



# **CITY OF PORTSMOUTH, NEW HAMPSHIRE**



## **THE PROPOSED ANNUAL BUDGET 2006 – 2007**



**To:** Honorable Mayor Steve Marchand and City Council Members  
**From:** John P. Bohenko, City Manager  
**Date:** April 21, 2006  
**Re:** Fiscal Year 2007 Budget Message

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In accordance with Article VII of the City Charter, I hereby submit to you the Fiscal Year 2007 Proposed Budget document for all major City funds, including General, Water, Sewer, Parking and Transportation, and Community Development.

With the cooperation of the City Council, School Board, Police and Fire Commissions, Department heads, and the citizens of Portsmouth, we have made significant progress over the past decade. We have upgraded the City's aging infrastructure, fixed and replaced walkways and streets, repaired buildings, refurbished playgrounds, made major water and sewer system improvements, renovated and constructed a new high school complex and are in the midst of building the long-awaited new Library. In addition, we have adopted a new Master Plan created with unprecedented public involvement that will chart our course for the future.

We also have implemented new financial policies to address long-term liabilities and improve our fiscal stability. These include, but are not limited to, the creation of a Fund Balance ordinance, a Leave at Termination Fund, a Health Insurance Stabilization Fund, and a Rolling Stock Replacement Program.

Together, these efforts have led to a series of upgrades in the City's bond rating, now at its highest level ever and resulting in substantial savings to our taxpayers in reduced borrowing costs annually.

Considerable progress has been made despite numerous challenges, including the 1999 imposition of the Statewide Property Tax to fund education. Although we currently are no longer a "Donor" community, the City of Portsmouth was forced in past years to raise a total of \$11.7 million extra in property taxes to send to the State for redistribution to other New Hampshire municipalities.

Even with the loss of the \$11.7 million, we have succeeded in making major advances while maintaining minimum increases in our property taxes. However, we cannot deny the negative impact of the Statewide Property Tax that has burdened our departments and our taxpayers. Unfortunately, this issue was recently resurrected in the courts and it remains to be seen whether it will adversely affect our City in the future.

## The 2007 General Fund Budget

The proposed Fiscal Year 2007 budget was built upon the premise of a need to maintain and improve services and continue with economic and infrastructure improvements. The appropriations total \$78,000,247 or a 6.7% increase over FY06. This represents \$62,457,875 in operating expenditures and \$15,542,372 for non-operating expenditures.

The operating budget of \$62,457,875 finances expenditures associated with the day-to-day operations and services provided by Municipal, Police, Fire, and School Departments and represents a combined increase of 7.99% as broken down by departments as follows:

| 2007 OPERATING BUDGET |               |                     |              |                      |
|-----------------------|---------------|---------------------|--------------|----------------------|
|                       | FY07          |                     |              |                      |
|                       | FY06          | Submitted<br>Budget | \$ Change    | Percentage<br>Change |
| <b>Municipal</b>      | 13,872,895    | 14,636,933          | 764,038      | 5.51%                |
| <b>Police</b>         | 7,420,295     | 7,921,165           | 500,870      | 6.75%                |
| <b>Fire</b>           | 5,791,006     | 6,226,861           | 435,855      | 7.53%                |
| <b>School</b>         | 30,751,492    | 33,672,916          | 2,921,424    | 9.50%                |
| <b>Total</b>          | \$ 57,835,688 | \$ 62,457,875       | \$ 4,622,187 | 7.99%                |

With respect to the Fire, Police and School budgets, I am presenting them as reviewed and approved by their respective elected governing bodies – the Police and Fire Commissions and the School Board – for your consideration as the City's policy board.

Each year the Council strives to establish a tax rate that allows the City to continue to provide the services that our residents desire and have come to expect, while at the same time minimizing the rate's financial impact. However, this year presents formidable obstacles to maintaining the same level of services in the face of dramatic increases, particularly in energy and health insurance costs. These two factors alone represent more than one-third of the proposed tax rate increase.

Property taxes remain the City of Portsmouth's major source of funding for the General Fund budget, and also fund our share of the Rockingham County budget.

If adopted as proposed, the enclosed Fiscal Year 2007 budget would result in an overall 8% increase in the tax rate, or \$19.01 per \$1,000 of property value – \$1.41 more than FY06.

***I believe this rate is too high and represents an unacceptable burden for the taxpayers of Portsmouth.***

Although I am submitting the requested budgets on behalf of the School, Police and Fire elected governing bodies along with the Municipal and Non-Operating budgets, I recommend the City Council consider a tax rate increase of 4.32%, which is in line with the rate of inflation reflected in the January 2005 to January 2006 Consumer Price Index.

To reach this level, however, the City Council must consider options to adjust the total budget by approximately \$2 million for Fiscal Year 2007 as depicted below.

| Scenarios                         | FY 2006 Adopted Budget | FY07 City Manager Proposed Budget | Options to be Considered |
|-----------------------------------|------------------------|-----------------------------------|--------------------------|
| <b>Budgeted Property Tax Levy</b> |                        |                                   |                          |
| Budgeted Property Tax Levy        | 54,222,971             | 59,228,912                        | 57,172,701               |
| \$ Increase from FY 2006          |                        | 5,005,941                         | 2,949,730                |
| Property Tax Rate                 | \$17.60                | \$19.01                           | \$18.36                  |
| <i>Tax Rate change from FY06</i>  |                        | \$1.41                            | \$0.76                   |
| % Change from FY 2006             |                        | 8.01%                             | 4.32%                    |
| <b>Budget Adjustment</b>          |                        | (0)                               | <b>2,056,211</b>         |
| Average house valuation           |                        |                                   |                          |
| \$300,000                         | \$5,280.04             | \$5,703.00                        | \$5,508.00               |
| Increase (Decrease) from FY06     |                        | \$422.96                          | \$227.96                 |

I will later suggest a few general recommendations for possible budget adjustments to help us succeed in establishing a stable tax rate despite substantial financial pressures.

### **Major Factors Affecting the Proposed City Budget**

#### ***Energy Costs***

The City is not alone in experiencing unanticipated and unprecedented spikes in the costs of electricity, gasoline and diesel, natural gas and heating oil due to a variety of factors that have affected the entire country. This resulted in a shortfall of approximately \$600,000 in the City's FY06 energy budget that also impacted our FY07 energy budget, increasing it by approximately 37%.

The issue of sustainable practices has been identified as an important goal in the City's recently adopted Master Plan. The Mayor and City Council have appointed a seven-member Committee on Sustainable Practices to work with City staff, local officials and the community to identify initiatives to reduce both the cost and consumption of energy and other resources.

#### ***Health Insurance Costs***

Health insurance costs continue to grow substantially, affecting governments and the private sector, alike.

This year, the New Hampshire Local Government Center (LGC) HealthTrust has provided the City with a health insurance rate that will result in *total* premium costs of well over \$10.5 million. The City employees' share will be approximately \$1.7 million, or roughly one-fifth of their monthly health care premium costs. This leaves the City's share at \$8.9 million, which is \$1.8 million above the current year and again represents the City's largest liability. If new positions are approved, this liability will be higher.

Through the Health Insurance Stabilization Fund established in FY02, the Departments' health premium budgets will increase in accordance with the average growth in health

insurance rates established by the LGC over the prior 10 years, which is 14%. Excluding new positions, the City Departments' budgeted FY07 increase is approximately \$1 million. Without the use of the Stabilization Fund, the Departments would be forced to budget an additional \$800,000. (*Detailed information on the Health Insurance Stabilization Fund can be found in the Financial Guidelines and Policies section of this budget.*)

### ***Salary Costs***

The services the City provides are labor-intensive. As a result, the costs associated with employing our teachers, firefighters, police officers, and other municipal professional staff are substantial and constitute 83% of the City's operating budget. This includes step increases, cost-of-living-adjustments (COLA) mandated through contractual obligations and related benefits. The City of Portsmouth has a total of fifteen (15) collective bargaining units. Thirteen contracts have been negotiated and are scheduled to expire on June 30, 2008. The remaining two contracts are scheduled to expire on June 30, 2006. All 15 of the City's labor contracts have increases tied to the November to November Consumer Price Index (CPI) for the Boston-Brockton-Nashua-MA-NH-ME-CT. The CPI for FY07 is 3.26%. For several months, the CPI had been trending at well over 4%. When the CPI was published for the November to November period, the Labor Department announced that this was the largest one-month decline in the CPI since 1949. This decline in the CPI from October to November assisted in a cost avoidance at nearly \$500,000 in salaries and benefits for the FY07 budget. In comparison, the CPI from January 2005 to January 2006 is 4.35%.

### ***Retirement Costs***

The New Hampshire Retirement System has announced the FY07 contribution rates for all of the City's full-time employees will remain the same as in FY06 – 6.81% for Group I, 3.70% for Teachers, 9.68% for Police and 14.36% for Fire personnel. However, as salaries increase, so does the City's share of retirement contributions. In FY07, the additional cost will be approximately \$150,000.

### ***New Budgeted Positions***

The proposed budgets include positions that were not funded in fiscal year 2006. They include: one custodian in the Public Works Department, which is needed for proper maintenance of the new Library; a fire prevention officer, and the Full Time Equivalent of approximately 17 positions in the School Department. These include additional full-time and part-time professional and support staff, as well as additional time for existing School Department positions.

### ***Other Costs***

In addition, overall inflation continues to cause increases in other costs that affect operational budgets citywide. These include building and equipment repairs and maintenance, contracted services, special needs tuition and transportation. While we make every effort in our public bidding process to obtain the best prices for materials and services, market forces continue to dictate energy, material, and contracted labor costs.

## **Recommended Budget Adjustments**

The serious financial pressures on the Fiscal Year 2007 budget require difficult choices in order to maintain a reasonable increase in the tax rate for our residents. Following careful consideration, I recommend that the City Council consider implementing the following changes to the enclosed FY07 budget in order to reduce the tax rate with a minimal disruption in City operations:

- Reduce Operating Expenses by approximately \$1.2 million
- Reduce Capital Improvements by approximately \$300,000
- Increase the use of Debt Service Reserve by \$500,000

I have begun meeting with the City's Department heads to discuss these proposed adjustments. I stand ready to work with the Departments and the City Council during the budget process over the next month to meet the goal of achieving a tax rate acceptable to the City Council, while ensuring the effective and efficient delivery of services to our citizens.

I feel certain that through our collective efforts, we will be able to clearly articulate priorities and reduce the proposed budget. To accomplish this goal, we will have to decide where to make the necessary adjustments. The challenge will be in determining which services to trim to reach our target without also laying off employees.

Although it would be preferable to not face such difficult choices, I believe it is important that we be responsive to the needs and wishes of our citizens while recognizing that each day they must make similar decisions in order to live within their means.

## **Moving Forward**

Even with these proposed budget adjustments, it is essential that we continue to move forward with our long-term financial goals and citywide priorities while ensuring the financial stability of the City in order to provide future services.

We will continue to work to maintain and improve our credit ratings. In Fiscal Year 2006, Standard & Poor's bond rating agency upgraded Portsmouth's bond rating to AA from AA- and Moody's Investors Service affirmed its rating of Aa3 based on the City's strong financial performance. This is the City's sixth upgrade in the last 10 years and these ratings puts Portsmouth among the highest in the State of New Hampshire. We are hopeful that our continued financial practices will result in yet another improvement in FY07.

Implementation of our investment strategy will continue as we work to maximize our Capital Improvement Program. In FY07, I am recommending that we maintain a sufficient appropriation to ensure that we do not reverse the significant progress we have made in our infrastructure improvements. Therefore, I believe a \$300,000 reduction from the \$1.5 million requested by the Planning Board will not have a major impact. The appropriation would still be above \$1 million, which is the average CIP appropriation

over the past eight years. As always, the CIP budget investment in FY07 will leverage thousands of dollars in State and Federal grants to use toward programs benefiting our community.

The 2006 Citywide property revaluation required by State law and necessary to ensure a stable tax base will be completed by September. At this time, we do not expect a major shift in the tax burden to either the residential or commercial property sectors. The information gathered in this survey of every residence will be used to make each property reflect fair market value. Conducting the revaluation in-house has resulted in a saving of approximately \$400,000 to the City.

We also will continue to move forward on several important initiatives already underway, many funded primarily with State and Federal dollars. A list of Continuing Citywide Priorities follows this message, along with a “Budget Highlights” section that provides a closer look at the proposed FY07 budget, including the General and Enterprise Funds.

### **Conclusion**

In closing, I would like to thank the Municipal, Police, Fire and School Departments for their diligence in the budget process for this fiscal year. If we continue to work together, I believe we will be able to successfully balance the expectations of our residents for high quality services, with the desire for a low tax burden.

I would also like to especially thank all of the Departments, the members of the Joint Budget Committee, and the Finance Department for their invaluable input, assistance and commitment to producing the Fiscal Year 2007 Proposed Budget document.

# 2007 BUDGET HIGHLIGHTS

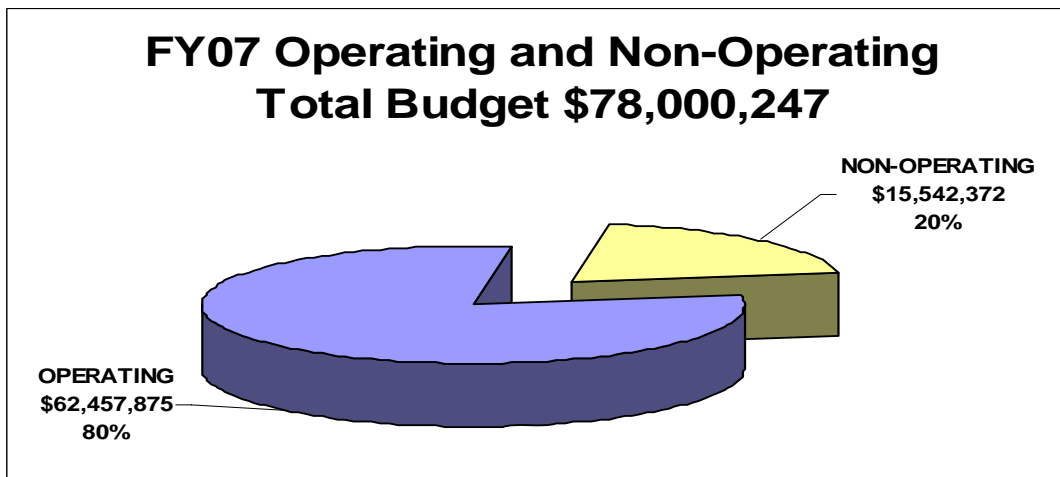
## *GENERAL FUND*

### *Total Appropriation*

Appropriations for the General Fund total \$78,000,247 or 6.7% increase over the FY06 budget. The following table is a summary of major expenditure categories for the FY05 budget and actual, FY06 budget and FY07 Department requested budget and the budget recommended by the City Manager.

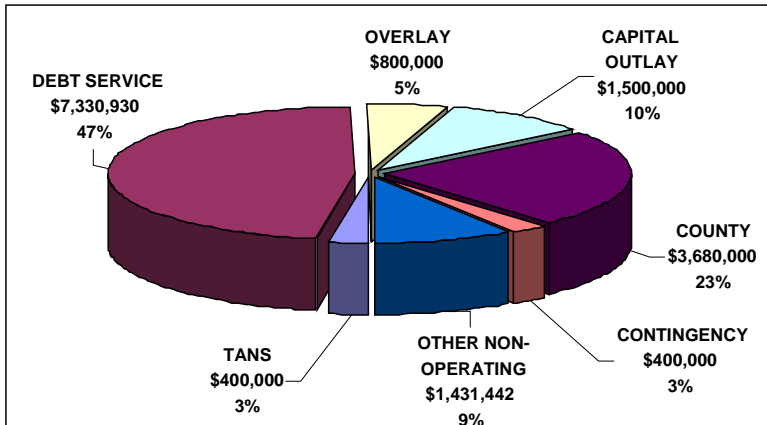
| TOTAL GENERAL FUND                 | FY05<br>BUDGET    | FY05<br>ACTUAL    | FY06<br>BUDGET    | FY07<br>DEPARTMENT<br>REQUEST | FY07<br>CITY MANAGER<br>RECOMMENDED |
|------------------------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------------------------|
| SALARIES                           | 30,147,002        | 29,540,435        | 31,632,970        | 33,553,646                    | 33,553,646                          |
| OVERTIME                           | 1,346,817         | 1,581,443         | 1,344,661         | 1,411,981                     | 1,411,981                           |
| HOLIDAY                            | 253,484           | 244,873           | 262,490           | 277,473                       | 277,473                             |
| LONGEVITY                          | 83,829            | 83,787            | 87,358            | 94,496                        | 94,496                              |
| STIPENDS                           | 224,865           | 219,442           | 246,603           | 270,287                       | 270,287                             |
| RETIREMENT                         | 1,812,662         | 1,754,993         | 2,216,904         | 2,364,873                     | 2,364,873                           |
| HEALTH INSURANCE                   | 5,529,152         | 5,525,185         | 6,203,348         | 7,305,220                     | 7,305,220                           |
| DENTAL INSURANCE                   | 1,408,314         | 1,375,203         | 1,550,660         | 1,718,339                     | 1,714,149                           |
| INSURANCE REIMBURSEMENT            | 38,985            | 53,365            | 62,028            | 67,818                        | 67,818                              |
| LEAVE AT TERMINATION               | 958,889           | 958,889           | 919,887           | 958,888                       | 958,888                             |
| WORKERS' COMPENSATION              | 554,073           | 545,557           | 592,025           | 699,412                       | 699,412                             |
| OTHER FRINGE BENEFITS              | 2,558,316         | 2,340,795         | 2,685,941         | 2,903,117                     | 2,903,117                           |
| <b>TOTAL SALARIES AND BENEFITS</b> | <b>44,916,388</b> | <b>44,223,967</b> | <b>47,804,875</b> | <b>51,625,550</b>             | <b>51,621,360</b>                   |
| TRAINING                           | 75,525            | 49,961            | 76,750            | 75,850                        | 72,850                              |
| UTILITIES                          | 1,664,815         | 2,104,580         | 1,771,800         | 2,421,286                     | 2,421,286                           |
| DIRECT ASSISTANCE                  | 200,500           | 170,514           | 204,500           | 218,000                       | 218,000                             |
| OUTSIDE SOCIAL SERVICES            | 184,830           | 184,830           | 192,223           | 188,304                       | 188,304                             |
| CONTRACTED SERVICES                | 1,048,677         | 1,101,263         | 1,134,778         | 847,639                       | 835,639                             |
| OTHER OPERATING                    | 6,657,014.00      | 6,716,523.84      | 6,650,762.00      | 7,105,936.00                  | 7,100,436.00                        |
| <b>TOTAL OTHER OPERATING</b>       | <b>9,831,361</b>  | <b>10,327,671</b> | <b>10,030,813</b> | <b>10,857,015</b>             | <b>10,836,515</b>                   |
| <b>TOTAL OPERATING</b>             | <b>54,747,749</b> | <b>54,551,638</b> | <b>57,835,688</b> | <b>62,482,565</b>             | <b>62,457,875</b>                   |
| TANS                               | 400,000           | 104,005           | 400,000           | 400,000                       | 400,000                             |
| DEBT SERVICE                       | 6,743,538         | 6,522,299         | 7,402,012         | 7,330,930                     | 7,330,930                           |
| CONTINGENCY                        | 270,000           | 270,000           | 400,000           | 400,000                       | 400,000                             |
| OVERLAY                            | 800,000           | 185,964           | 800,000           | 800,000                       | 800,000                             |
| COUNTY                             | 3,680,000         | 3,225,906         | 3,680,000         | 3,680,000                     | 3,680,000                           |
| PROPERTY & LIABILITY               | 270,000           | 270,000           | 305,000           | 313,000                       | 313,000                             |
| OTHER GENERAL GOVERNMENT           | 1,010,915         | 1,010,487         | 1,112,529         | 1,118,442                     | 1,118,442                           |
| CAPITAL                            | 1,750,000         | 1,750,000         | 1,170,000         | 1,500,000                     | 1,500,000                           |
| <b>TOTAL NON-OPERATING</b>         | <b>14,924,453</b> | <b>13,338,660</b> | <b>15,269,541</b> | <b>15,542,372</b>             | <b>15,542,372</b>                   |
|                                    | 69,672,202        | 67,890,298        | 73,105,229        | 78,024,937                    | 78,000,247                          |

The total budget represents \$62,457,875 in operating expenditures and \$15,542,372 for non-operating expenditures as depicted in the following chart.





