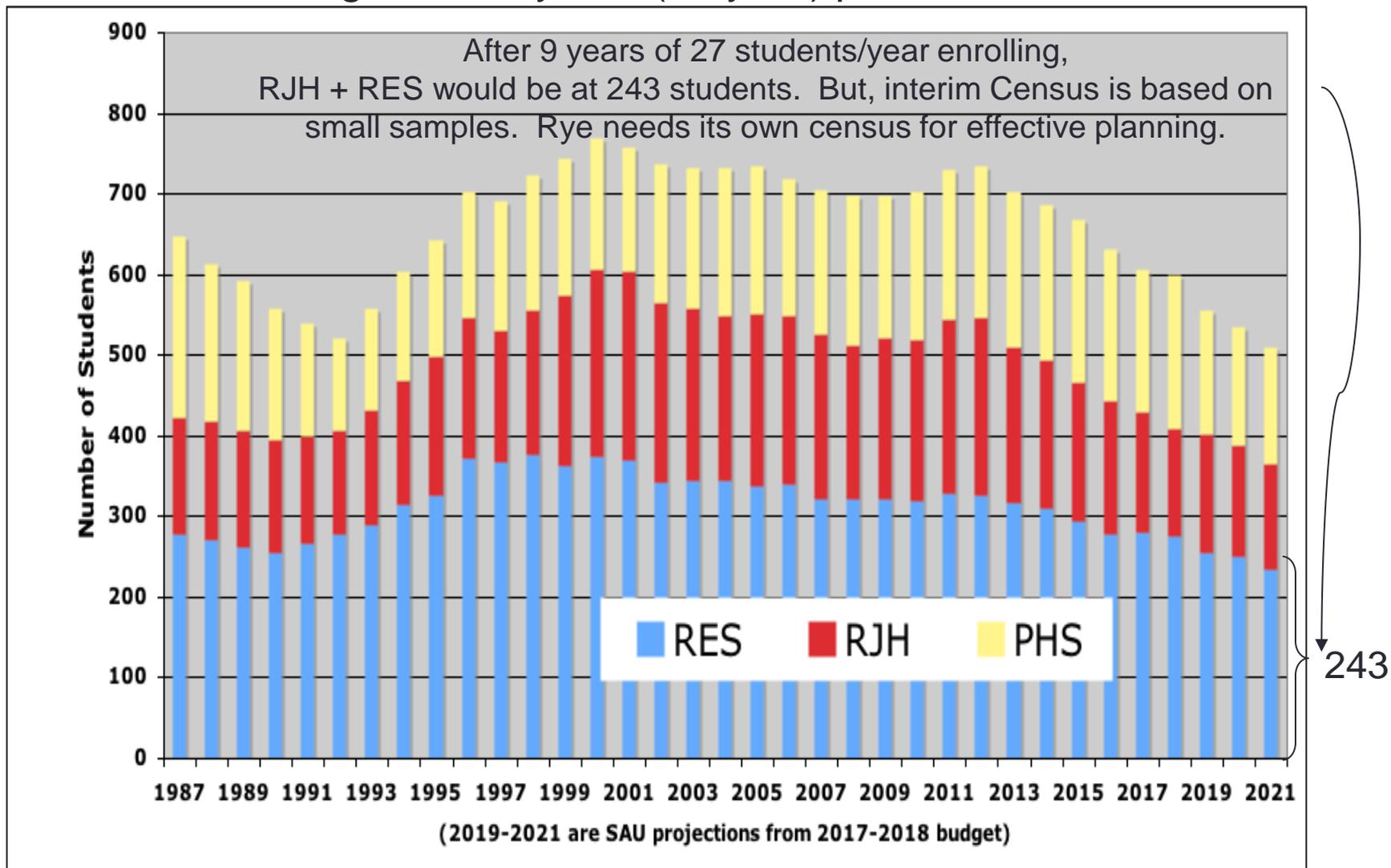
The 2018-2019 budget includes \$75,760 for the Robert J. Lister Academy

- Increase from \$62,501 budgeted in 2017-2018.
- The entire \$75,760 has been included in the 2018-2019 default budget
- This is an alternative high school, separate from Portsmouth High School, but run by the Portsmouth School Department.
- Rye taxpayers have for years been charged Rye's pro rata share (based on PHS attendance), whether Rye sends students or not. Only one known Rye student has ever attended (briefly last year).
- Contrary to the statement in the budget, the 2000 agreement relating to the Lister Academy is not part of the AREA agreement (last amendment ratified by voters in 1971). It is a separate agreement between school boards that was never approved by voters.
- Rye and other SAU50 school districts are investigating whether the agreement is illegal, under numerous N.H. Supreme Court decisions requiring voter ratification of multi-year agreements.