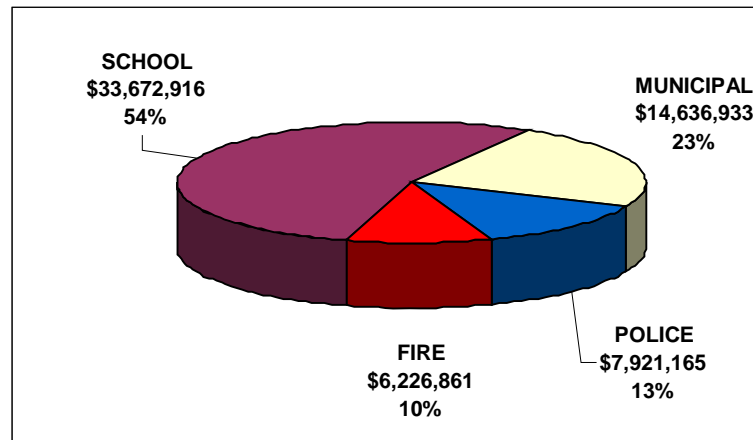
## Non-Operating Budget



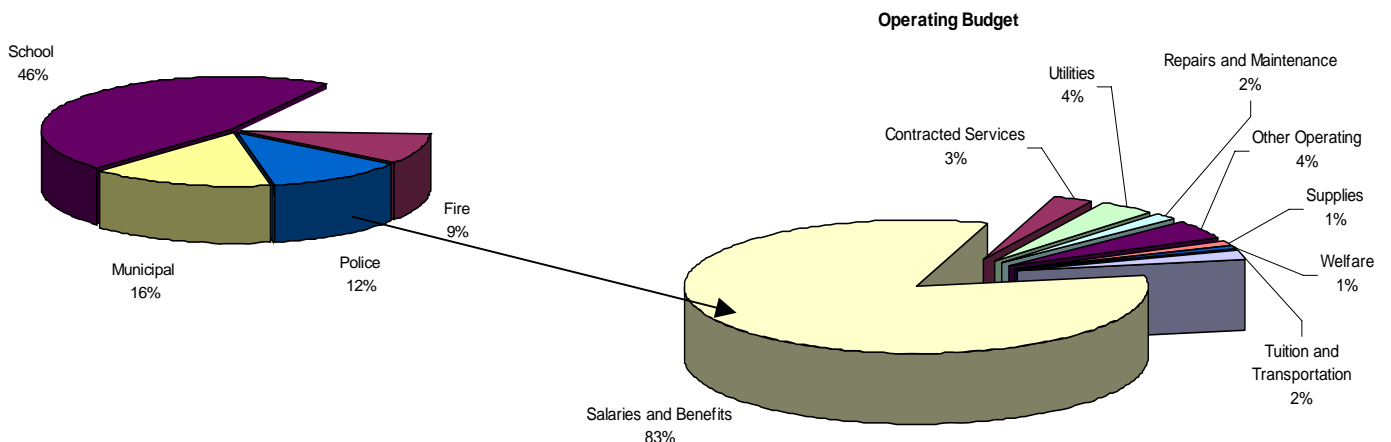
The Non-Operating Budget consists of expenditures for debt service, overlay, capital outlay, county tax, contingency, tax anticipation notes and other non-operating expenditures, and represents a 1.79% increase over the FY06 budget.

## Operating Budget

The total Operating Budget of \$62,457,875 funds expenditures associated with the day-to-day operations and services provided by Municipal, Police, Fire and School Departments and represents a 7.99% increase over the FY06 budget for all Departments.

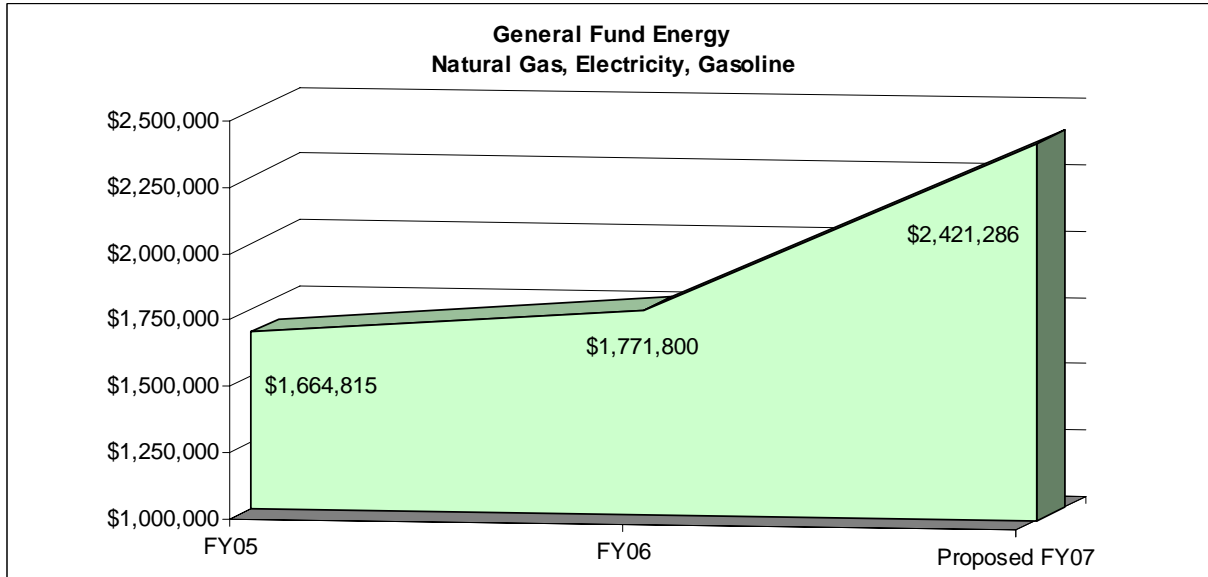


Contractual obligations associated with salaries and benefits constitute 83% of the Operating Budget. The remaining 17% of the Operating Budget is comprised of non-salary and benefit costs such as utilities, contracted services, building and equipment repairs and maintenance, Supplies, welfare and outside assistance, special needs tuition, and transportation and other charges as depicted in the chart below.



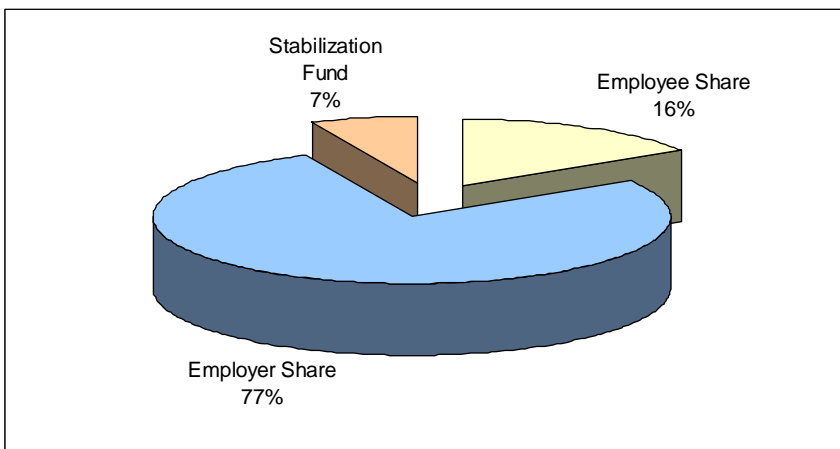
## Energy Costs

The energy budget consists of the City's major utilities, natural gas, electricity and gasoline. The proposed FY07 energy budget for the General Fund has increased 37% over FY06 and 45% over FY05, a \$756,000 jump from 2 years ago as shown in the graph below.



## Health Insurance

Total health insurance premiums for FY07 (less any new positions) is approximately \$10.5 million, an increase of \$1.8 million from FY06. The allocation of the share of the premiums come from three sources: employee share, general fund budget, and the Health Insurance Stabilization Fund as shown in the pie graph below.

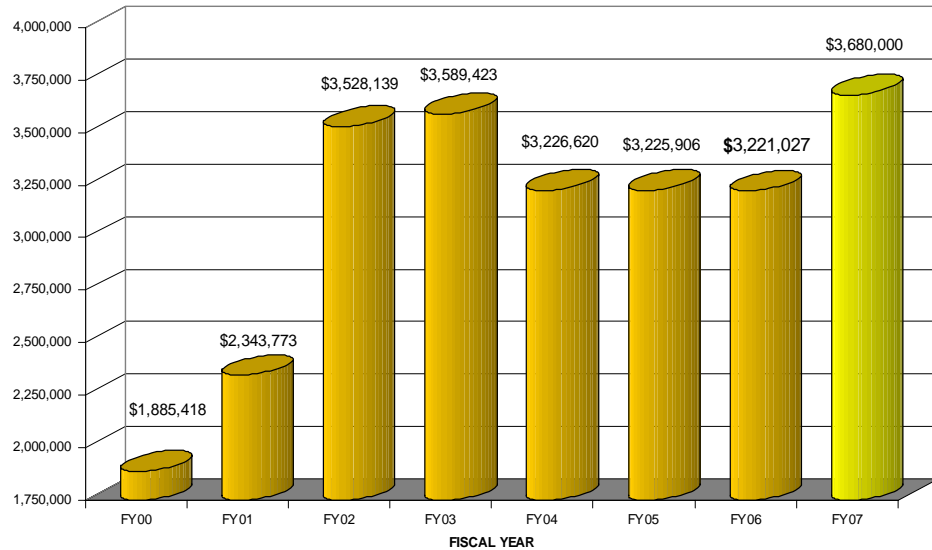


Information on the Health Insurance Stabilization Fund can be found in the Financial Policies and Long-Term Financial Guidelines section of the budget document.

## County Tax

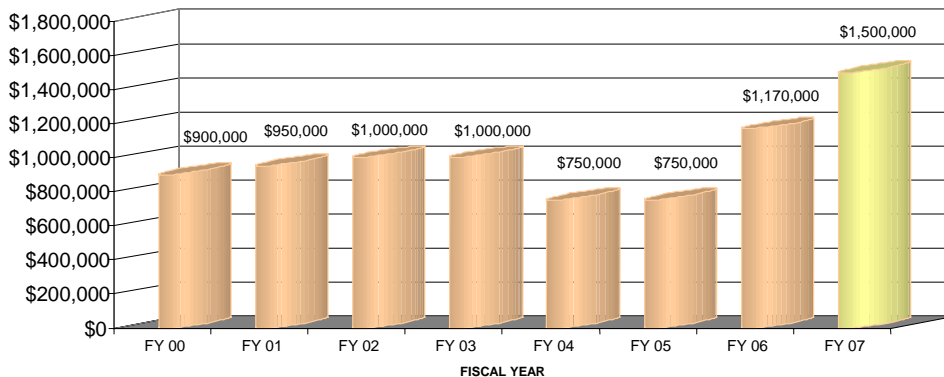
The City of Portsmouth is annually assessed its portion of the Rockingham County budget based on the City's share of the equalization of property values for the entire county. In FY 2007, it is estimated that Portsmouth will pay approximately \$3.7 million to Rockingham County.

The proportion of the City's share, which determines the actual amount due to the County, is established by the Department of Revenue at the time of setting the tax rate.



## Capital Outlay

The Planning Board recommends annual appropriations of \$1 million to \$1.5 million from the General Fund for capital projects. The funding for capital outlay in FY06 was \$1,170,000 after two prior fiscal year reductions from \$1 million to \$750,000. This eliminated or delayed the progress of needed infrastructure improvements of \$500,000 for those two years. For FY07, the Planning Board identified projects totaling a recommended budget of \$1.5 million. Appendix II identifies these projects. The chart below provides the history of capital outlay in the General Fund.



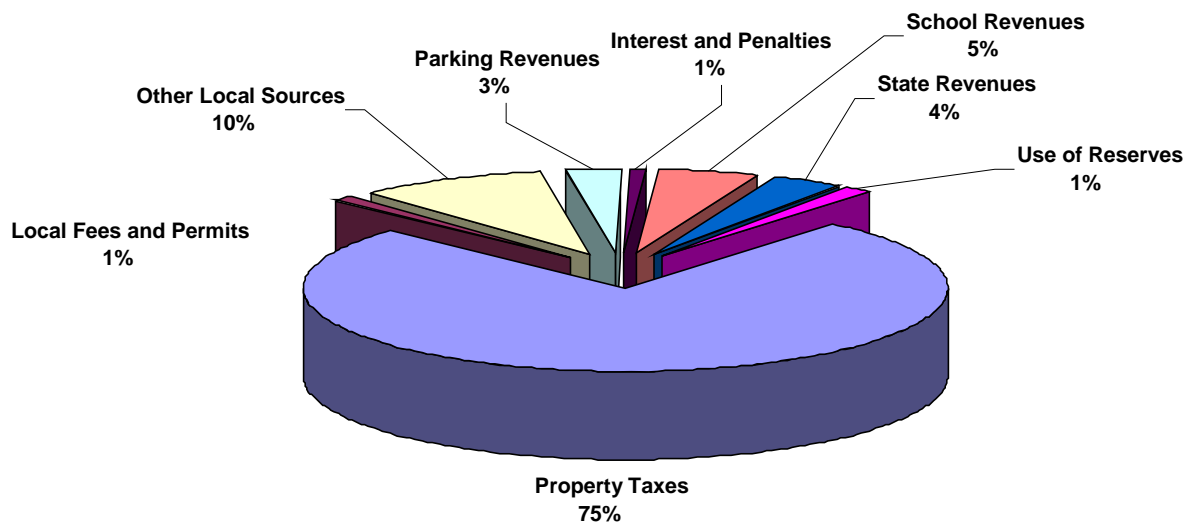
With the FY07 budget, the average expenditure for capital outlay is \$1,002,500 per year over 8 years.

## ***Revenues***

The FY07 Municipal General Fund Budget appropriations would be funded from the following sources:

- \$59,228,912 in Property Taxes.
- \$7,250,778 in Other Local Sources.
- \$3,950,000 in School Tuition and other School Fees.
- \$2,829,784 from State Revenue Sharing Funds and State School Building Aid.
- \$2,219,773 from Parking Revenues, less the amount to be transferred to the Parking Fund.
- \$1,073,500 from Use of Designated Unreserved Fund Balance.
- \$807,500 from Local Fees and Permits.
- \$640,000 from Interest and Penalties.

The following chart shows the percentage allocation of these estimated revenue sources.



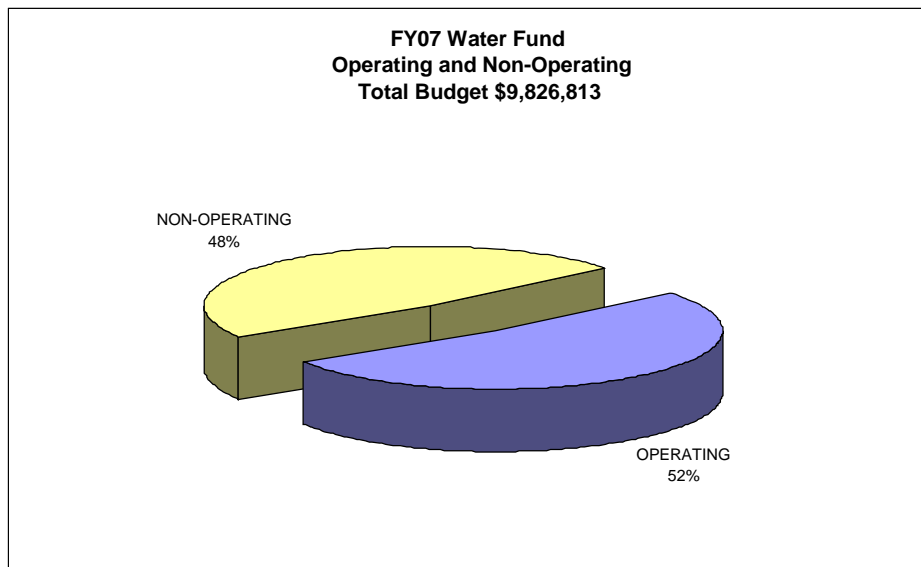
# WATER FUND

## Total Appropriation

Appropriations for the Water Fund total \$9,826,813, or a 25% increase over the FY06 budget. The following table is a summary of major expenditure categories for the FY05 budget and actual, FY06 budget and the proposed FY07 budget.

| WATER FUND                        | FY05             | FY05             | FY06             | FY07               | FY07                     |
|-----------------------------------|------------------|------------------|------------------|--------------------|--------------------------|
|                                   | Budget           | Actual           | Budget           | Department Request | City Manager Recommended |
| <b>EXPENDITURES</b>               |                  |                  |                  |                    |                          |
| <u>Operating Expenditures</u>     |                  |                  |                  |                    |                          |
| Personnel Costs                   | 1,725,317        | 1,454,798        | 1,843,049        | 1,976,312          | 1,976,312                |
| Chemicals                         | 193,150          | 199,659          | 193,150          | 233,150            | 233,150                  |
| Utilities                         | 374,950          | 377,257          | 413,750          | 493,180            | 493,180                  |
| Repairs to Equipment & Vehicles   | 187,790          | 81,595           | 193,840          | 206,370            | 206,370                  |
| Minor Capital Outlay              | 293,839          | 124,023          | 320,339          | 229,260            | 229,260                  |
| Depreciation                      | 665,134          | 626,734          | 677,134          | 668,944            | 668,944                  |
| Other Operating                   | 1,034,586        | 950,505          | 1,040,270        | 1,118,337          | 1,118,337                |
| Interest on Debt                  | 266,524          | 238,803          | 219,641          | 206,260            | 206,260                  |
| <i>OPERATING</i>                  | <i>Subtotal</i>  | <i>4,741,290</i> | <i>4,053,375</i> | <i>4,901,173</i>   | <i>5,131,813</i>         |
| <u>Non-Operating Expenditures</u> |                  |                  |                  |                    |                          |
| SRF Capital Projects              | 1,850,000        | 0                | 2,000,000        | 3,550,000          | 3,550,000                |
| NON-SRF Capital Projects          | 848,000          | 513,164          | 946,800          | 1,145,000          | 1,145,000                |
| <i>NON-OPERATING</i>              | <i>Subtotal</i>  | <i>2,698,000</i> | <i>2,946,800</i> | <i>4,695,000</i>   | <i>4,695,000</i>         |
| <b>Total</b>                      | <b>7,439,290</b> | <b>4,566,539</b> | <b>7,847,973</b> | <b>9,826,813</b>   | <b>9,826,813</b>         |

As depicted in the graph below, the operating portion of the budget is 52% of the total budget or \$5,131,813, and non-operating is 48% or \$4,695,000.

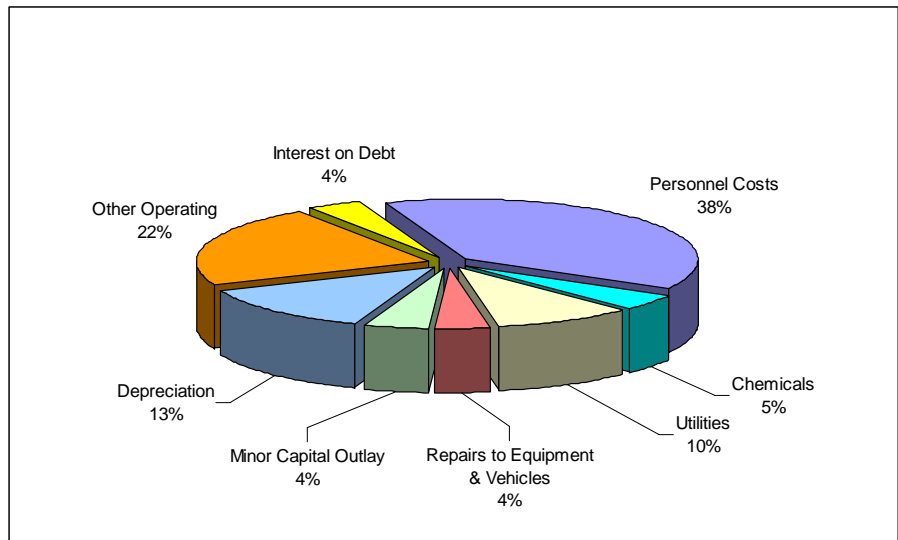


Operating Budget includes day-to-day operations of administration, engineering, water treatment and water distribution.

Non-Operating Budget consists of expenditures related to capital projects as outlined in the Capital Improvement Plan in Appendix II.

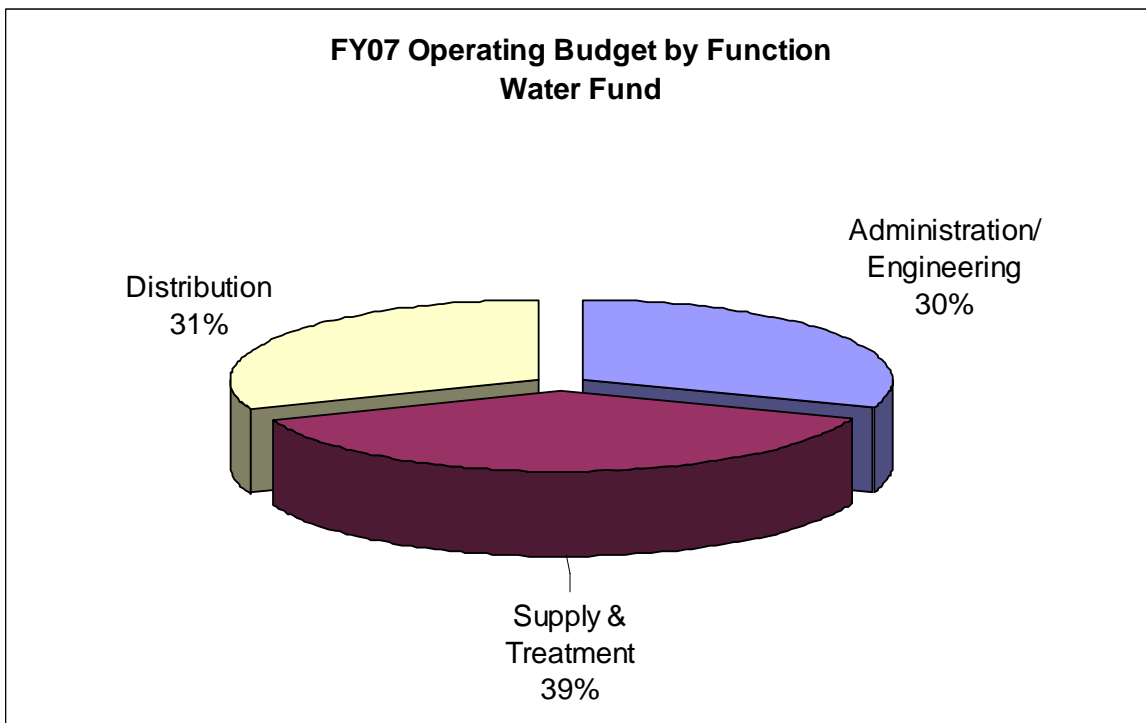
## Operating Budget

The Water Division is not as labor intense as other departments within the City. As depicted in the graph, the personnel related costs consist of only 38% of the total Operating Budget. The remaining 62% includes major costs related to providing quality and adequate supply of water.



The Operating Budget consists of three major functions:

- Administration/Engineering- Costs related to employee benefits, administrative overhead, GIS services, and engineering
- Distribution- Services, hydrants, mains, meters, meter reading, and cross connections.
- Supply and Treatment- Madbury Treatment Plant, laboratory, a booster station, 9 wells, and 6 storage tanks.

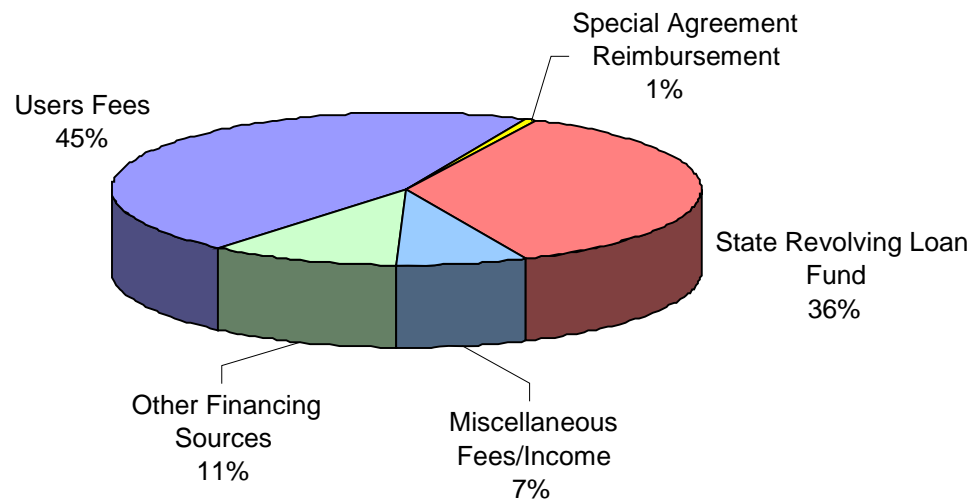


## ***Revenues***

The FY07 Water Division appropriations would be funded from the following sources:

- \$4,485,506 from User Fees
- \$3,550,000 from State Revolving Loan Fund
- \$1,050,307 from Other Financing Sources
- \$699,000 from Miscellaneous Fees/Income
- \$42,000 from Special Agreement Reimbursement

The following chart shows the percentage allocation of these estimated revenue sources.



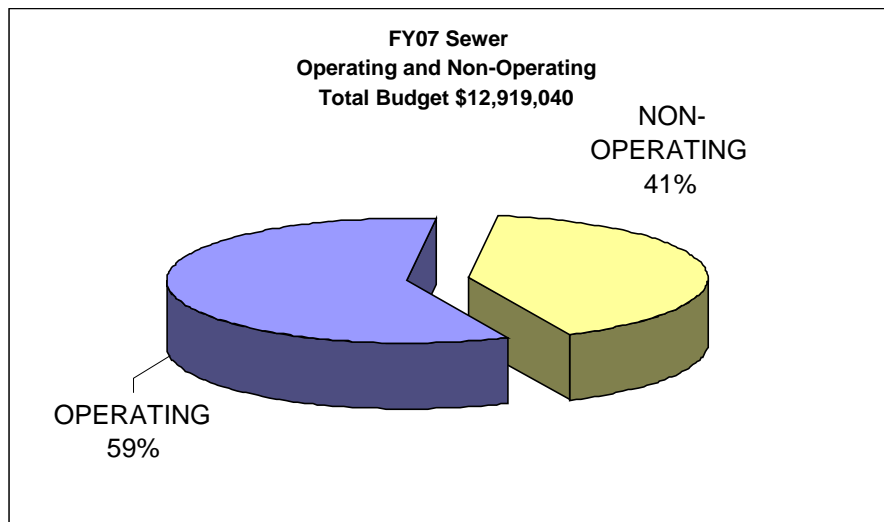
# SEWER FUND

## Total Appropriation

Appropriations for the Sewer Fund total \$12,919,040 or 22.5% over the FY06 budget. The following table is a summary of major expenditure categories for the FY05 budget and actual, FY06 budget and the proposed FY07 budget.

| SEWER FUND                        | FY05                      | FY05             | FY06              | FY07               | FY07                     |
|-----------------------------------|---------------------------|------------------|-------------------|--------------------|--------------------------|
|                                   | Budget                    | Actual           | Budget            | Department Request | City Manager Recommended |
| <b>EXPENDITURES</b>               |                           |                  |                   |                    |                          |
| <u>Operating Expenditures</u>     |                           |                  |                   |                    |                          |
| Personnel Costs                   | 1,573,524                 | 1,327,116        | 1,605,020         | 1,716,383          | 1,716,383                |
| Chemicals                         | 737,000                   | 613,483          | 703,000           | 745,600            | 745,600                  |
| Utilities                         | 917,925                   | 842,380          | 887,100           | 1,059,600          | 1,059,600                |
| Repairs to Equipment & Vehicles   | 385,605                   | 256,323          | 450,505           | 512,765            | 512,765                  |
| Minor Capital Outlay              | 292,583                   | 159,848          | 333,583           | 300,243            | 300,243                  |
| Depreciation                      | 1,017,670                 | 1,151,352        | 1,208,885         | 1,191,753          | 1,191,753                |
| Other Operating                   | 820,688                   | 677,796          | 950,226           | 1,021,663          | 1,021,663                |
| Interest on Debt                  | 954,065                   | 934,118          | 1,364,935         | 1,071,033          | 1,071,033                |
| <b>OPERATING</b>                  | <i>Subtotal</i> 6,699,060 | 5,962,416        | 7,503,254         | 7,619,040          | 7,619,040                |
| <u>Non-Operating Expenditures</u> |                           |                  |                   |                    |                          |
| SRF Capital Projects              | 2,500,000                 | 0                | 2,500,000         | 3,000,000          | 3,000,000                |
| NON-SRF Capital Projects          | 21,000                    | 0                | 544,000           | 2,300,000          | 2,300,000                |
| <b>NON-OPERATING</b>              | <i>Subtotal</i> 2,521,000 | 0                | 3,044,000         | 5,300,000          | 5,300,000                |
| <b>Total</b>                      | <b>9,220,060</b>          | <b>5,962,416</b> | <b>10,547,254</b> | <b>12,919,040</b>  | <b>12,919,040</b>        |

As depicted in the graph below, the operating portion of the budget is 59% of the total budget or \$7,619,040, and non-operating is 41% or \$5,300,000.



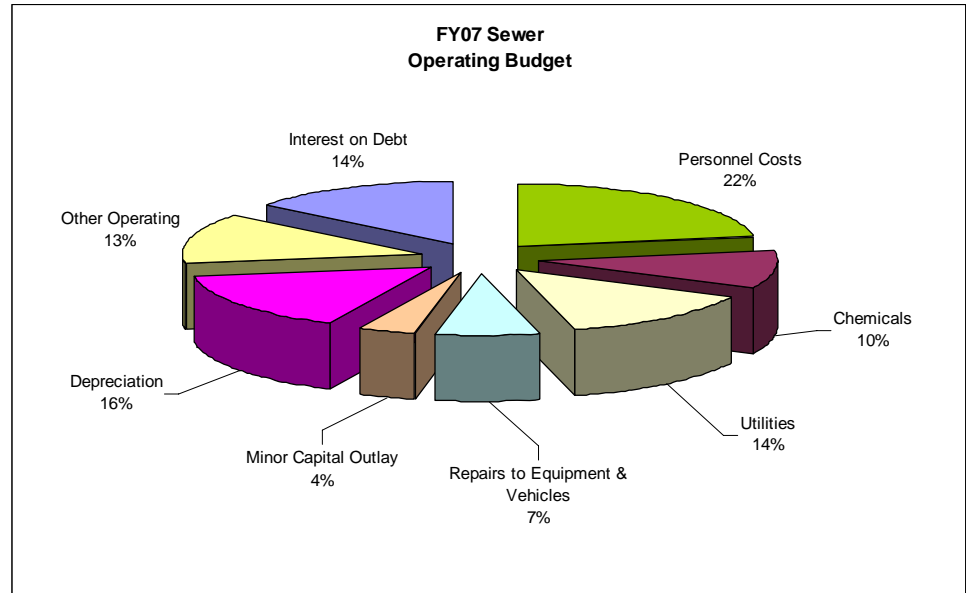
Operating Budget includes day-to-day operations of administration, wastewater collection and treatment.

Non-Operating Budget consists of expenditures related to capital projects as outlined in the Capital Improvement Plan in Appendix II.



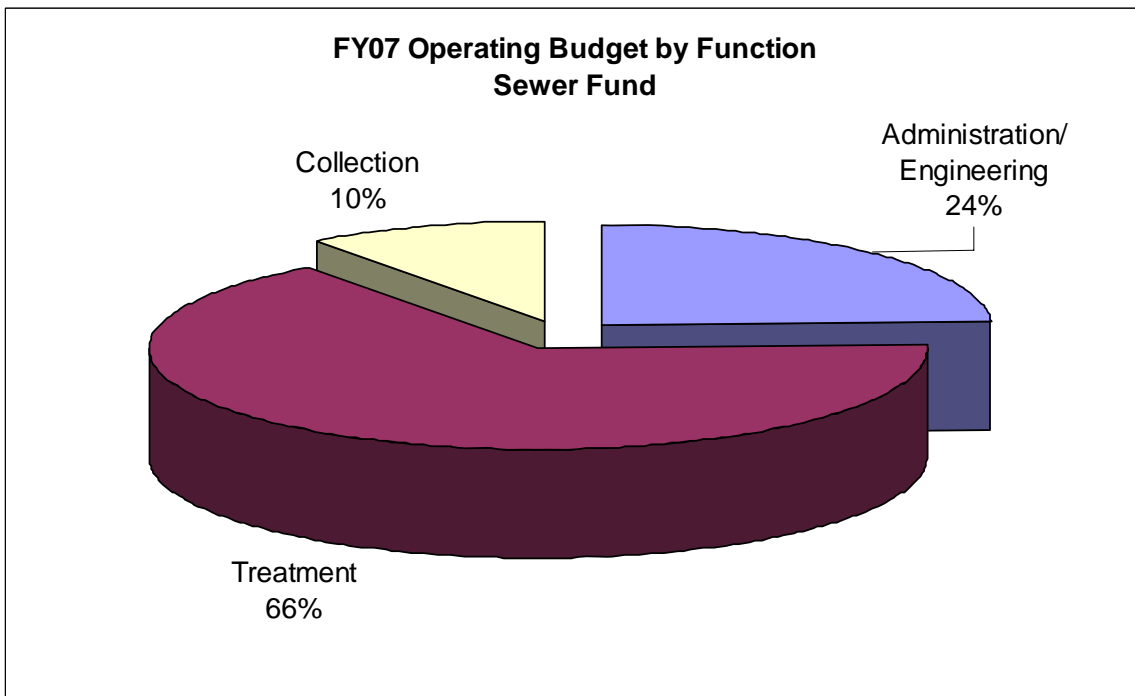
## Operating Budget

The Operating Budget is divided into various accounts. As depicted in the graph, 78% of the Operating Budget is related to major costs associated with collecting and treating city sewage. Only 22% of the Operating Budget is associated with personnel related costs.



The Operating Budget consists of three major functions:

- Administration- Costs related to employee benefits, and administrative overhead, engineering and GIS services.
- Collection- Force mains, interceptors, laterals, and meter reading.
- Treatment- Peirce Island Treatment Plant, Pease Treatment Plant, 2 laboratories, and 21 pump stations.

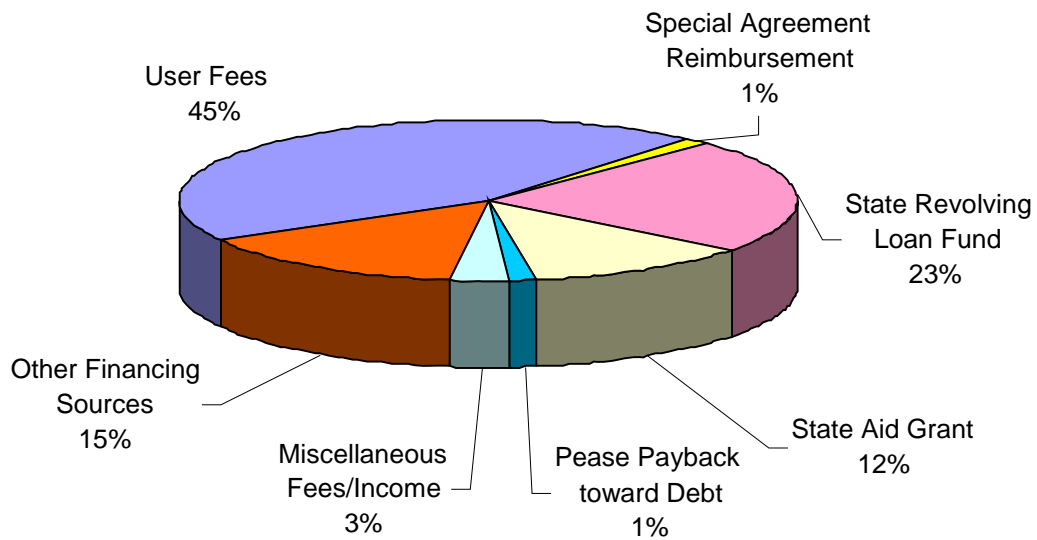


## Revenues

The FY07 Sewer Division appropriations would be funded from the following sources:

- \$5,751,538 from User Fees
- \$3,000,000 from State Revolving Loan Fund
- \$1,900,635 from Other Financing Sources
- \$1,539,816 from State Aid Grant
- \$385,000 from Miscellaneous Fees/Income
- \$188,965 from Pease Payback toward Debt
- \$153,086 from Special Agreement Reimbursement

The following chart shows the percentage allocation of these estimated revenue sources.





## **CONTINUING CITYWIDE PRIORITIES**

The City of Portsmouth has several major initiatives underway to benefit our citizens. The proposed FY07 budget reflects their continuation and most of them represent projects that have leveraged millions of State and Federal dollars. They include:

- Implementation of the Master Plan, including substantial revisions to the City's land use regulations. The Master Plan, developed through extensive participation by Portsmouth residents and officials, was adopted by the Planning Board in March 2005 and lays out a set of goals, objectives and strategies that describe a direction and vision for the City over the next ten years. The City has just initiated a comprehensive revision of the City's existing Zoning Ordinance and substantial revisions to the Site Review and Subdivision Regulations, as well as the development of design review guidelines. This phased-review process will continue in FY07, allowing our land use board members, City Council and the public the ability to have meaningful in-depth review and discussion regarding proposed revisions to our land use regulations.
- Completion of the new \$8 million Public Library and a smooth transition from the current 200-year-old structure on Islington Street to the new facility at 175 Parrott Avenue. After years of discussion, construction finally began in May 2005 on the new 38,000-square-foot Library. It is expected to be completed by the end of October, with the move-in taking place in mid-November 2006. The new facility will be more than twice the size of the current Library. A private fund-raising campaign launched in FY 2006 thus far has raised \$200,000 of its \$500,000 goal to pay for furnishings and equipment for the new Library, and to help meet environmentally responsible goals for the building. We believe that the "green building" design efforts we are making now will not only be good for the environment, they also will reduce energy and other operating costs while providing a healthy environment for the public and employees.
- Initiation of the conceptual planning and the public input process for the redevelopment of the McIntyre Federal building site downtown in preparation for its transfer from the U.S. Government to the City of Portsmouth. The decisions made regarding this valuable piece of real estate could reshape the face of the immediate neighborhood and downtown activities, as well as impact our tax base. The first phase of this multi-year project will involve substantial public input regarding the redevelopment of this key site.
- Implementation of the Memorandum of Agreement authorized by the City Council for the public/private partnership between the City and the Sheraton Hotel to increase parking and conference facilities in the Central Business District. This project is anticipated to generate an estimated \$750,000 annually in City property tax revenues



alert residents to City services and programs. In addition, the City has more than doubled the number of meetings it televises via the local government access cable Channel 22 and “webcasts” via the Web site. The first City of Portsmouth Annual Report in nearly 20 years was compiled and posted on the Web site, as well. We will continue and expand the City’s communications outreach throughout Fiscal Year 2007.

- Recommendations from the recently completed water and sewer rate study were presented to the City Council in April 2006. These recommendations, if acceptable to the City Council, will require a number of changes to the existing water tariff and sewer ordinance. We have budgeted funds to retain outside legal counsel with expertise in public utilities to assist with implementing these rate structure changes.
- Study of the City’s overtime costs and policies. The City has hired an independent consultant to provide a citywide audit of overtime. The final report will be provided to the Council as it begins the process of examining this proposed FY07 budget. The independent study included a review of staffing schedules, vacation and sick-time policies, labor contracts and other factors affecting overtime usage.
- Continued monitoring of the Statewide Property Tax and education funding issue, which has been resurrected in the courts. The Legislature in June 2005 adopted a new education funding system that allows communities with high property values to spend any excess Statewide Property Taxes on education in their own communities. However, a Superior Court judge recently declared the new system unconstitutional. The State pledged to appeal to the New Hampshire Supreme Court but there was no indication when, or how, that panel will rule. Therefore, the enclosed budget is based upon the new law that eliminated Portsmouth as a “Donor” community. We will continue to monitor the situation through the Coalition Communities office based at Portsmouth City Hall but partially financed through contributions by the Coalition.
- Continuation of the three-year effort to achieve the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA). The awards presented by this professional association of finance officers recognize contributions to the practice of government finance that exemplify outstanding financial management.

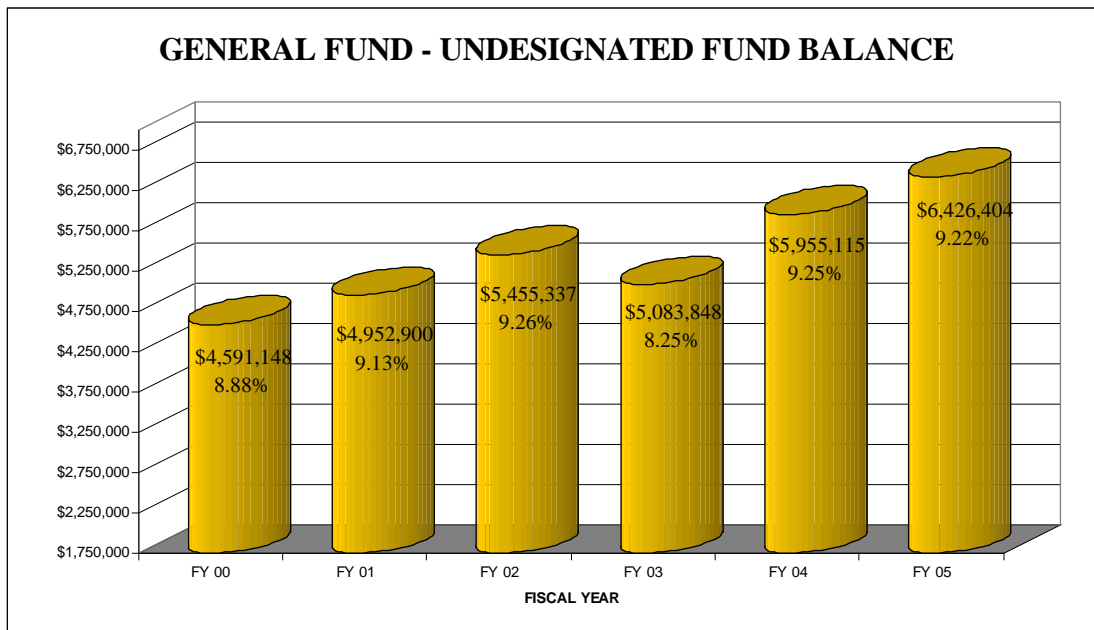


# **FINANCIAL POLICIES AND LONG-TERM FINANCIAL GUIDELINES**

The following are financial policies and long-term financial guidelines which the City follows in managing its financial and budgetary affairs. The goal of these policies and guidelines is to ensure that financial resources are well managed and available to meet the present and future needs of the citizens of the City of Portsmouth. The City has created several approaches to maintain and improve fiscal stability.