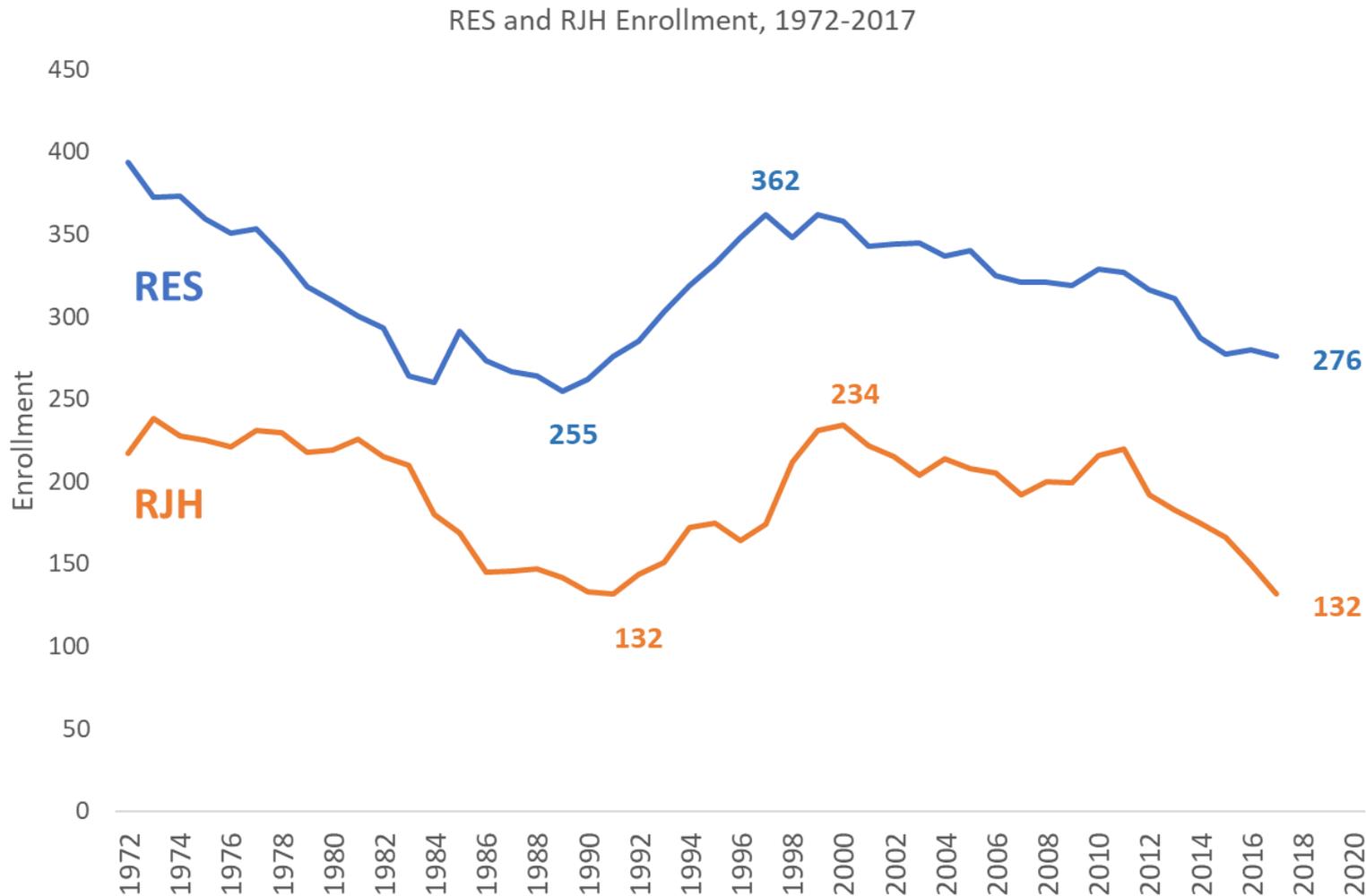
RJH has seen the largest decrease in enrollment.

Projections for RJH may not take into account increase in private school attendance and possible New Castle shift to Portsmouth Middle School.

Rye children under age five only 135 (27/year) per 2016 interim U.S. Census.