## ***UNDESIGNATED FUND BALANCE ORDINANCE***

City Council adopted in 2001 the “Undesignated Fund Balance Ordinance” which codified our fiscal policy of ensuring that we would maintain an undesignated fund balance of at least 7% of prior year’s appropriation with an ultimate goal of 10%. Over the last several years, the Undesignated Fund Balance has remained within the policy guidelines. At the end of Fiscal Year 2005, Undesignated Fund Balance increased by \$471,289 over FY04 however, the percentage of appropriation remained the level. The chart below shows the history of undesignated fund balance for the last 6 years.



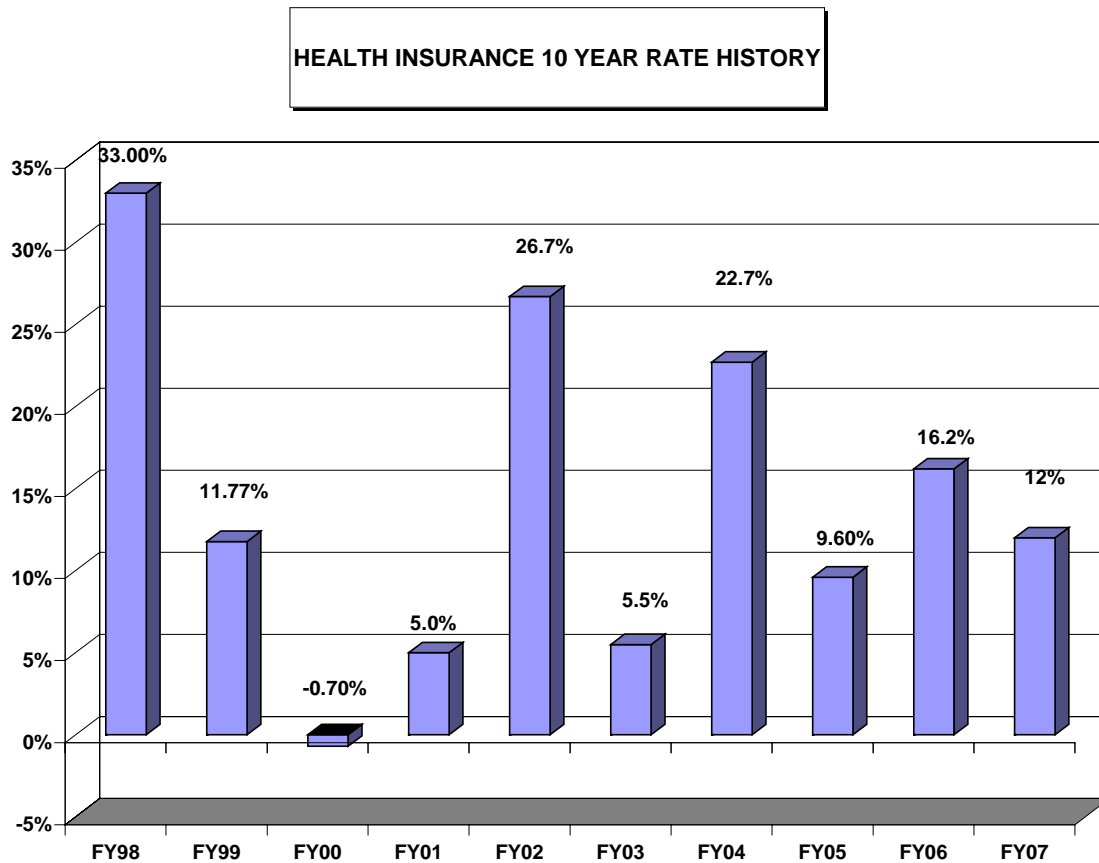
### ***LEAVE AT TERMINATION***

The City has addressed in two methods the significant liability owed to employees for accumulated sick leave pay when they leave municipal service.

1. The City eliminated future growth in this liability by negotiating in all labor agreements that new employees can no longer accumulate unlimited sick leave. Thus, the liability can be capped and it is now possible to estimate reductions of this liability through attrition.
2. The Leave at Termination Fund created in fiscal year 1999 eliminated annual budget spikes which negatively impacted the operating budget associated with sick leave pay owed to employees upon termination. Each department annually budgets a fixed amount for each fiscal year determined by an actuarial study, which is transferred into this fund where this liability is paid. Each department builds a fund balance, which is carried over from year to year to fund future liabilities, thus stabilizing the annual operating budget.

### ***HEALTH INSURANCE STABILIZATION FUND***

The City faces a large future liability from the cost of employee health insurance. The cost has spiked both up and down over the last several years as shown in the graph below.



The City addressed this issue with two approaches.

1. The City negotiated with all labor agreements to share in the cost of health insurance premiums. Every employee contributes a percentage of their medical plan cost. This reduces the City's liability.
2. The City created the Health Insurance Stabilization Fund to stabilize annual budgetary spikes that often negatively impact the operating budget. This special revenue fund is funded by health insurance budgetary appropriation transfers, which shall be made annually by the Municipal, Police, Fire, and School Departments. The appropriation amount is determined in accordance with the average increase of Health Insurance rates over 10 years. This rate is then added to the prior fiscal year budgetary appropriation. At the same time, a reserve for health insurance has been established in the General Fund from operating surplus from previous years. In the event premiums spike higher than the appropriation, the reserve subsidizes this fund. A policy has been established that the utilization of this reserve in any given year shall not be in excess of 25% of its balance.

### ***PROPERTY VALUATION***

New Hampshire State Statute RSA 75:8-a states "the assessors and/or selectmen shall reappraise all real estate within the municipality so that the assessments are at full and true value at least as often as every fifth year beginning with the first year the Commissioner of the Department of Revenue Administration reviews the municipalities assessments pursuant to RSA 21-J:3 XXVI, the assessors and or selectman shall value all real estate within the municipality so that the assessments are valued in accordance with RSA 75:1" which states " shall appraise all taxable property at its market value".

Tax Year 2006 (FY07) marks the revaluation year for the City of Portsmouth in accordance with the aforementioned State law. The City will complete the 2006 property revaluation by September. All valuations are as of April 1, 2006.

Also in accordance with State law, in the years that do not require a full revaluation, the City reviews and adjusts property valuation (if necessary) annually to maintain proportionality. This means that the different classes of properties throughout the city will maintain the same level of assessments based on market value.

### ***PERFORMANCE MEASURES***

The FY07 Budget document includes a performance measures section in each departmental narrative. FY06 was the first year that performance measures were reported in the budget document. This year's budget includes a two year history of performance measures and an "estimated FY06" column. This is the first year the three years' figures are provided. In addition, several departments have expanded upon or further improved their performance measures in order to better communicate departmental progress and or efficiencies achieved with in the department.



Performance Measures are statistical and analytical information about departmental performance and services. In general, performance measures can describe relationships between resources (inputs) and what is provided through a Department's programs and services (outputs). In some cases, these measures will describe a Department's workload (i.e. number of Police calls for service) or provide some measure of units of service (i.e. number of businesses assisted). Such measures are useful when compared across fiscal years, relaying information about trends and changes in service levels and needs, which can provide some context to budgetary requests.

Performance measures can be both quantitative and qualitative in nature. Often they can be expressed in ratios, percentages, averages, or simple quantifiable outputs, which provide information about a program or service.

### ***ROLLING STOCK PROGRAM***

The City has established a long-term rolling stock program to avoid large expenditures in any one year and to forecast certain expenditures for replacing and upgrading existing equipment in the years ahead. The Rolling Stock Program has enabled all City departments to replace vehicles and equipment on the basis of life cycle costing, which has reduced costs in the area of repairs and maintenance. The purchase of vehicles and equipment is funded through the non-operating budget. This program provides departments with vehicles and equipment that are more efficient.

### ***CAPITAL IMPROVEMENT PLAN***

The Capital Improvement Plan (CIP), prepared by the Planning Board, and adopted by the City Council, identifies equipment, vehicles, building, information systems, transportation and Enterprise Fund infrastructure needs over a six-year period. The City Council reviews these projects and annually appropriates from the General and Enterprise Funds, capital outlay to be combined with grants, matching funds and other programs. All projects funded by long-term debt need separate authorization from City Council.

### ***UDAG BUDGET POLICY***

The City of Portsmouth Economic Development Commission (EDC) established a budget policy for the Urban Development Action Grant (UDAG) that allows 75% of the interest earned on the principal balance as of July 1<sup>st</sup> of the fiscal year to be used for the following year's Economic Development Program. The balance of the interest remains in the account for fund growth.

### ***BOND RATING***

The City continues to strive for maintaining and improving its bond rating. The City utilizes Moody's Investors Service and Standard and Poor's Ratings Group. The rating agencies weigh a host of financial, economic, debt and managerial information and assign a rating to the issue. Higher bond ratings indicate lower perceived risk of default. The

City has taken many steps and will continue to seek improvements to maintain fiscal stability. The City currently has been rated Aa3 and AA by Moody's Investors Service and Standard and Poor's Ratings Group, respectively. Table 1 highlights where the City's rating is today with respect to the model and Table 2 provides the history of the City's rating.

Table 1

| INVESTMENT GRADE RATINGS |            |
|--------------------------|------------|
| Standard & Poor's        | Moody's    |
| AAA                      | Aaa        |
| AA+                      | Aa1        |
| <b>AA</b>                | Aa2        |
| AA-                      | <b>Aa3</b> |
| A+                       | A1         |
| A                        | A2         |
| A-                       | A3         |
| BBB+                     | Baa1       |
| BBB                      | Baa2       |
| BBB-                     | Baa3       |
| BB                       | Ba         |

Table 2

| Standard & Poor's |                    | Moody's |                    |
|-------------------|--------------------|---------|--------------------|
| Year              | City of Portsmouth | Year    | City of Portsmouth |
| 2005              | AA                 | 2005    | Aa3                |
| 2004              | AA-                | 2004    | Aa3                |
| 2003              | AA-                | 2003    | Aa3                |
| 2002              | AA-                | 2002    | Aa3                |
| 2001              | A+                 | 2001    | A1                 |
| 2000              | A+                 | 2000    | A1                 |
| 1999              | A                  | 1999    | A                  |
| 1998              | A                  | 1998    | A                  |
| 1997              | A                  | 1997    | A                  |
| 1996              | A                  | 1996    | A                  |
| 1995              | A                  | 1995    | Baa1               |
| 1994              | A                  | 1994    | Baa1               |
|                   |                    | 1993    | Baa                |
|                   |                    | 1992    | Ba                 |
|                   |                    | 1991    | Ba                 |

### ***DEBT SERVICE PLANNING***

It is the policy of the City to keep operational debt costs at a manageable level while meeting capital needs on an ongoing basis. One measurement to ensure debt costs are manageable is identifying a maximum net debt service as a percentage of total General Fund expenditures. The City policy is to use no more than 10% of annual expenditures toward net debt service payments.

### ***MUNICIPAL FEE REVIEW PROCESS***

In order to create a more efficient system for the City to adopt and adjust municipal fees, a process was adopted to review municipal fees annually. A City ordinance was enacted stating that all municipal fees shall be adopted and may be amended by resolution during the annual budget adoption process. Annually, all City departments review their respective fees and propose changes where they consider it necessary to keep abreast of rising administration costs. (Fees are listed in Appendix III.) A Fee Committee consisting of one City Councilor, the City Manager and a Finance Department representative then reviews the department's requests. The Fee Committee recommendation is presented to the City Council for approval through a resolution. The approved municipal fee list becomes law on the first day of the upcoming fiscal year.

### ***ENTERPRISE FUND POLICIES FOR RATE SETTING***

Water and Sewer rates are reviewed annually to ensure that they will generate revenues adequate to cover operating expenses, meet the legal requirements of bond covenants and State Revolving Fund (SRF) loans, and allow adequate capital replacement.

### ***COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) CERTIFICATE OF ACHIEVEMENT***

The City will seek annual renewal of the Government Finance Officers Association's Certificate of Achievement for Excellence in financial reporting. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting. The City has received 12 awards for the fiscal years ended June 30, 1988, 1989, 1995, and 1996-2004.

### ***EMPLOYEE PAY PLAN***

The City of Portsmouth has a total of fifteen (15) collective bargaining units. Thirteen contracts have been negotiated and are scheduled to expire on June 30, 2008. The remaining two contracts are scheduled to expire on June 30, 2006. In an effort to try to control costs while allowing the employees to keep pace with inflation, the City negotiated salary increases into all (15) fifteen agreements that are tied to the CPI-U for the Boston-Brockton-Nashua-MA-NH-ME-CT that shall not be less than 2% nor more than 5%. This language will allow the City to manage and address fixed costs in the future.

The proposed FY07 budget includes salary reclassifications for the Deputy Public Works Director, Assistant Chief Plant Operators, Budget Coordinator and Equipment Foreman. These reclassifications are due to the City's contractual agreement with PMA, SMA and non-union employees that the City would review twenty percent (20.0%) of the positions in the bargaining unit each fiscal year.

The City embraces a compensation philosophy that provides internal consistency, which includes paying fair and reasonable salaries based on economic conditions and the labor market. This will attract, retain, and motivate qualified personnel to meet organizational requirements, maintain a competitive pay structure for all jobs, increase productivity and efficiency, and further organizational goals and objectives. The City also believes in balancing this with an equitably based system within the organizational pay structure. This philosophy needs to be maintained, while simultaneously being fair to the taxpayers of the community.

Settled agreements establish sound relations between the City and its employees, which promote harmony, genuine cooperation and efficiency, to the end that the employees and the City may mutually benefit. Historically, the settlement of collective bargaining has resulted in increased job satisfaction, improved productivity, and more cost-effective services through improved labor and management cooperation.

## ***PERSONNEL SUMMARY***

The following table is a summary of personnel counts by department for prior, current and budgeted years totaled by fund. A table of specific positions and a personnel count by department can be found in each department section of the document.

The increase in the full-time personnel for the proposed FY07 general fund budget includes one custodian, a fire prevention officer, and a net of 17 positions in the School Department. The Parking Fund includes one Parking Manager.

| DEPARTMENT  | 2004/05<br>ACTUAL                   | 2005/06<br>BUDGET | 2006/07<br>PROPOSED<br>BUDGET |
|---|-------------------------------------|-------------------|-------------------------------|
| <b><i>FULL-TIME PERSONNEL</i></b>                                     |                                     |                   |                               |
| CITY MANAGER  | 2.50                                | 2.00              | 2.00                          |
| HUMAN RESOURCES   | 2.00                                | 2.00              | 2.00                          |
| CITY CLERK  | 3.00                                | 3.00              | 3.00                          |
| LEGAL DEPARTMENT  | 4.50                                | 5.50              | 5.50                          |
| FINANCE DEPARTMENT  | 18.25                               | 18.00             | 18.00                         |
| PLANNING DEPARTMENT   | 5.10                                | 5.90              | 6.10                          |
| INSPECTION DEPARTMENT   | 4.50                                | 4.50              | 4.50                          |
| HEALTH DEPARTMENT   | 1.00                                | 2.00              | 2.00                          |
| PUBLIC WORKS  | 57.00                               | 59.00             | 60.00                         |
| LIBRARY   | 15.00                               | 15.00             | 15.00                         |
| RECREATION DEPARTMENT   | 8.50                                | 8.50              | 8.50                          |
| WELFARE DEPARTMENT  | 3.00                                | 2.00              | 2.00                          |
| POLICE DEPARTMENT   | 90.00                               | 91.00             | 91.00                         |
| FIRE DEPARTMENT   | 60.00                               | 60.00             | 61.00                         |
| SCHOOL DEPARTMENT   | 374.40                              | 378.20            | 395.90                        |
| <b>GENERAL FUND - FULL TIME PERSONNEL TOTAL</b>                       | <b>648.75</b>                       | <b>656.60</b>     | <b>676.50</b>                 |
| <b><i>PART-TIME PERSONNEL *</i></b>                                   |                                     |                   |                               |
| HUMAN RESOURCES   | 4.00                                | 4.00              | 4.00                          |
| LIBRARY   | 8.00                                | 8.00              | 8.00                          |
| RECREATION  | NUMBER OF POSITIONS VARY SEASONALLY |                   |                               |
| POLICE DEPARTMENT   | 35.46                               | 35.83             | 34.73                         |
| FIRE DEPARTMENT   | 1.00                                | 1.50              | 1.50                          |
| SCHOOL DEPARTMENT   | 181.00                              | 183.70            | 183.00                        |
| <b>GENERAL FUND TOTAL - PART TIME PERSONNEL TOTAL</b>                 | <b>229.46</b>                       | <b>233.03</b>     | <b>231.23</b>                 |
| <b><i>FULL-TIME PERSONNEL</i></b>                                     |                                     |                   |                               |
| WATER AND SEWER FUND  | 47.50                               | 48.10             | 48.10                         |
| <b>ENTERPRISE FUNDS - WATER &amp; SEWER FULL TIME PERSONNEL TOTAL</b> | <b>47.50</b>                        | <b>48.10</b>      | <b>48.10</b>                  |
| <b><i>PART-TIME PERSONNEL *</i></b>                                   |                                     |                   |                               |
| WATER AND SEWER FUND  | 3.00                                | 3.00              | 2.00                          |
| <b>ENTERPRISE FUNDS - WATER &amp; SEWER PART TIME PERSONNEL TOTAL</b> | <b>3.00</b>                         | <b>3.00</b>       | <b>2.00</b>                   |
| <b><i>FULL-TIME PERSONNEL</i></b>                                     |                                     |                   |                               |
| PARKING   | 9.50                                | 9.50              | 10.50                         |
| COMMUNITY DEVELOPMENT   | 4.00                                | 3.40              | 3.20                          |
| UDAG  | 1.00                                | 1.00              | 1.00                          |
| <b>SPECIAL FUNDS - FULL TIME PERSONNEL TOTAL</b>                      | <b>14.50</b>                        | <b>13.90</b>      | <b>14.70</b>                  |
| <b><i>PART-TIME PERSONNEL *</i></b>                                   |                                     |                   |                               |
| PARKING   | 20.00                               | 20.00             | 20.00                         |
| <b>SPECIAL FUNDS - PART TIME PERSONNEL TOTAL</b>                      | <b>20.00</b>                        | <b>20.00</b>      | <b>20.00</b>                  |
| <b>TOTAL FULL-TIME PERSONNEL</b>                                      | <b>710.75</b>                       | <b>718.60</b>     | <b>739.30</b>                 |
| <b>TOTAL PART-TIME PERSONNEL</b>                                      | <b>252.46</b>                       | <b>256.03</b>     | <b>253.23</b>                 |

\*NOTE: Part-time personnel numbers may fluctuate due to the seasonality of positions.

## **DIRECTORY OF OFFICIALS**

### **CITY COUNCIL**

Steve R. Marchand, Mayor  
Thomas G. Ferrini, Ass't Mayor

Joanne M. Grasso      M. Chris Dwyer  
Edward R. Raynolds      Laura C. Pantelakos  
Kenneth E. Smith      Harold Whitehouse, Jr.  
John W. Hynes

### **BOARD OF EDUCATION**

Robert J. Lister, Superintendent  
Kent F. LaPage, Chairperson  
Nancy Novelline Clayburgh, Vice Chairperson

Raimond Bowles      Sheri Ham Garrity  
Carson T. Smith      John E. Lyons, Jr.  
Brendan Ristaino      Mitchell Shuldman  
Ann M. Walker

### **Police Commission**

Chief Michael Magnant  
John D. Kelley, Chairperson  
Gerald W. Howe  
John C. Russo

### **Fire Commission**

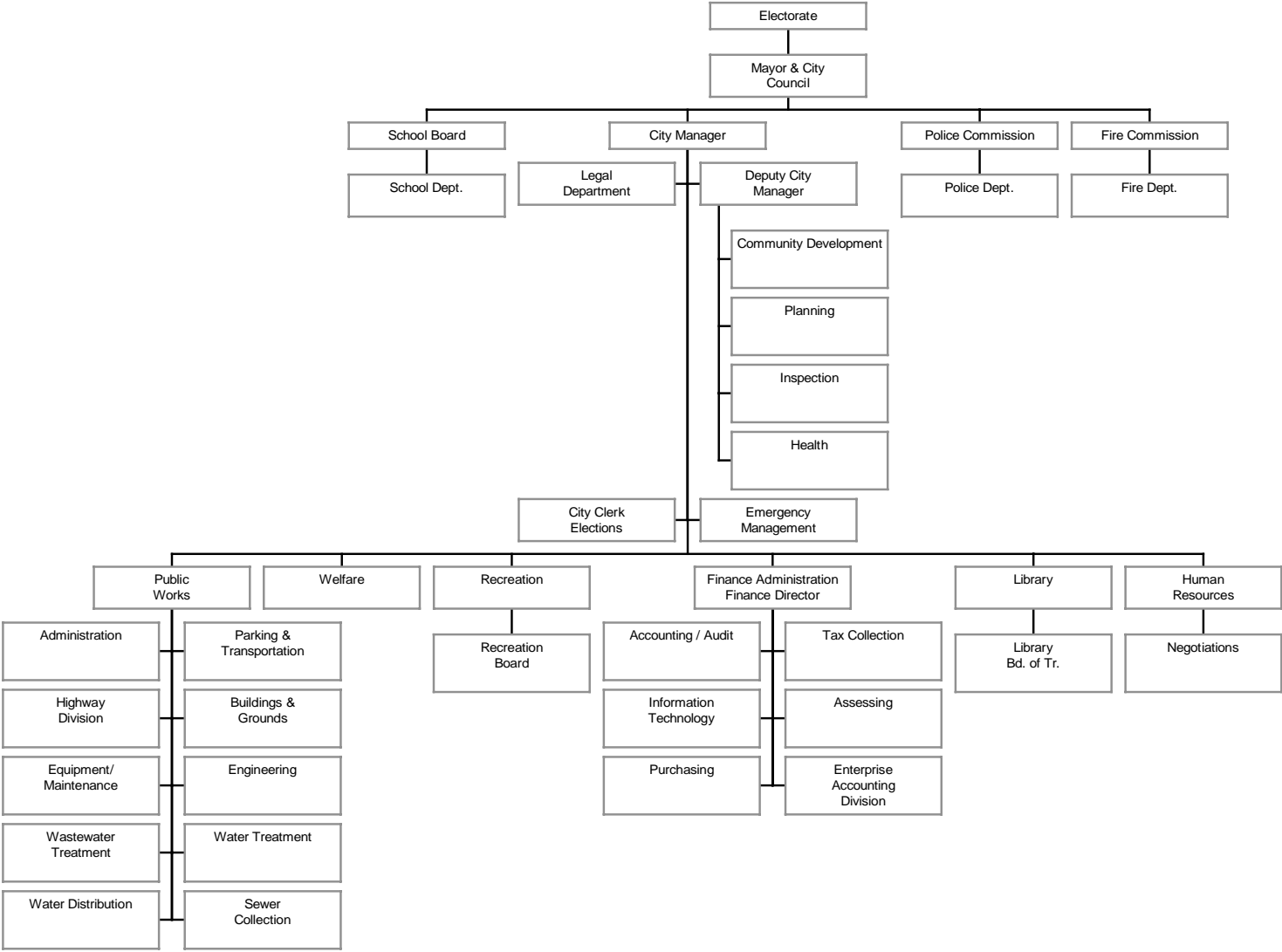
Chief Christopher LeClaire  
Michael K. Hughes, Chairperson  
Paul T. Wentworth  
Richard Gamester

## **PRINCIPAL EXECUTIVE OFFICERS**

**City Manager, John P. Bohenko**  
**Deputy City Manager, Cynthia Hayden**

|                                |                     |
|--------------------------------|---------------------|
| City Attorney                  | Robert Sullivan     |
| Finance Director               | Judith Belanger     |
| City Auditor                   | Andrew Purgiel      |
| City Clerk                     | Kelli Barnaby       |
| Tax Collector                  | Colleen Franzoso    |
| City Assessor                  | Lauren Elliott      |
| Director of Public Works       | Steven Parkinson    |
| Recreation Director            | Melvin Wilson, Jr.  |
| Library Director               | Mary Ann List       |
| Human Resource Director        | Dianna Fogarty      |
| Community Development Director | Cynthia Hayden      |
| Chief Building Inspector       | Richard Hopley      |
| Public Health Director         | Odyssias Athanasiou |
| Planning Director              | David Holden        |
| Welfare Director               | Keith Bates         |

# City of Portsmouth, NH Organizational Chart





## **COMMUNITY AND ECONOMIC PROFILE**

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The City of Portsmouth (population 20,784) lies near the mouth of the Piscataqua River, which divides New Hampshire and Maine. It is a regional economic and cultural hub of several small cities and towns and lies 50 miles north of Boston, Massachusetts, and 50 miles south of Portland, Maine.

Settled in 1623, Portsmouth is the nation's third-oldest city with a rich heritage as a working seaport and the home of the State's only deepwater port. Its quaint and historic downtown – and proximity to the ocean, and New Hampshire's lakes and mountains – attracts visitors year round. Its quality of life, business climate, arts and cultural resources, and education facilities have attracted a wide variety of industries led by cutting-edge technology firms employing young, entrepreneurial and highly skilled workers.

Portsmouth enjoys a healthy economy, due in part to tourism and a diversity of businesses that combine to make the City a major employment center. Almost half of the working residents are employed locally. Portsmouth also attracts workers from outside its borders: Nearly 80 percent of the total workforce commutes in from other communities. The City's unemployment rate traditionally falls well below the state and national rates.

Much of the City's new domestic and international business development and job creation has occurred at the Pease International Tradeport. The Tradeport was established following the 1990 closure of Pease Air Force Base and is now one of the nation's most successful military base redevelopments. The Tradeport employs 6,300 people in 220 companies, generates \$351 million in annual wages and has created approximately 10,000 "spin-off" jobs. However, it is controlled by the State and therefore the City does not capture all of the potential benefits from the Tradeport's growth. Instead, the City receives user fees in exchange for providing services.

Portsmouth is a tourism destination and the City benefits from the significant investment and growth in Portsmouth's hospitality sector, with two new hotels under construction and a major new hotel/conference facility expected to come on line in the next few years.

Over 40 percent of the City's more than \$3 billion in total property valuation is attributable to non-residential uses, which softens the tax burden on home owners. An increasing amount of property is owned by non-profit entities that are tax exempt and the City's Master Plan has identified the need for growth in valuation to generate tax revenues that exceed service demands.

Also, the City's property tax rates have been negatively impacted since 1999 by the State's education funding formula that has forced Portsmouth to raise \$11.7 million in excess property taxes for redistribution to other New Hampshire communities. Although the "Donor" status ended for FY2006, the City continues to closely monitor the State education funding issue with respect to potential adverse impacts on the local tax rate.

To expand its tax base, the City endeavors to develop and maintain dynamic commercial centers, to sustain the working waterfront, and to support arts and cultural activities as an especially desirable and distinctive component of our economy.

Along with its skilled workforce and superior quality of life, the City benefits from major economic assets that attract businesses and workers that are the heart Portsmouth's diverse economy. They include the:

### ***Portsmouth Naval Shipyard***

Located in Kittery, Maine, just across the Piscataqua River from Portsmouth, the 206-year-old Portsmouth Naval Shipyard is a major submarine overhaul and refueling facility and is the U.S. government's oldest continuously naval shipyard. Although recommended for closure in May 2005, a successful grassroots effort raised support and awareness of its unparalleled record and it was removed from the Base Realignment and Closure (BRAC) list in August 2005. It boasts a military and civilian payroll of \$352 million, employs 4,711 workers, accounts for \$41 million in New England area purchases and contracts for \$47 million in facility services.

### ***Pease International Tradeport***

The Pease Development Authority (PDA) has stewarded development at the State-controlled Tradeport and local and State officials sit on the PDA's board of directors. A number of Portsmouth's largest employers are located at the Tradeport, including several corporate headquarters, and manufacturing, biotech, and information technology firms. New businesses can build structures suitable for their operations on State-leased property. The ***Pease International Airport*** is an asset to the region and the businesses on the Tradeport. The PDA also oversees operation of the Port of New Hampshire.

### ***The Port of New Hampshire***

The Port of New Hampshire – the State's only deepwater port – is located on the Piscataqua River in Portsmouth. Administered by the PDA, its strategic location on a deep natural harbor guarantees its future viability for international shipping and cruise ships. The Port has a 66-foot-long wharf, a 310-foot barge pier, two large warehouse structures and container port operations. Recreational boating and commercial fishing are other popular activities. The State Harbormaster position is located at the Port and administers all coastal moorings.

### ***Foreign Trade Zone (FTZ)***

New Hampshire has one Foreign Trade Zone (FTZ) consisting of five distinct sites, three of which are located in Portsmouth: 1,095 acres at the Tradeport, 10 acres at the Port, and 50 acres at the Portsmouth Industrial Park. A Foreign Trade Zone is a site within the United States where items may be imported, stored and processed with deferral or elimination of customs duties and excise taxes, allowing firms to operate more competitively in the international market. The FTZ, in conjunction with the State's International Trade Resource Center at the Pease Tradeport, provide both opportunity and technical assistance for businesses interested in foreign commerce.



# COMMUNITY PROFILE

## CITY GOVERNMENT

|                    |                 |
|--------------------|-----------------|
| Settled            | 1623            |
| Incorporated       | 1849            |
| Form of Government | Council-Manager |

## CITY FINANCE

|                             |                 |
|-----------------------------|-----------------|
| Tax Rate 2005 (per \$1,000) | \$17.60         |
| Total Valuation             | \$3,106,411,197 |

Source: NH Dept. of Revenue Administration

|                           |     |
|---------------------------|-----|
| <b>Bond Ratings</b>       |     |
| Standard & Poor's         | AA  |
| Moody's Investors Service | Aa3 |

## LAND

|                            |               |
|----------------------------|---------------|
| Land Area                  | 10,034 acres  |
| Public Parks & Playgrounds | 200 acres*    |
| Public Streets             | 136 miles     |
| Wetlands                   | 3,538 acres** |

\*Source: City of Portsmouth, 2003 Wetlands Inventory

\*\* Source: Taintor and Associates, Existing Conditions, 2003

## UTILITIES

|                     |                      |
|---------------------|----------------------|
| Telephone           | Multiple Suppliers   |
| High Speed Internet | Multiple Suppliers   |
| Cable               | Public Service of NH |
| Gas                 | Northern Utilities   |
| Water               | City of Portsmouth   |
| Sewer               | City of Portsmouth   |
| Cell phone coverage | Complete Coverage    |

## ECONOMIC INDICATORS

### **Largest Private Employers (2005)**

|   |       |
|---|-------|
| Liberty Mutual                          | 1,800 |
| HCA Hospital                            | 1,020 |
| Demoulas Market Basket                  | 425   |
| Lonza Biologics                         | 500   |
| Erie Scientific/<br>Sybron Lab Products | 350   |
| Pan Am Airlines/Boston Maine            | 300   |
| Shaw's Supermarkets                     | 270   |
| Newmarket International                 | 252   |
| LabCorp                                 | 225   |
| Home Depot                              | 210   |

Source: City of Portsmouth, Economic Development

### **Portsmouth Employed Civilian Population By Industrial Sector (2000 U.S. Census)**

|                                  |        |
|----------------------------------|--------|
| Professional Services            | 31.94% |
| Retail Trade                     | 15.18% |
| Manufacturing                    | 12.48% |
| Miscellaneous Services           | 10.70% |
| Finance, Insurance, Real Estate  | 6.88%  |
| Transportation, Comm., Utilities | 6.78%  |
| All others                       | 16.04% |

### **Unemployment**

|            |       |
|------------|-------|
| Portsmouth | 3.5%  |
| State      | 3.56% |

Source: Bureau of Labor Statistics, Department of Labor, Feb 2006

## DEMOGRAPHICS

### **Population**

|                           |        |
|---------------------------|--------|
| 2005 Estimate, NHOEP est. | 21,051 |
| 2000 U.S. Census          | 20,784 |
| 1990 U.S. Census          | 25,925 |

### **Registered Voters**

|               |        |
|---------------|--------|
| November 2005 | 16,129 |
|---------------|--------|

Source: City of Portsmouth, Office of the City Clerk

### **Households**

|                  |        |
|------------------|--------|
| 2000 U.S. Census | 9,875  |
| 1990 U.S. Census | 10,329 |

Average Household Size 2.04

Average Family Size 2.75

Source: U.S. Census 2000

### **Age (Percent of Total Population)**

|                |       |
|----------------|-------|
| Up to 24 years | 24.4% |
| 25 - 54        | 50.5% |
| 60 and up      | 20.2% |

Source: U.S. Census

### **Median Household Income**

|                  |        |
|------------------|--------|
| 1990 U.S. Census | 30,591 |
| 2000 U.S. Census | 45,198 |

### **Housing Types**

Units in Structure

|                  |       |
|------------------|-------|
| 1-unit, detached | 40.2% |
| 1-unit, attached | 5.9%  |
| 2 units          | 8.1%  |
| 3 or 4 units     | 10.9% |
| 5 to 9 units     | 14.3% |
| 10 to 19 units   | 7.0%  |
| 20 or more units | 11.0% |
| Mobile home      | 2.7%  |

Source: U.S. Census

### **Housing Unit by Occupancy**

|                 |       |
|-----------------|-------|
| Owner-occupied  | 50.0% |
| Renter-occupied | 50.0% |

### **Mean Values**

|               |             |
|---------------|-------------|
| Type          | Mean        |
| COMMERCIAL*   | \$1,135,030 |
| RESIDENTIAL** | \$260,242   |

Residential Stratified

|                           |           |
|---------------------------|-----------|
| SINGLE FAMILY             | \$300,060 |
| CONDO                     | \$202,360 |
| MULTI-FAMILY 2-8 UNITS*** | \$323,530 |
| MOBILE HOMES              | \$49,820  |

\* Includes Pease Airport District and Utilities

\*\* Included single family, condos, multi-family 2-8 units and mobile homes

\*\*\*Includes single family parcels with more than one dwelling

Source: City of Portsmouth, Finance Department



# **BUDGET DOCUMENT**

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## **A GUIDE TO THE BUDGET DOCUMENT**

The City of Portsmouth is a municipal corporation governed by a City Council, including a mayor and eight members, and an appointed City Manager. The City's financial operations are budgeted and accounted for in a number of funds. Each fund is a separate accounting entity with self-balancing accounts.

The budget process is key to the development of the City of Portsmouth's strategic fiscal plan. The budget is the single most important document the City has for establishing policies, guidelines, and control over the direction of change and for determining the future.

This budget serves six vital functions:

1. It is a *policy document*, which establishes the City's priorities for expending funds for services to be provided for the coming fiscal year.
2. It is a *financial plan* for the City for the coming fiscal year.
3. It is an *operations guide*, which establishes the activities, services and functions to be carried out by the City's departments.
4. It is an important means of *communication*, which conveys to Portsmouth residents, local businesses, as well as other parties (such as bond rating agencies and the news media) how the City is being managed.
5. It is a *historical document*, which reflects the past level of services provided by the City.
6. It is a *legal document*, which establishes the legal guidelines for spending each year.

### ***BUDGET DOCUMENT CONTENTS***

The budget document contains the following funds and activities to assist in the understanding of the City's operations.

**GENERAL FUND-** This fund accounts for all general operating expenditures and revenues. This is the City's largest fund. Revenues in the general fund primarily are from property taxes.

**ENTERPRISE FUNDS-** Enterprise funds are supported by user fees and are used to account for ongoing organizations and activities which are similar to those often found in the private sector. The City of Portsmouth maintains two enterprise funds: Water and Sewer.

**SPECIAL REVENUE FUNDS-** These funds account for the proceeds of specific revenue sources, such as Federal, State, and Local grants; private donations, and transfer from other funds that are restricted to expenditure for specified purposes. There are three special revenue funds detailed in this document, which require a budget and are a part of the budget adoption process: Parking and Transportation, Community Development Block Grant (CDBG), and Urban Development Action Grant Fund (UDAG).

**DEBT SERVICE-**This document includes an analysis of debt service for the General, Water, and Sewer Funds. The analysis includes: computation of legal debt margin, long-term debt forecast model, projected long-term debt service as a percentage of the general fund budget, and long-term debt outstanding balance.

**CAPITAL IMPROVEMENT PLAN (CIP)-** The long-term planning for major capital projects as set forth in the six-year Capital Improvement Plan and adopted by the City Council. The capital projects are funded through capital outlays, state and federal aid, revenues, public private partnerships and bond issues. This documents provides a summary of the capital improvement plan in Appendix II however, the City also publishes a more detailed long-term CIP under separate cover.

**ROLLING STOCK PROGRAM-**The Rolling Stock Program is intended to provide an overall schedule for the expenditure of City funds on replacement of vehicles and equipment necessary to carry out daily City activities. City departments with rolling stock requirements and participate in the program include the Public Works, Police, Fire, and School Departments. Such a program serves to inform the City Council and the community that certain expenditures for upgrading the existing equipment are to be expected in the years ahead. The Rolling Stock Program detail is located in Appendix I of this document.

**FEE SCHEDULE-** A City ordinance was enacted stating that all municipal fees shall be adopted and may be amended by resolution during the annual budget adoption process. Appendix III provides a detailed list of all City fees which are reviewed every year.

### ***BASIS OF ACCOUNTING – BUDGETARY BASIS OF ACCOUNTING***

When considering any report of financial activity, the question of which basis of accounting to use must be addressed. Basis of accounting refers to when revenues, expenditures, expenses, transfers and related assets and liabilities are recognized in the accounts and reported in the financial statement.

GASB (Government Accounting Standards Board) states that methods of local government budgetary practices are outside the scope of financial reporting standards and therefore, does not prescribed a basis of accounting for use in budgetary reporting. The City of Portsmouth, in most cases, uses the same basis of accounting when preparing both the financial statements and annual budgets.

For Governmental Funds, the City of Portsmouth prepares its budgets using a modified accrual basis, which means the accrual basis with modifications; it emphasizes on sources and uses of current financial resources. Governmental Funds generally account only for current expendable available resources, so only those transactions classified as “current” (that is, affecting the current flow of revenues and expenditures) are recorded.

For Enterprise Funds, the City of Portsmouth prepares its budgets using the accrual basis, which results in an accounting measure that records the substances of transactions or events, not merely cash inflows or outflows. It recognizes non-cash transactions at the time they occur, taking into account not only accruals, but also deferrals, allocations and amortizations.

The Comprehensive Annual Financial Report (CAFR) shows the status of the City’s finances on the basis of “generally accepted accounting principles” (GAAP). The City, in most cases conforms to GAAP, in references to the fund based financial statements, when preparing its budget. Exceptions are as follow:

1. In the General Fund, a full accrual of the amount anticipated to be billed is recorded rather than adjusted for the 60-day rule and receipt of prior fiscal year tax payments.
2. Compensated absences are accrued as earned by employees using GAAP and recorded as expenditures as used in the budget.
3. Use of fund balance is recorded as a revenue in the budget.
4. Transfer in and out are recorded as revenue and expenditures in the budget.

## **THE BUDGET PROCESS**

The City annually initiates a lengthy and extensive budget-setting process following the requirements of the City Charter beginning in the fall and continuing with the final review and adoption by the City Council in June. The City will adopt a balanced budget, by fund, for all funds maintained by the City, in which total anticipated revenues will equal budgeted expenditures for each fund.

There are two components to the annual budget process: Capital Improvement Program and the Operating/Non-Operating budget process.

### ***CAPITAL IMPROVEMENT PROGRAM PROCESS***

The Capital Improvement Plan (CIP) is prepared by the Planning Board according to State statute. The intent of the CIP is to classify capital projects according to their priority and need, and schedule those improvements over a six-year time horizon. The Capital Improvement Plan process begins in the fall when each department is required to evaluate its six-year capital needs and submit proposed capital projects to the Planning Board. These requests are reviewed and adopted by the Planning Board prior to submission to the City Manager. The City Manager prepares and submits the six-year CIP to the City Council three months prior to the final budget submission. The City

Council holds a public hearing on the CIP and adopts the plan. The capital costs shown in year one of the CIP is the only impact to the proposed budget and may be revised in June by the City Council based on available funding in the operating/non-operating budget.

### ***OPERATING/NON-OPERATING BUDGET PROCESS***

The budget process begins in the fall with the Joint Budget Committee (JBC), which is an advisory committee to the City Council. It is made up of 12 members: 3 City Council members, 3 School Board members, 3 Police Commissioners, and 3 Fire Commissioners. The City Manager reports to this committee an analysis of revenues and expenditures from the current year, projected economic indicators, fixed cost changes, current and proposed Federal and State legislation, and knowledge of future events in the City which will impact future budgets. This committee assists with the direction and guidelines to use for the upcoming budget.

The City Manager initiates the budget process with City departments and provides guidelines for budget preparation. Each department submits its estimates of revenues and expenditures to the City Manager for review by mid-February. Prior to this date, the Police Commission, Fire Commission and School Board each hold public hearings.

The City Manager meets with every department and reviews the budget requests in detail and makes final decisions regarding the proposed budget. The City Manager, per the City Charter, recommends a proposed budget to the City Council. This must occur at least 45 days before the start of the fiscal year.

The City Council then holds a series of work sessions and a public hearing so that the public may comment on the budget.