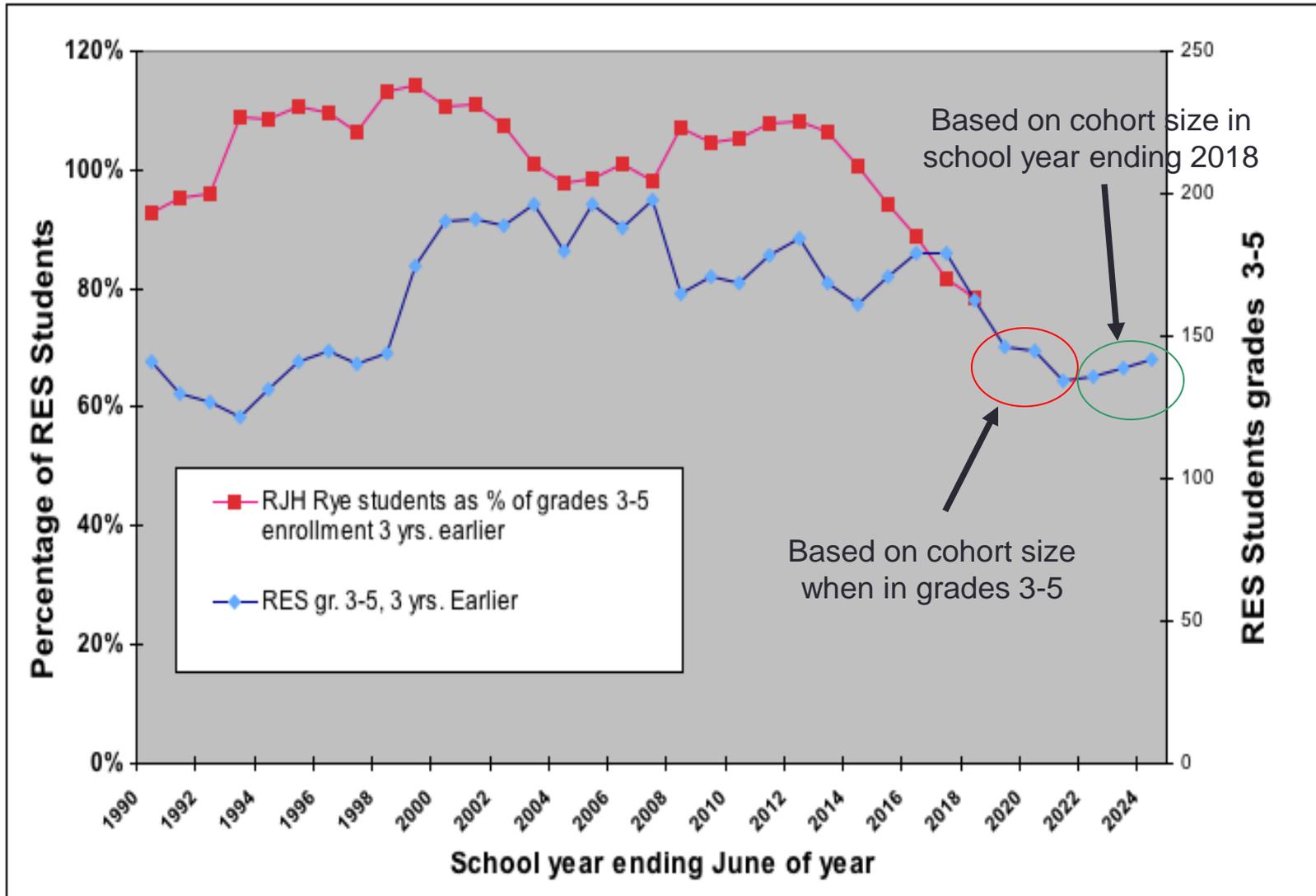


Recent enrollment declines have been driven by decreases in RJH enrollment, while RES enrollment has plateaued