The City Council must adopt the submitted budget by June 30<sup>th</sup>. If the City Council takes no action on or prior to June 30<sup>th</sup>, the budget submitted by the City Manager is deemed to have been adopted by the City Council per the City Charter.

Once the budget is adopted, no appropriations shall be made for any purpose not included in the annual budget as adopted unless voted by a two-thirds majority of the City Council after a public hearing is held to discuss said appropriation.

## FY '2007' BUDGET SCHEDULE

- 11/16/05 Joint Budget Committee (JBC) meeting
- 12/21/05 JBC Meeting
- 12/22/05 Department Head Meeting on budget procedure, format and guidelines
- 1/18/06 JBC Meeting
- 1/19/06 Planning Board Adoption of the Capital Improvement Program Budget (CIP)
- 1/23/06 Capital Improvement Program Budget (CIP) to City Council
- 1/30/06 City Council Work Session on CIP
- 2/08/06 Fire Commission Public Hearing on the proposed FY07 budget
- 2/14/06 School Board Public Hearing on the proposed FY07 budget
- 2/17/06 Proposed Budgets from all Departments due back to Finance Department (excluding School Department)
- 3/07/06 Police Commission Public Hearing on the proposed FY07 budget
- 3/10/06 Finance Department submits all proposed budgets to the City Manager
- 3/13/06 to 3/24/06 Departmental budget reviews with City Manager
- 3/20/06 City Council holds Public Hearing on CIP
- 4/03/06 City Council Adoption of the CIP
- 4/21/06 Budget sent to the City Council
- 5/02/06 (Tues) Public Hearing on City Manager's Proposed FY2007 budget with presentations from Police, Fire, School and Municipal Departments.
- 5/9/06 Work Session with City Council to review Fire Department Budget
- 5/11/06 Work Session with City Council to review Police Department Budget
- 5/16/06 Work Session with City Council to review the School Department Budget
- 5/23/06 Work Session with City Council to review the Municipal Budget
- 6/07/06 Re-open Public Hearing on the City Manager's Proposed FY2007 budget
- 6/13/06 Work Session with City Council –final budget review if necessary
- 6/19/06 City Council Adoption of the FY2007 Budget

Note: All Work Sessions will start at 6:30 p.m.

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# BUDGET SUMMARY - FY07

|  | DEPARTMENT REQUESTED |                      |                                 |               |                   | CITY MANAGER RECOMMENDED        |               |                   |
|--|----------------------|----------------------|---------------------------------|---------------|-------------------|---------------------------------|---------------|-------------------|
|  | FY 04/05<br>BUDGET   | FY 05/06<br>BUDGET   | FY 06/07<br>operating<br>Budget | %<br>Change   | \$\$<br>Change    | FY 06/07<br>operating<br>Budget | %<br>Change   | \$\$<br>Change    |
| <b>OPERATING BUDGET</b>                  |                      |                      |                                 |               |                   |                                 |               |                   |
| Municipal                                | 13,186,953           | 13,872,895           | 14,661,623                      | 5.69%         | 788,728           | 14,636,933                      | 5.51%         | 764,038           |
| Police                                   | 7,033,455            | 7,420,295            | 7,921,165                       | 6.75%         | 500,870           | 7,921,165                       | 6.75%         | 500,870           |
| Fire                                     | 5,489,105            | 5,791,006            | 6,226,861                       | 7.53%         | 435,855           | 6,226,861                       | 7.53%         | 435,855           |
| School                                   | 29,038,236           | 30,751,492           | 33,672,916                      | 9.50%         | 2,921,424         | 33,672,916                      | 9.50%         | 2,921,424         |
| <b>Total</b>                             | <b>54,747,749</b>    | <b>57,835,688</b>    | <b>62,482,565</b>               | <b>8.03%</b>  | <b>4,646,877</b>  | <b>62,457,875</b>               | <b>7.99%</b>  | <b>4,622,187</b>  |
| <b>NON-OPERATING EXPENSE</b>             |                      |                      |                                 |               |                   |                                 |               |                   |
| Tax Anticipation Note Interest           | 400,000              | 400,000              | 400,000                         | 0.00%         | 0                 | 400,000                         | 0.00%         | 0                 |
| Debt Service Payments                    | 6,881,963            | 7,402,012            | 7,330,930                       | -0.96%        | (71,082)          | 7,330,930                       | -0.96%        | (71,082)          |
| Overlay                                  | 800,000              | 800,000              | 800,000                         | 0.00%         | 0                 | 800,000                         | 0.00%         | 0                 |
| Capital Outlay                           | 750,000              | 1,170,000            | 1,500,000                       | 28.21%        | 330,000           | 1,500,000                       | 28.21%        | 330,000           |
| County                                   | 3,680,000            | 3,680,000            | 3,680,000                       | 0.00%         | 0                 | 3,680,000                       | 0.00%         | 0                 |
| Contingency                              | 270,000              | 400,000              | 400,000                         | 0.00%         | 0                 | 400,000                         | 0.00%         | 0                 |
| Other General Non-Operating              | 1,142,490            | 1,417,529            | 1,431,442                       | 0.98%         | 13,913            | 1,431,442                       | 0.98%         | 13,913            |
| Capital-Library                          | 1,000,000            | 0                    | 0.00                            | 0.00%         | 0                 | 0.00                            | 0.00%         | 0                 |
| <b>Total</b>                             | <b>14,924,453</b>    | <b>15,269,541</b>    | <b>15,542,372</b>               | <b>1.79%</b>  | <b>272,831</b>    | <b>15,542,372</b>               | <b>1.79%</b>  | <b>272,831</b>    |
| <b>Total Gross Budget</b>                | <b>69,672,202</b>    | <b>73,105,229</b>    | <b>78,024,937</b>               | <b>6.73%</b>  | <b>4,919,708</b>  | <b>78,000,247</b>               | <b>6.70%</b>  | <b>4,895,018</b>  |
| <b>REVENUES</b>                          |                      |                      |                                 |               |                   |                                 |               |                   |
| Municipal/State                          | 13,454,124           | 13,458,758           | 13,747,835                      | 2.15%         | 289,077           | 13,747,835                      | 2.15%         | 289,077           |
| School                                   | 3,750,000            | 3,850,000            | 3,950,000                       | 2.60%         | 100,000           | 3,950,000                       | 2.60%         | 100,000           |
| Use of Fund Balance                      | 1,000,000            | 0                    | 0                               | 0.00%         | 0                 | 0                               | 0.00%         | 0                 |
| Use of Reserve for property Appraisal    |                      | 73,500               | 73,500                          | 0.00%         | 0                 | 73,500                          | 0.00%         | 0                 |
| Use of Reserve for Debt                  | 1,000,000            | 1,500,000            | 1,000,000                       | -33.33%       | (500,000)         | 1,000,000                       | -33.33%       | (500,000)         |
| <b>Total</b>                             | <b>19,204,124</b>    | <b>18,882,258</b>    | <b>18,771,335</b>               | <b>-0.59%</b> | <b>(110,923)</b>  | <b>18,771,335</b>               | <b>-0.59%</b> | <b>(110,923)</b>  |
| <b>BUDGETED PROPERTY TAX LEVY</b>        | <b>50,468,078</b>    | <b>54,222,971</b>    | <b>59,253,602</b>               | <b>9.28%</b>  | <b>5,030,631</b>  | <b>59,228,912</b>               | <b>9.23%</b>  | <b>5,005,941</b>  |
| <b>Total Property Tax Commitment</b>     | <b>50,716,101</b>    | <b>53,905,853</b>    | <b>59,253,602</b>               | <b>9.92%</b>  | <b>5,347,749</b>  | <b>59,228,912</b>               | <b>9.87%</b>  | <b>5,323,059</b>  |
| War Service Credits                      | 309,500              | 406,500              | 406,500                         | 0.00%         | 0                 | 406,500                         | 0.00%         | 0                 |
| Adequate Education Grant                 | (8,443,473)          | (8,874,980)          | (8,874,980)                     | 0.00%         | 0                 | (8,874,980)                     | 0.00%         | 0                 |
| State Education Tax                      | 9,367,665            | 8,874,980            | 8,874,980                       | 0.00%         | 0                 | 8,874,980                       | 0.00%         | 0                 |
| <b>Total Property Taxes Assessed</b>     | <b>51,949,793</b>    | <b>54,312,353</b>    | <b>59,660,102</b>               | <b>9.85%</b>  | <b>5,347,749</b>  | <b>59,635,412</b>               | <b>9.80%</b>  | <b>5,323,059</b>  |
| Taxes Due State                          | 924,192              | 0                    | 0                               | 0.00%         | 0                 | 0                               | 0.00%         | 0                 |
| <b>ASSESSED VALUATION WITH UTILITIES</b> | <b>3,047,711,379</b> | <b>3,106,411,197</b> | <b>3,156,411,197</b>            | <b>1.61%</b>  | <b>50,000,000</b> | <b>3,156,411,197</b>            | <b>1.61%</b>  | <b>50,000,000</b> |
| <b>ASSESSED VALUATION NO UTILITIES</b>   | <b>2,929,145,319</b> | <b>2,985,036,259</b> | <b>3,035,036,259</b>            | <b>1.68%</b>  | <b>50,000,000</b> | <b>3,035,036,259</b>            | <b>1.68%</b>  | <b>50,000,000</b> |
| <b>MUNICIPAL TAX RATE</b>                | <b>12.93</b>         | <b>13.61</b>         | <b>14.93</b>                    | <b>9.67%</b>  | <b>1.32</b>       | <b>14.92</b>                    | <b>9.59%</b>  | <b>1.31</b>       |
| <b>COUNTY TAX RATE</b>                   | <b>1.04</b>          | <b>1.02</b>          | <b>1.17</b>                     | <b>14.30%</b> | <b>0.15</b>       | <b>1.17</b>                     | <b>14.30%</b> | <b>0.15</b>       |
| <b>STATE EDUCATION TAX RATE</b>          | <b>3.20</b>          | <b>2.97</b>          | <b>2.92</b>                     | <b>-1.54%</b> | <b>(0.05)</b>     | <b>2.92</b>                     | <b>-1.54%</b> | <b>(0.05)</b>     |
| <b>COMBINED TAX RATE</b>                 | <b>17.17</b>         | <b>17.60</b>         | <b>19.02</b>                    | <b>8.07%</b>  | <b>1.42</b>       | <b>19.01</b>                    | <b>8.01%</b>  | <b>1.41</b>       |



# GENERAL FUND EXPENDITURES BY DEPARTMENT

|                                 | FY05/06<br>BUDGET | FY 06/07<br>DEPARTMENT<br>REQUEST | \$\$<br>CHANGE   | %<br>CHANGE  | FY 06/07<br>CITY MANAGER<br>RECOMMENDED | \$\$<br>CHANGE   | %<br>CHANGE  |
|---------------------------------|-------------------|-----------------------------------|------------------|--------------|---|------------------|--------------|
| <b>OPERATING BUDGET</b>         |                   |                                   |                  |              |   |                  |              |
| <b>MUNICIPAL</b>                |                   |                                   |                  |              |   |                  |              |
| <b>GENERAL GOVERNMENT</b>       |                   |                                   |                  |              |   |                  |              |
| CITY COUNCIL                    | 32,121            | 36,621                            | 4,500            | 14.01%       | 36,621                                  | 4,500            | 14.01%       |
| CITY MANAGER                    | 230,605           | 238,679                           | 8,074            | 3.50%        | 238,679                                 | 8,074            | 3.50%        |
| HUMAN RESOURCES                 | 1,969,107         | 2,181,857                         | 212,750          | 10.80%       | 2,172,667                               | 203,560          | 10.34%       |
| CITY CLERK                      | 163,617           | 171,638                           | 8,021            | 4.90%        | 171,638                                 | 8,021            | 4.90%        |
| ELECTIONS                       | 35,071            | 43,780                            | 8,709            | 24.83%       | 43,780                                  | 8,709            | 24.83%       |
| LEGAL                           | 459,607           | 434,876                           | (24,731)         | -5.38%       | 434,876                                 | (24,731)         | -5.38%       |
| FINANCE/ACCOUNTING              | 1,516,478         | 1,589,416                         | 72,938           | 4.81%        | 1,573,916                               | 57,438           | 3.79%        |
| <b>OTHER GENERAL GOVERNMENT</b> |                   |                                   |                  |              |   |                  |              |
| GENERAL ADMINISTRATION          | 844,947           | 827,006                           | (17,941)         | -2.12%       | 827,006                                 | (17,941)         | -2.12%       |
| <b>REGULATORY SERVICES</b>      |                   |                                   |                  |              |   |                  |              |
| PLANNING                        | 419,581           | 462,160                           | 42,579           | 10.15%       | 462,160                                 | 42,579           | 10.15%       |
| INSPECTION DEPT                 | 319,314           | 332,087                           | 12,773           | 4.00%        | 332,087                                 | 12,773           | 4.00%        |
| PUBLIC HEALTH                   | 98,573            | 103,151                           | 4,578            | 4.64%        | 103,151                                 | 4,578            | 4.64%        |
| <b>PUBLIC WORKS</b>             |                   |                                   |                  |              |   |                  |              |
|                                 | 4,972,694         | 5,246,728                         | 274,034          | 5.51%        | 5,246,728                               | 274,034          | 5.51%        |
| <b>COMMUNITY SERVICES</b>       |                   |                                   |                  |              |   |                  |              |
| PUBLIC LIBRARY                  | 1,272,858         | 1,368,399                         | 95,541           | 7.51%        | 1,368,399                               | 95,541           | 7.51%        |
| RECREATION                      | 1,013,808         | 1,086,440                         | 72,632           | 7.16%        | 1,086,440                               | 72,632           | 7.16%        |
| PUBLIC WELFARE                  | 326,790           | 344,981                           | 18,191           | 5.57%        | 344,981                                 | 18,191           | 5.57%        |
| OUTSIDE SOCIAL SERVICES         | 192,223           | 188,304                           | (3,919)          | -2.04%       | 188,304                                 | (3,919)          | -2.04%       |
| <b>EMERGENCY MANAGEMENT</b>     |                   |                                   |                  |              |   |                  |              |
|                                 | 5,500             | 5,500                             | 0                | 0.00%        | 5,500                                   | 0                | 0.00%        |
| <b>MUNICIPAL SUB-TOTAL</b>      | <b>13,872,894</b> | <b>14,661,623</b>                 | <b>788,729</b>   | <b>5.69%</b> | <b>14,636,933</b>                       | <b>764,039</b>   | <b>5.51%</b> |
| <b>POLICE DEPARTMENT</b>        | <b>7,420,295</b>  | <b>7,921,165</b>                  | <b>500,870</b>   | <b>6.75%</b> | <b>7,921,165</b>                        | <b>500,870</b>   | <b>6.75%</b> |
| <b>FIRE DEPARTMENT</b>          | <b>5,791,007</b>  | <b>6,226,861</b>                  | <b>435,854</b>   | <b>7.53%</b> | <b>6,226,861</b>                        | <b>435,854</b>   | <b>7.53%</b> |
| <b>SCHOOL DEPARTMENT</b>        | <b>30,751,492</b> | <b>33,672,916</b>                 | <b>2,921,424</b> | <b>9.50%</b> | <b>33,672,916</b>                       | <b>2,921,424</b> | <b>9.50%</b> |
| <b>SUB-TOTAL</b>                | <b>43,962,794</b> | <b>47,820,942</b>                 | <b>3,858,148</b> | <b>8.78%</b> | <b>47,820,942</b>                       | <b>3,858,148</b> | <b>8.78%</b> |
| <b>TOTAL OPERATING</b>          | <b>57,835,688</b> | <b>62,482,565</b>                 | <b>4,646,877</b> | <b>8.03%</b> | <b>62,457,875</b>                       | <b>4,622,187</b> | <b>7.99%</b> |
| <b>NON-OPERATING</b>            |                   |                                   |                  |              |   |                  |              |
| TAX ANTICIPATION NOTES          | 400,000           | 400,000                           | 0                | 0.00%        | 400,000                                 | 0                | 0.00%        |
| DEBT SERVICE PAYMENTS           | 7,402,012         | 7,330,930                         | (71,082)         | -0.96%       | 7,330,930                               | (71,082)         | -0.96%       |
| OVERLAY                         | 800,000           | 800,000                           | 0                | 0.00%        | 800,000                                 | 0                | 0.00%        |
| CAPITAL OUTLAY                  | 1,170,000         | 1,500,000                         | 330,000          | 28.21%       | 1,500,000                               | 330,000          | 28.21%       |
| COUNTY TAX                      | 3,680,000         | 3,680,000                         | 0                | 0.00%        | 3,680,000                               | 0                | 0.00%        |
| CONTINGENCY                     | 400,000           | 400,000                           | 0                | 0.00%        | 400,000                                 | 0                | 0.00%        |
| OTHER GENERAL NON-OPERATING     | 1,417,529         | 1,431,442                         | 13,913           | 0.98%        | 1,431,442                               | 13,913           | 0.98%        |
| <b>SUB-TOTAL</b>                | <b>15,269,541</b> | <b>15,542,372</b>                 | <b>272,831</b>   | <b>1.79%</b> | <b>15,542,372</b>                       | <b>272,831</b>   | <b>1.79%</b> |
| <b>TOTAL GROSS BUDGET</b>       | <b>73,105,229</b> | <b>78,024,937</b>                 | <b>4,919,708</b> | <b>6.73%</b> | <b>78,000,247</b>                       | <b>4,895,018</b> | <b>6.70%</b> |