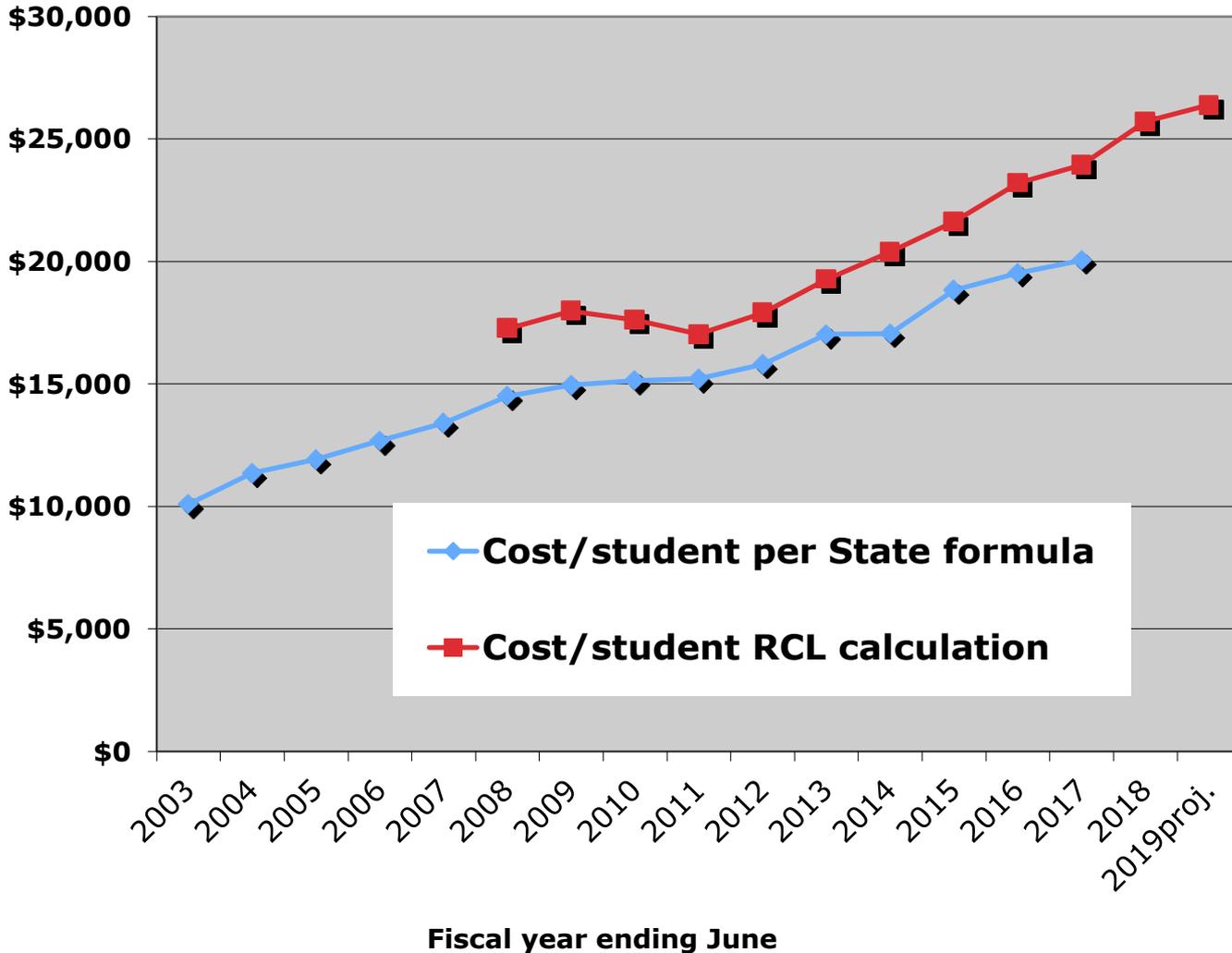


Source: Raw data provided by SAU50; projections calculated using a 3-year weighted average cohort survival method utilizing data as of 10/17/17; kindergarten figures from 1972-1994 were based on an average kindergarten progression ratio calculated using 1995-2017 data. These were used to standardize the data during years when Rye did not offer kindergarten.

A driver of declining RJH enrollments is middle-school-age students not going to RJH. Note, RES lower grades are seeing a rise in class sizes.



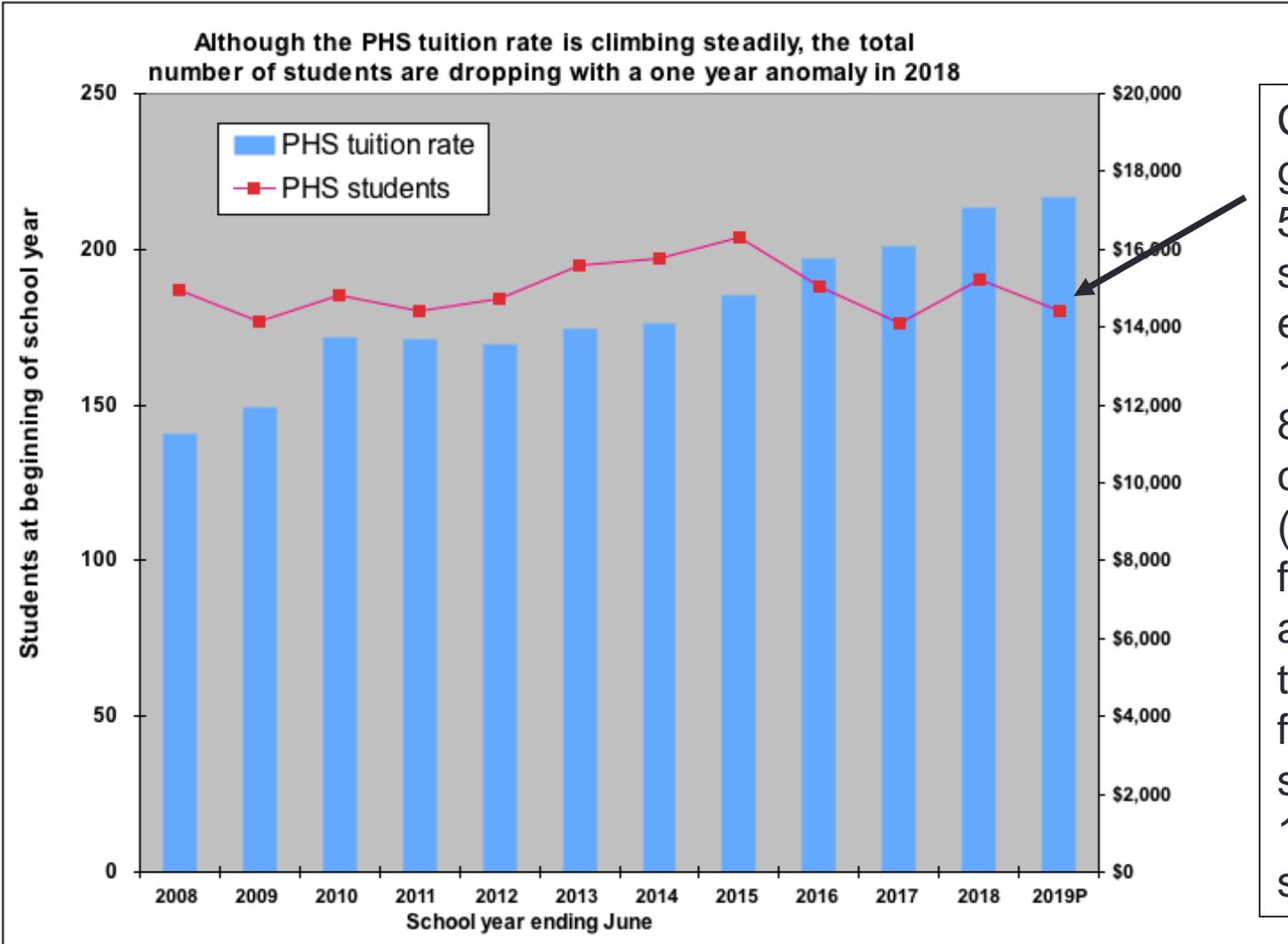
The 2018-2019 School Budget indicates another increase in the cost per student. Decreasing students drives up the cost per student.



Note: School District uses complex State formula.

RCL calculation is based on all costs except High School, divided by RES+RJH enrollments.

Tuition Rates increase, but for 2018-2019, the rate increase will be more than offset by fewer Rye PHS students (per SAU projections)



Current Rye 8th graders are 42 vs. 55 graduating PHS seniors (implying enrollment drop of 13) assuming all 8th graders continue to PHS (or those leaving for private schools are balanced by those returning from private schools). Around 15 went to private schools.

Key concepts

Appropriations

General fund + Revolving funds + Warrant articles voted for. Deliberative session can alter budget and warrant article amounts. Voted up or down at election. Default budget applies if the operating budget is defeated (last year's budget adjusted for any contractual or legally-mandated commitments that changed up or down, and with one-time expenditures deducted).

Revolving funds

Appropriations that are anticipated to be covered by revenues, such as Sewer and Recreation programs. Amounts for these are nevertheless appropriated by voters, but a transfer out is made of the same amount to ensure that there is no impact to taxation. Revolving funds grow or shrink based on the profit (or loss) each year, and are carried over from year to year.

Revenues

Money that the Town or school collects, excluding property taxes and money that goes into revolving funds. Includes license fees, vehicle registration fees, building permit fees, school lunch charges, and tuition from New Castle.

Unassigned fund balance

Represents cumulative "profits," i.e. revenues less expenditures, from prior years, less that already used to reduce taxes. Excludes reserved portion and cumulative profits held in revolving funds. Does not represent cash.