**CITY OF PORTSMOUTH  
GENERAL FUND  
COMPARISON BUDGETED, ACTUAL AND ESTIMATED REVENUES  
FOR FISCAL YEARS 2005-2007**

|   | <b>BUDGETED<br/>REVENUES<br/>FY 05</b> | <b>ACTUAL<br/>REVENUES<br/>FY 05</b> | <b>BUDGETED<br/>REVENUES<br/>FY 06</b> | <b>ESTIMATED<br/>REVENUES<br/>FY 07</b> | <b>%<br/>CHANGE</b> | <b>\$\$<br/>CHANGE</b> |
|---|--|--------------------------------------|--|---|---------------------|------------------------|
| <b>Local Fees, Licenses, Permits</b>          |  |                                      |  |   |                     |                        |
| Other Fees                                    | 9,000                                  | 14,035                               | 10,000                                 | 11,000                                  | 10.0%               | 1,000                  |
| Other Licenses                                | 30,000                                 | 42,955                               | 35,000                                 | 36,000                                  | 2.9%                | 1,000                  |
| Planning Board                                | 23,500                                 | 26,513                               | 24,000                                 | 25,000                                  | 4.2%                | 1,000                  |
| Board of Adjustments                          | 25,000                                 | 27,920                               | 26,000                                 | 26,000                                  | 0.0%                | -                      |
| Site Review                                   | 40,000                                 | 37,828                               | 40,000                                 | 40,000                                  | 0.0%                | -                      |
| Building Permits-Portsmouth                   | 110,000                                | 253,941                              | 140,000                                | 170,000                                 | 21.4%               | 30,000                 |
| Building Permits-Pease                        | 21,000                                 | 26,380                               | 21,000                                 | 21,000                                  | 0.0%                | -                      |
| Electrical Permits-Portsmouth                 | 30,000                                 | 99,210                               | 40,000                                 | 50,000                                  | 25.0%               | 10,000                 |
| Electrical Permits-Pease                      | 5,000                                  | 8,160                                | 7,000                                  | 7,000                                   | 0.0%                | -                      |
| Plumbing Permits-Portsmouth                   | 36,000                                 | 85,378                               | 40,000                                 | 45,000                                  | 12.5%               | 5,000                  |
| Plumbing Permits-Pease                        | 5,000                                  | 15,920                               | 7,000                                  | 7,000                                   | 0.0%                | -                      |
| Sign Permits                                  | 2,500                                  | 4,520                                | 3,000                                  | 3,000                                   | 0.0%                | -                      |
| Police Alarms                                 | 25,000                                 | 15,660                               | 25,000                                 | 20,500                                  | -18.0%              | (4,500)                |
| Burning Permits                               | 600                                    | 388                                  | 600                                    | 500                                     | -16.7%              | (100)                  |
| Excavation Permit                             | 12,000                                 | 12,750                               | 12,000                                 | 11,500                                  | -4.2%               | (500)                  |
| Solid Waste                                   | 15,000                                 | 20,156                               | 20,000                                 | 20,000                                  | 0.0%                | -                      |
| Outdoor Pool                                  | 12,000                                 | 11,788                               | 12,000                                 | 12,000                                  | 0.0%                | -                      |
| Recreation Department                         | 150,000                                | 163,767                              | 160,000                                | 160,000                                 | 0.0%                | -                      |
| Indoor Pool                                   | 90,000                                 | 82,065                               | 80,000                                 | 80,000                                  | 0.0%                | -                      |
| Boat Ramp Fees                                | 6,000                                  | 7,630                                | 6,000                                  | 6,000                                   | 0.0%                | -                      |
| Food Permits                                  | 48,000                                 | 48,305                               | 50,000                                 | 56,000                                  | 12.0%               | 6,000                  |
| <b>Total Local Fees, Licenses and Permits</b> | <b>695,600</b>                         | <b>1,005,269</b>                     | <b>758,600</b>                         | <b>807,500</b>                          | <b>6.4%</b>         | <b>48,900</b>          |
| <b>Other Local Sources</b>                    |  |                                      |  |   |                     |                        |
| Timber Tax                                    | 500                                    | 191                                  | 500                                    | 500                                     | 0.0%                | -                      |
| Payments in Lieu of Taxes                     | 160,000                                | 137,888                              | 160,000                                | 160,000                                 | 0.0%                | -                      |
| Municipal Agent Fees                          | 52,000                                 | 52,103                               | 52,000                                 | 52,000                                  | 0.0%                | -                      |
| Motor Vehicle Permits                         | 3,400,000                              | 3,555,120                            | 3,400,000                              | 3,450,000                               | 1.5%                | 50,000                 |
| Title Applications                            | 11,000                                 | 11,326                               | 11,500                                 | 11,500                                  | 0.0%                | -                      |
| Boat Registration                             | 4,200                                  | 4,968                                | 4,200                                  | 5,000                                   | 19.0%               | 800                    |
| PDA Airport District                          | 1,550,000                              | 1,751,599                            | 1,700,000                              | 1,700,000                               | 0.0%                | -                      |
| Water/Sewer Overhead                          | 730,688                                | 729,688                              | 770,875                                | 806,351                                 | 4.6%                | 35,476                 |
| Sale of Municipal Property                    | 5,000                                  | 66,506                               | 5,000                                  | 5,000                                   | 0.0%                | -                      |
| Misc Revenue                                  | 90,000                                 | 90,890                               | 90,000                                 | 90,000                                  | 0.0%                | -                      |
| Dog Licenses                                  | 8,000                                  | 9,271                                | 8,500                                  | 8,500                                   | 0.0%                | -                      |
| Marriage Licenses                             | 2,100                                  | 2,191                                | 2,500                                  | 2,500                                   | 0.0%                | -                      |
| Certificates-Birth and Death-Marriage         | 15,000                                 | 23,392                               | 17,000                                 | 18,000                                  | 5.9%                | 1,000                  |
| Rental of City Property                       | 600                                    | 5,034                                | 602                                    | 602                                     | 0.0%                | -                      |
| Rental City Hall Complex                      | 103,500                                | 100,169                              | 109,195                                | 103,325                                 | -5.4%               | (5,870)                |
| Cable Franchise Fee                           | 250,000                                | 282,231                              | 280,000                                | 282,000                                 | 0.7%                | 2,000                  |
| Hand Gun Permits                              | 750                                    | 530                                  | 750                                    | 500                                     | -33.3%              | (250)                  |
| Police Outside Detail                         | 90,000                                 | 42,626                               | 90,000                                 | 90,000                                  | 0.0%                | -                      |
| Fire Alarms                                   | 25,000                                 | 25,380                               | 25,000                                 | 25,000                                  | 0.0%                | -                      |
| Ambulance Fees-Portsmouth                     | 400,000                                | 509,899                              | 410,000                                | 420,000                                 | 2.4%                | 10,000                 |
| Welfare Dept Reimbursements                   | 15,000                                 | 18,579                               | 20,000                                 | 20,000                                  | 0.0%                | -                      |
| <b>Total Other Local Sources</b>              | <b>6,913,338</b>                       | <b>7,419,581</b>                     | <b>7,157,622</b>                       | <b>7,250,778</b>                        | <b>1.3%</b>         | <b>93,156</b>          |
| <b>Parking Revenues</b>                       |  |                                      |  |   |                     |                        |
| Parking Meter Fees                            | 1,100,000                              | 950,319                              | 1,000,000                              | 970,000                                 | -3.0%               | (30,000)               |
| Parking Garage Revenue                        | 1,200,000                              | 1,176,864                            | 1,120,000                              | 1,150,000                               | 2.7%                | 30,000                 |
| Garage Space Leases                           | 422,000                                | 492,180                              | 460,000                                | 500,000                                 | 8.7%                | 40,000                 |
| Parking Validation                            | -                                      | 7,740                                | 4,000                                  | 5,000                                   | 25.0%               | 1,000                  |
| Pass Reinstatement                            | -                                      | 2,750                                | 500                                    | 1,000                                   | 100.0%              | 500                    |
| Parking Violations                            | 1,055,000                              | 950,377                              | 950,000                                | 925,000                                 | -2.6%               | (25,000)               |
| Boot Removal Fee                              | 5,000                                  | 10,700                               | 7,000                                  | 8,000                                   | 14.3%               | 1,000                  |
| Summons Admin Fee                             | 8,000                                  | 22,790                               | 9,000                                  | 10,000                                  | 11.1%               | 1,000                  |
| <b>Total Parking Revenues</b>                 | <b>3,790,000</b>                       | <b>3,613,719</b>                     | <b>3,550,500</b>                       | <b>3,569,000</b>                        | <b>0.5%</b>         | <b>18,500</b>          |

**CITY OF PORTSMOUTH  
GENERAL FUND  
COMPARISON BUDGETED, ACTUAL AND ESTIMATED REVENUES  
FOR FISCAL YEARS 2005-2007**

|  | <b>BUDGETED<br/>REVENUES<br/>FY 05</b> | <b>ACTUAL<br/>REVENUES<br/>FY 05</b> | <b>BUDGETED<br/>REVENUES<br/>FY 06</b> | <b>ESTIMATED<br/>REVENUES<br/>FY 07</b> | <b>%<br/>CHANGE</b> | <b>\$\$<br/>CHANGE</b> |
|--|--|--------------------------------------|--|---|---------------------|------------------------|
| <b>Interest &amp; Penalties</b>              |  |                                      |  |   |                     |                        |
| Interest on Taxes                            | 160,000                                | 165,131                              | 160,000                                | 140,000                                 | -12.5%              | (20,000)               |
| Interest on Investments                      | 225,000                                | 353,336                              | 300,000                                | 500,000                                 | 66.7%               | 200,000                |
| <b>Total Interest &amp; Penalties</b>        | <b>385,000</b>                         | <b>518,466</b>                       | <b>460,000</b>                         | <b>640,000</b>                          | <b>39.1%</b>        | <b>180,000</b>         |
| <b>School Revenues</b>                       |  |                                      |  |   |                     |                        |
| Tuition                                      | 3,700,000                              | 3,576,385                            | 3,800,000                              | 3,900,000                               | 2.6%                | 100,000                |
| Other Sources                                | 50,000                                 | 43,425                               | 50,000                                 | 50,000                                  | 0.0%                | -                      |
| <b>Total School Revenues</b>                 | <b>3,750,000</b>                       | <b>3,619,810</b>                     | <b>3,850,000</b>                       | <b>3,950,000</b>                        | <b>2.6%</b>         | <b>100,000</b>         |
| <b>State Revenues</b>                        |  |                                      |  |   |                     |                        |
| Shared Rev Block Grant                       | 657,154                                | 657,154                              | 657,154                                | 657,154                                 | 0.0%                | -                      |
| Rooms and Meals Tax                          | 620,000                                | 695,623                              | 696,000                                | 760,000                                 | 9.2%                | 64,000                 |
| Highway Block Grant                          | 333,807                                | 348,562                              | 342,377                                | 347,225                                 | 1.4%                | 4,848                  |
| State Aid-Land Fill                          | 51,201                                 | 51,202                               | 50,192                                 | 49,183                                  | -2.0%               | (1,009)                |
| Bonded Debt-School                           | 1,016,250                              | 1,016,250                            | 1,016,250                              | 1,016,222                               | 0.0%                | (28)                   |
| <b>Total State Revenues</b>                  | <b>2,678,412</b>                       | <b>2,768,791</b>                     | <b>2,761,973</b>                       | <b>2,829,784</b>                        | <b>2.5%</b>         | <b>67,811</b>          |
| <b>Transfer to Fund 17</b>                   | <b>(1,008,226)</b>                     | <b>(1,008,226)</b>                   | <b>(1,229,937)</b>                     | <b>(1,349,227)</b>                      | <b>9.7%</b>         | <b>(119,290)</b>       |
| <b>Use of Fund Balance</b>                   | <b>1,000,000</b>                       | <b>1,000,000</b>                     | <b>0</b>                               | <b>0</b>                                | <b>-99.0%</b>       | <b>(0)</b>             |
| <b>Use of Reserve for Property Appraisal</b> | <b>-</b>                               | <b>-</b>                             | <b>73,500</b>                          | <b>73,500</b>                           | <b>0.0%</b>         | <b>-</b>               |
| <b>Use of Reserve for Debt</b>               | <b>1,000,000</b>                       | <b>1,000,000</b>                     | <b>1,500,000</b>                       | <b>1,000,000</b>                        | <b>-33.3%</b>       | <b>(500,000)</b>       |
| <b>Budgeted Property Tax Levy</b>            | <b>50,468,078</b>                      | <b>50,715,557</b>                    | <b>54,222,971</b>                      | <b>59,228,912</b>                       | <b>9.2%</b>         | <b>5,005,941</b>       |
| <b>Total General Fund Revenues</b>           | <b>69,672,202</b>                      | <b>70,652,968</b>                    | <b>73,105,229</b>                      | <b>78,000,247</b>                       | <b>6.7%</b>         | <b>4,895,018</b>       |

**GENERAL FUND REVENUE SUMMARY**

|                                    |                   |                   |                   |                   |             |                  |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------|------------------|
| Municipal/State Revenues           | 13,454,124        | 14,317,601        | 13,458,758        | 13,747,835        | 2.1%        | 289,077          |
| School Revenues                    | 3,750,000         | 3,619,810         | 3,850,000         | 3,950,000         | 2.6%        | 100,000          |
| Use of Fund Balance                | 1,000,000         | 1,000,000         | 0                 | 0                 |             | (0)              |
| Use of Reserve for Tax Appraisal   | -                 | -                 | 73,500            | 73,500            | 0.0%        | -                |
| Use of Reserve for Debt            | 1,000,000         | 1,000,000         | 1,500,000         | 1,000,000         | -33.3%      | (500,000)        |
| Budgeted Property Tax Levy         | 50,468,078        | 50,715,557        | 54,222,971        | 59,228,912        | 9.2%        | 5,005,941        |
| <b>Total General Fund Revenues</b> | <b>69,672,202</b> | <b>70,652,968</b> | <b>73,105,229</b> | <b>78,000,247</b> | <b>6.7%</b> | <b>4,895,018</b> |

## General Fund Revenue Descriptions and Trends

The City of Portsmouth divides general fund revenue sources into eight categories:

- 1) Local Fees, Licenses, Permits
- 2) Other Local Sources
- 3) Parking Revenue
- 4) Interest & Penalties
- 5) School Revenues
- 6) State Revenues
- 7) Use of Reserves and Fund Balance
- 8) Property Taxes

Following are descriptions of most general fund revenues with budget to actual trends (graphed) for major revenue sources.

### **Local Fees, Licenses, Permits:**

-Revenue raised from locally administered fees, licenses and permits are collected by a variety of departments. Fees charged as well as statistics for each fee are listed in the back of this budget booklet (Appendix III). Local fees are administered to recoup administrative costs associated with producing a specific product.

### **Other Local Sources:**

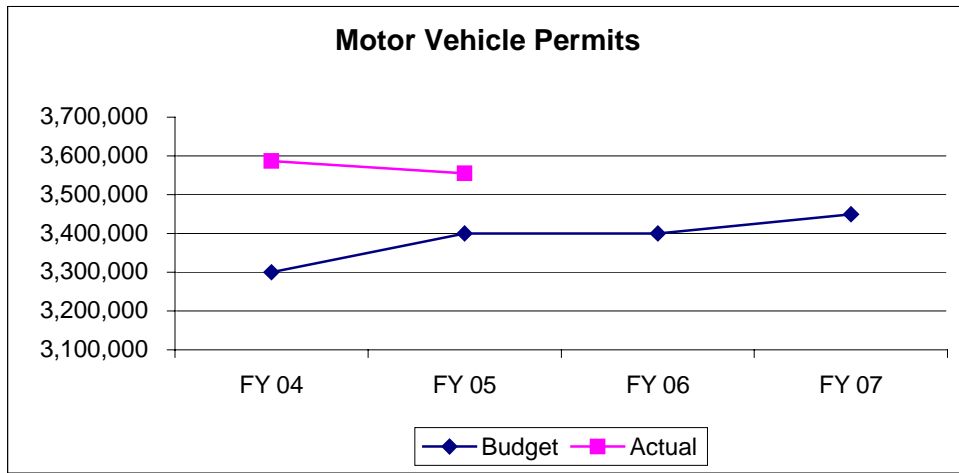
-**Payment In Lieu of Taxes (PILOT):** Payments made to the city by otherwise nontaxable entities; these payments help alleviate financial impact created by the entity.

-**Municipal Agent Fees** – RSA 261:74 – A \$2.50 fee charged to each motor vehicle applicant.

-**Motor Vehicle Permits** – RSA 261:153 Registration permits for motor vehicles are based on the year and list price of the vehicle. Revenue produced is a direct product of how many vehicles are registered. Following are registered vehicle numbers for previous fiscal years:

|         |        |
|---------|--------|
| FY 2003 | 24,260 |
| FY 2004 | 24,361 |
| FY 2005 | 23,940 |

Historically, revenues increased approximately 4%-5% a year for Motor Vehicle Permits. While this does not always hold true due to how many vehicles are registered and the unknown of the vehicles worth at registration, the City conservatively budgets Motor Vehicle Permits to allow for unforeseen economic downturns.

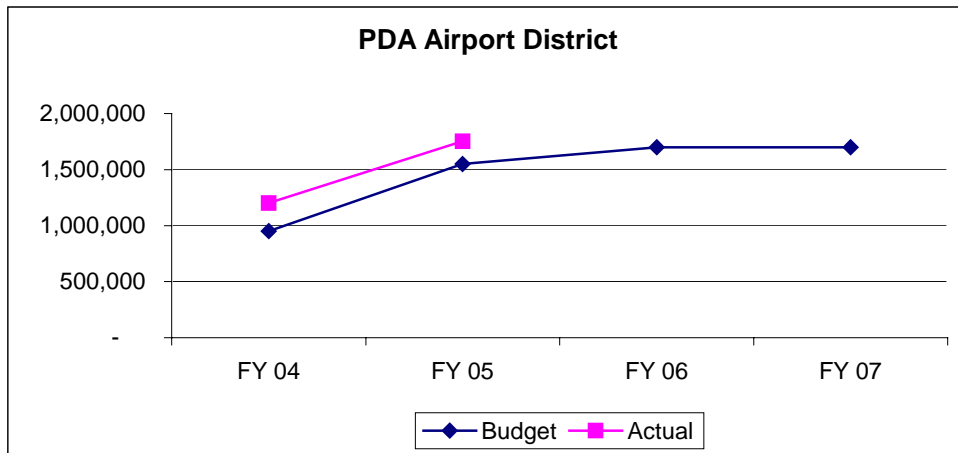


|        | FY 04     | FY 05     | FY 06     | FY 07     |
|--------|-----------|-----------|-----------|-----------|
| Budget | 3,300,000 | 3,400,000 | 3,400,000 | 3,450,000 |
| Actual | 3,587,209 | 3,555,120 |           |           |

**-Title Applications** – RSA 261:4 For preparation, examination, record keeping and filing of application for certificate of title the city collects \$2 for each application.

**-Boat Registration** – RSA 72 Fee charged for boats, which are required to be registered.

**-PDA Airport District** - RSA 12-G - A Municipal Service Agreement (MSA) effective July 1, 1998 allows for a service cost to be collected by the City on property within the Airport District of the Pease Development Authority (PDA). The Service Cost is an amount equal to the amount that would have been paid annually as Property Tax but excluding any school tax component in respect to such property. Quarterly, the PDA reports leased property to the City. These quarterly reports are used to determine the expected revenue for the following fiscal year. Assessed value of the buildings along with the tax rate applied being the driver of the revenue, the Finance Department projects the estimated revenue to be produced by the MSA.

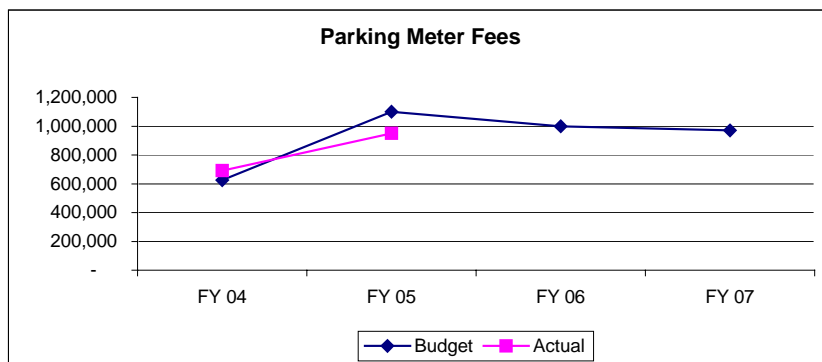


|        | FY 04     | FY 05     | FY 06     | FY 07     |
|--------|-----------|-----------|-----------|-----------|
| Budget | 950,000   | 1,550,000 | 1,700,000 | 1,700,000 |
| Actual | 1,199,956 | 1,751,599 |           |           |

- Water/Sewer Overhead** – A calculation of Water/Sewer Departments usage of General Government employees and office space to which is reimbursed to the General Fund from the Enterprise Funds.
- Dog Licenses** – RSA 466 – An annual License Fee. Portions of the amount collected go to the State.
- Marriage Licenses** – RSA 457:29 - \$45 is collected for issuing a Marriage License with \$38 going to the State and \$7 remaining with the City.
- Certificates-Birth, Death and Marriage** – RSA 5-C:10 – The City collects a fee in advance from individuals requesting any copy or verification of vital records.
- Rental of City Hall Complex** – Rent received from nonprofit organizations who lease office space in the Seybolt portion of City Hall. Rent is based on square footage used and actual cost to maintain the Seybolt portion of City Hall.
- Cable Franchise Fee** – A Portsmouth Cable Franchise Agreement between the City and local cable television provider stipulates that a 5% franchise fee will be charged to local cable television subscribers.
- Hand Gun Permits** – RSA 159:6 Revenues received when the Chief of Police issues a Hand Gun Permit, if the applicant is a suitable person to be licensed.
- Police Outside Detail** – The overhead portion received from the rate charged to vendors when a police detail is used.
- Fire Alarms** – City Ordinance Chapter 5: Article VIII Section 804 – Any person, firm, or corporation maintaining an alarm system located wholly or in part on City premises shall be subject to a service charge.
- Ambulance Fees** – City Ordinance Chapter 5: Article VI Section 601 – Establishes the rate for which emergency medical services shall be charged by the Fire Department.
- Welfare Dept Reimbursements** – RSA 165 – Reimbursements come from federal or state agencies if a welfare recipient becomes eligible for retroactive Social Security or Medicaid; from liens on legal settlements and on real property; from other New Hampshire towns which may be financially responsible for the recipient; or directly from recipients if they become able to reimburse.

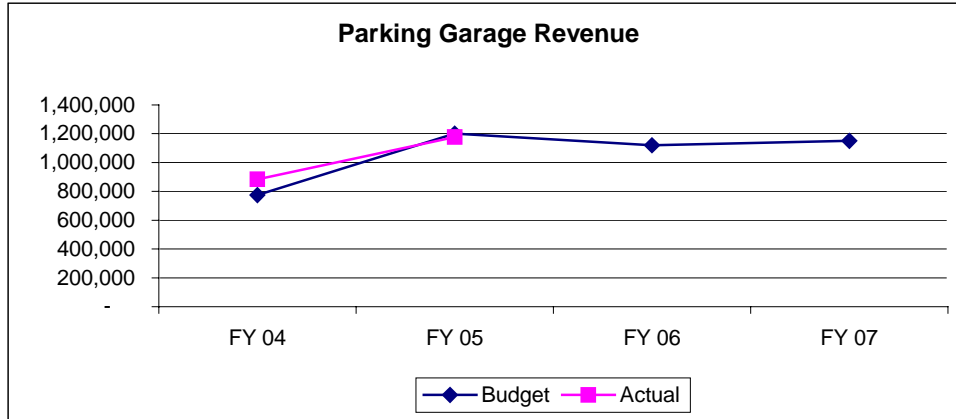
**Parking Revenue:**

-**Parking Meter Fees** – City Ordinance Chapter 7 – There are approximately 850 meters throughout the City charging \$0.75 per hour. The rates were raised in FY 05 from \$0.50 per hour. Qualitative forecasting using relevance historical forecasting methods is used to determine Parking Meter Fees revenue. While the raise in rates in FY 05 did alter historical use, the City has seen an increase to pre FY 05 levels during FY 06.



|        | FY 04   | FY 05     | FY 06     | FY 07   |
|--------|---------|-----------|-----------|---------|
| Budget | 625,000 | 1,100,000 | 1,000,000 | 970,000 |
| Actual | 690,994 | 950,319   |           |         |

**-Parking Garage Revenue** – City Ordinance Chapter 7 - Revenue from non-lease customers in the High-Hanover Parking Facility. Rates per hour are \$0.75 in the 915 space facility, raised in FY 05 from \$0.50 per hour. As with Parking Meters qualitative forecasting using relevance historical forecasting methods is used to determine Parking Garage Revenue. Although an annual average 5% increase in revenue had been recorded prior to FY 05, the increase in fees in FY 05 has not altered this trend.



|        | FY 04   | FY 05     | FY 06     | FY 07     |
|--------|---------|-----------|-----------|-----------|
| Budget | 775,000 | 1,200,000 | 1,120,000 | 1,150,000 |
| Actual | 884,285 | 1,176,864 |           |           |

**-Garage Space Leases** – City Ordinance Chapter 7 - Monthly pass holders lease payments in the High-Hanover Parking Facility. A 24-hour lease is \$100 per month while a 12-hour lease is \$80 per month. As of February 2005 there were 334 - 12-hour passes and 267 - 24 hour passes issued.

**-Parking Validation** - City Ordinance Chapter 7 – The validation program is whereby stamps, tokens or the like may be purchased by business owners within a designated geographical area at a discount rate for use by clients or customers.

**-Pass Reinstatement** - City Ordinance Chapter 7 – An administration fee to reissue passes to leaseholders that have misplaced their original.

**-Parking Violations** - City Ordinance Chapter 7 – Payments received from violations of parking ordinances.

**-Boot Removal Fee** - City Ordinance Chapter 7 – Reimbursement received from City expenses incurred to boot a vehicle.

**-Summons Administration Fee** - City Ordinance Chapter 7 – Any person or entity for which the City serves a summons for any traffic or parking offense is also liable to the City for a summons administration fee.

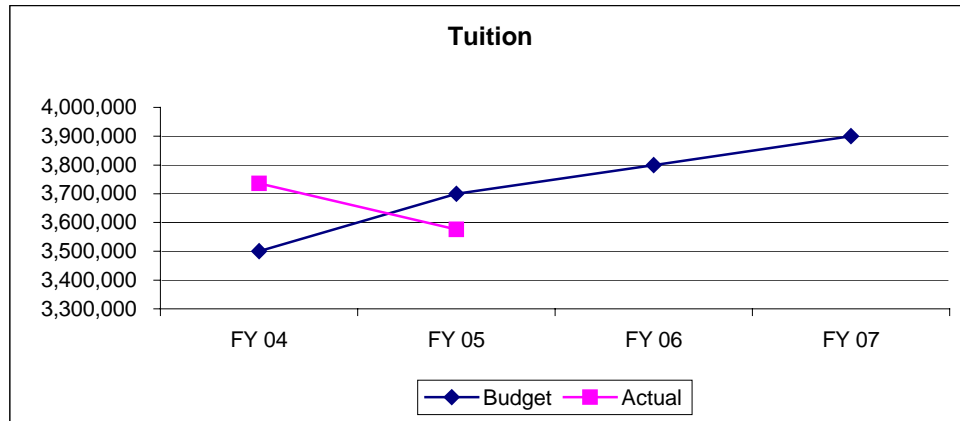
### **Interest and Penalties:**

**-Interest on Taxes** – RSA 76 & RSA 80 – Property taxes are received semiannually. A 12% per annum interest rate is charged upon all property taxes not received by the due date. The interest rate increases to 18% per annum, upon the execution of a real estate tax lien, to the time of payment in full.

**-Interest on Investments** – The amount of interest earned from deposits.

**School Revenues:**

**-Tuition** - Tuition received from the communities of Greenland, New Castle, Newington and Rye. This is the City’s second largest General Fund Revenue source, Property Taxes being the largest. Tuition is estimated for the number of students scheduled to attend from neighboring communities. Both the amount per student to be charged to neighboring communities and how many students will actually be sent to the Portsmouth schools are estimated for budgetary purposes. Forecasting models are used for the estimates.



|        | FY 04     | FY 05     | FY 06     | FY 07     |
|--------|-----------|-----------|-----------|-----------|
| Budget | 3,500,000 | 3,700,000 | 3,800,000 | 3,900,000 |
| Actual | 3,736,434 | 3,576,385 |           |           |

**-Other Sources** – Majority of revenue produced in Other Sources is received from rent charged to organizations for utilizing school buildings for special functions.

**State Revenues:**

**-Shared Revenue Block Grant** – RSA 31-A:4 – Return of Revenue to Cities and Towns from the State of New Hampshire.

**-Rooms and Meals Tax** – RSA 78 –A – Disposition of Revenue from the State is based on local community’s population as a percentage of the state population. The goal of the RSA is for the State to distribute 40% of the tax collected to communities while keeping 60%. Currently the State keeps approximately 75% while distributing 25%.

**-Highway Block Grant** – RSA 235:23 – Each fiscal year, the State Department of Transportation Commissioner allocates an amount not less than 12% of the total toll revenue and motor vehicle fees collected in the preceding fiscal year to a local highway aid fund. The fund is distributed to each community where ½ of the amount is based on the proportion which the mileage of regularly maintained class IV and V highways in each municipality bears to the



total of such mileage in the state, and ½ of the amount is based on local communities population as a percentage of the states population.

**-State Aid Landfill** – RSA 149-M – The state pays annually 20% of the annual amortization charges, meaning the principal and interest, on costs resulting from the closure of the Coakley Landfill.

**-School Building Aid** – RSA 198-15 – The City receives aid in the amount of 55% on High School and 30% on Elementary school portions of principal payments made during the fiscal year on debt attributed to those schools.

**Use of Reserves and Fund Balance:**

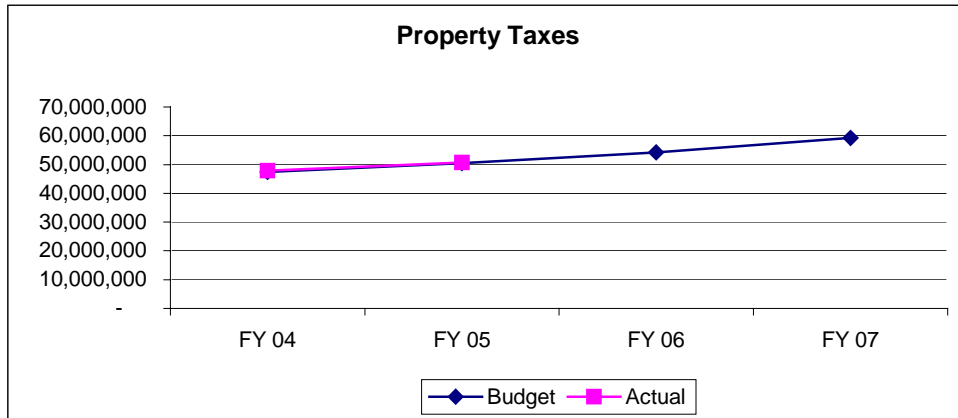
**-Use of Reserve for Property Appraisal** – The use of Reserve for Property Appraisal is used to offset revaluation expenditures incurred in the budget year.

**-Use of Reserve for Debt** – The use of city Reserves for Debt to offset the fiscal year debt service payments.

**Property Taxes:**

**-Property Taxes** – Property Taxes remain Portsmouth’s largest revenue source. The City levies and collects taxes according to state law. There are approximately 8,500 residential and commercial properties (not all taxable) within the city. The amount of property tax levied is directly related to the amount of appropriation less all other revenues estimated. Budgeted property tax revenue has increased on average of 6.8% annually from FY04 to FY06 and is estimated to be \$59,228,912 in FY07 standing with the proposed budget.

The city issues tax bills twice a year which are due December 1<sup>st</sup> and June 1<sup>st</sup>



|        | FY 04      | FY 05      | FY 06      | FY 07      |
|--------|------------|------------|------------|------------|
| Budget | 47,464,652 | 50,468,078 | 54,222,971 | 59,228,912 |
| Actual | 47,845,882 | 50,715,557 |            |            |

**CITY OF PORTSMOUTH  
WATER FUND  
COMPARISON BUDGETED, ACTUAL AND ESTIMATED REVENUES  
FOR FISCAL YEARS 2005-2007**

|                                      | <b>BUDGETED<br/>REVENUES<br/>FY 05</b> | <b>ACTUAL<br/>REVENUES<br/>FY 05</b> | <b>BUDGETED<br/>REVENUES<br/>FY 06</b> | <b>ESTIMATED<br/>REVENUES<br/>FY 07</b> | <b>%<br/>CHANGE</b> | <b>\$\$<br/>CHANGE</b> |
|--------------------------------------|--|--------------------------------------|--|---|---------------------|------------------------|
| <b>WATER CONSUMPTION</b>             |  |                                      |  |   |                     |                        |
| MUNICIPAL                            | 96,420                                 | 161,982                              | 95,459                                 | 201,055                                 | 110.6%              | 105,596                |
| OTHER UTILITIES WATER                | 49,021                                 | 45,968                               | 47,556                                 | 62,000                                  | 30.4%               | 14,444                 |
| COMMERCIAL TYPE 1                    | 1,195,000                              | 1,594,685                            | 1,521,703                              | 1,820,356                               | 19.6%               | 298,653                |
| INDUSTRIAL TYPE 1                    | 625,737                                | 487,633                              | 635,734                                | 635,734                                 | 0.0%                | 0                      |
| RESIDENTIAL TYPE 1                   | 1,779,561                              | 1,181,890                            | 1,726,021                              | 1,766,361                               | 2.3%                | 40,340                 |
| <b>TOTAL WATER CONSUMPTION</b>       | <b>3,745,739</b>                       | <b>3,472,158</b>                     | <b>4,026,473</b>                       | <b>4,485,506</b>                        | <b>11.4%</b>        | <b>459,033</b>         |
| <b>PUBLIC HYDRANT FEES</b>           |  |                                      |  |   |                     |                        |
| HYDRANT RENTAL INCOME                | 107,100                                | 104,600                              | 110,000                                | 110,000                                 | 0.0%                | 0                      |
| <b>TOTAL PUBLIC HYDRANT FEES</b>     | <b>107,100</b>                         | <b>104,600</b>                       | <b>110,000</b>                         | <b>110,000</b>                          | <b>0.0%</b>         | <b>0</b>               |
| <b>PRIVATE FIRE SERVICE FEES</b>     |  |                                      |  |   |                     |                        |
| FIRE SERVICES                        | 200,000                                | 212,413                              | 210,000                                | 214,000                                 | 1.9%                | 4,000                  |
| <b>TOTAL PRIVATE FIRE SERVICE</b>    | <b>200,000</b>                         | <b>212,413</b>                       | <b>210,000</b>                         | <b>214,000</b>                          | <b>1.9%</b>         | <b>4,000</b>           |
| <b>MISCELLANEOUS FEES</b>            |  |                                      |  |   |                     |                        |
| JOB WORKED SERVICE                   | 130,000                                | 114,180                              | 150,000                                | 130,000                                 | -13.3%              | (20,000)               |
| BACKFLOW TESTING                     | 105,000                                | 28,929                               | 105,000                                | 105,000                                 | 0.0%                | 0                      |
| SERVICE CHARGES-SPECIAL              | 28,000                                 | 38,111                               | 41,340                                 | 42,000                                  | 1.6%                | 660                    |
| PENALTY INCOME                       | 18,000                                 | -                                    | 18,000                                 | 18,000                                  | 0.0%                | 0                      |
| INTEREST ON INVESTMENTS              | 20,000                                 | 13,537                               | 30,000                                 | 60,000                                  | 100.0%              | 30,000                 |
| MISCELLANEOUS                        | 40,000                                 | 1,355                                | 30,000                                 | 20,000                                  | -33.3%              | (10,000)               |
| COST OF SALES                        | -                                      | (74,099)                             | -                                      | -                                       | -                   | 0                      |
| HOUSEHOLD HAZARDOUS WASTE            | 10,000                                 | 14,075                               | 10,000                                 | -                                       | -100.0%             | (10,000)               |
| <b>TOTAL MISCELLANEOUS FEES</b>      | <b>351,000</b>                         | <b>136,089</b>                       | <b>384,340</b>                         | <b>375,000</b>                          | <b>-2.4%</b>        | <b>(9,340)</b>         |
| <b>STATE REVENUES</b>                |  |                                      |  |   |                     |                        |
| STATE AID GRANT PROGRAM              | 42,257                                 | 33,888                               | 7,962                                  | -                                       | -100.0%             | (7,962)                |
| STATE REVOLVING LOAN PRGM            | 1,850,000                              | -                                    | 2,000,000                              | 3,550,000                               | 77.5%               | 1,550,000              |
| <b>TOTAL STATE REVENUES</b>          | <b>1,892,257</b>                       | <b>33,888</b>                        | <b>2,007,962</b>                       | <b>3,550,000</b>                        | <b>76.8%</b>        | <b>1,542,038</b>       |
| <b>SPECIAL AGREEMENTS</b>            |  |                                      |  |   |                     |                        |
| REV FROM SPECIAL AGRMNTS             | 42,000                                 | -                                    | 42,000                                 | 42,000                                  | 0.0%                | 0                      |
| <b>TOTAL SPECIAL AGREEMENTS</b>      | <b>42,000</b>                          | <b>-</b>                             | <b>42,000</b>                          | <b>42,000</b>                           | <b>0.0%</b>         | <b>0</b>               |
| <b>OTHER FINANCING SOURCES</b>       |  |                                      |  |   |                     |                        |
| PAYBACK FROM SEWER                   | 250,000                                | -                                    | 250,000                                | -                                       | -100.0%             | (250,000)              |
| PAYBACK FROM GENERAL FUND            | 82,644                                 | 82,644                               | 82,644                                 | -                                       | -100.0%             | (82,644)               |
| OTHER FINANCING SOURCES              | 768,550                                | -                                    | 734,554                                | 1,050,307                               | 43.0%               | 315,753                |
| <b>TOTAL OTHER FINANCING SOURCES</b> | <b>1,101,194</b>                       | <b>82,644</b>                        | <b>1,067,198</b>                       | <b>1,050,307</b>                        | <b>-1.6%</b>        | <b>(16,891)</b>        |
| <b>TOTAL WATER FUND</b>              | <b>7,439,290</b>                       | <b>4,041,791</b>                     | <b>7,847,973</b>                       | <b>9,826,813</b>                        | <b>25.2%</b>        | <b>1,978,840</b>       |

## Water Fund Revenue Descriptions and Trends

The City of Portsmouth Water Fund operates as a financially self-supporting enterprise fund. It is expected that revenues generated from rates, fees and retained earnings will sustain the cost of all operations and any debt service; no General Fund (tax) support is expected. Revenue sources for the City of Portsmouth Water Fund are classified into seven categories:

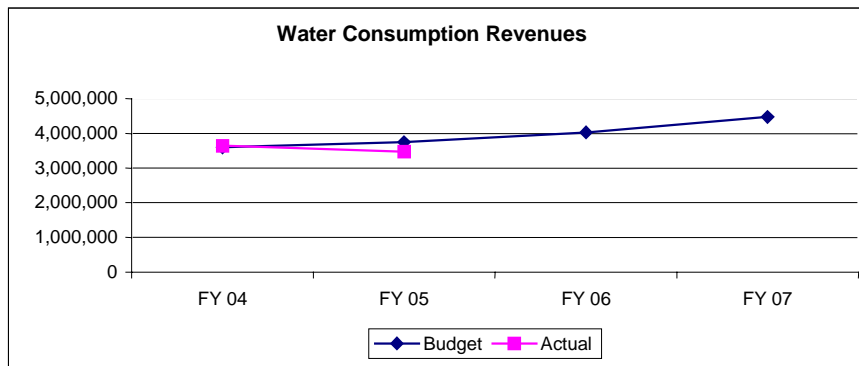
- 1) Water Consumption Revenues
- 2) Public Hydrant Fees
- 3) Private Fire Service Fees
- 4) Miscellaneous Fees
- 5) State Revenues
- 6) Special Agreements
- 7) Other Financing Sources

Following are descriptions of all water fund revenues with budget to actual trends (graphed) for major revenue sources.

### Water Consumption Revenues:

**-Water Consumption Revenues-** Water Tariff - Revenue generated from water consumption by customers. Revenue generated from this source is the primary cash flow for the division. The Water Fund recognized a decrease in water consumption revenues for FY05 attributable to the cold and wet summer weather that was experienced. Fluctuations in this revenue source while expected are unpredictable and difficult to budget. The Water Fund will recognize a surplus in revenues when demand is higher and a deficit when demand drops.

Water consumption revenues are subcategorized into five customer classes: municipal, residential, commercial, industrial and other utility customers. The City Council approves through a budget resolution changes in the water rate.



|        | FY 04     | FY 05     | FY 06     | FY 07     |
|--------|-----------|-----------|-----------|-----------|
| Budget | 3,599,066 | 3,745,739 | 4,026,473 | 4,485,506 |
| Actual | 3,638,831 | 3,472,158 |           |           |

### **Public Hydrant Fees:**

**-Public Hydrant Fees** - Revenues generated for providing water for public fire service to all municipalities served by the Water Division. The \$100 per public hydrant is collected from the following towns: Greenland, Newington, Madbury, New Castle, Rye and the City of Portsmouth General Fund.

Projections of this revenue is predictable, the only events that effect a change is the removal or installation of fire hydrants.

### **Private Fire Service Fees:**

**-Private Fire Service** - Water Tariff, page 18. - Many commercial and residential properties have a water service connection for their fire sprinkler system. The fee is based on the size of the fire service pipe entering the property.

The revenue generated from this source has been level for several years. Based on new construction of commercial properties, the Water Fund is predicting a slight increase in revenues.

### **Miscellaneous Fees:**

**-Job Worked Sales** – Water Tariff - Services rendered by the Water division maintenance department for the repair or construction of services in which an identify customer will be responsible for the costs. Services billed to individual customers include: repair of vehicular damage to City property, repair of water service on private property, upgrade to existing service at property. Services are rendered on demand, thus making the revenue unpredictable from year to year. The fund has projected annual revenue of \$130,000-\$150,000 for the past five years. Actual revenues have ranged from \$113,000 to \$189,000 annually.

**-Backflow Testing Fees** – City Ordinance Chapter 11 - It shall be the duty of the customer-user at any premise where backflow prevention devices are installed to have certified inspections and operational tests made at least twice per year. The Water Division will assess a fee for the inspection and testing of these devices.

During FY05, there was a significant drop in revenues. The department was not able to allocate necessary staff personnel to complete the scheduled testing, thus leading to the drop in revenues. The division considers the occurrence in FY05 unique, thus the prediction of revenues have not been adjusted.

**-Service Charges Fees** – Water Tariff – Revenues from charges assessed to customers for special requests. Charges include: final bill request, turn-on/off water service to a property, meter testing, frozen meter charges and returned check fee.

**-Penalty Income** – Water Tariff, page 17. Water bills are due and payable upon presentation. An interest charge of 1.5% per month shall be made on outstanding balances unpaid after 30 days. The City converted to new billing software during 2002. During the transition period,

penalties were not assessed. FY06 is the first time the City began to assess penalties on the new billing software. Anticipation that revenues will be level or slightly below FY06 figures is due to customer awareness of city policy of penalty assessment.

**-Interest on Investments** – The amount of interest earned from deposits

**-Miscellaneous Income** – Revenue from unexpected events, considered to be unique and unlikely to occur again in the future. Events include: photocopying, sale of maps, water testing for a customer, new connection fees.

### **State Revenues:**

**-State Revolving Fund Program (DWSRF)** – RSA 486:14. The State of New Hampshire offers low interest loans to municipalities for approved Department of Environmental Services projects. The annual revenue budget amount reflects anticipated disbursement requests to the loan program.

**-State Aid Grant Program** – RSA 486:3. Revenue received from the State of New Hampshire as a contribution for eligible water works construction projects. The Water Fund received its final payment in FY06. The Water Fund is not anticipating any future grant reimbursement since the availability of grants has been virtually eliminated from the State program.

### **Special Agreements:**

**-Special Agreements** – The Water Fund has entered into agreements with customers whose water requirement necessitates water system improvements. The terms of each agreement is based on system improvements and financing needs of the customer. The annual revenue budget amount equals the annual payment due from all customers for the fiscal year. Based on the terms of each agreement, the annual revenue is predictable and stable. New agreements are not expected at this time, therefore there is no change in revenue predicted.

### **Other Financing Sources:**

**-Payback from Sewer** -- The Sewer Fund repaid to the Water Fund, \$2.5 million over a ten-year period. Final payment was received in FY06.

**-Payback from General Fund** -- The General Fund repaid to the Water Fund, \$826,440 over a ten-year period. Final payment was received in FY06.

**-Budgetary Use of Fund Balance** – The budgeted use of fund balance is typically used to stabilize rate increases from year to year.

**CITY OF PORTSMOUTH  
SEWER FUND  
COMPARISON BUDGETED, ACTUAL AND ESTIMATED REVENUES  
FOR FISCAL YEARS 2005-2007**

|  | <b>BUDGETED<br/>REVENUES<br/>FY 05</b> | <b>ACTUAL<br/>REVENUES<br/>FY 05</b> | <b>BUDGETED<br/>REVENUES<br/>FY 06</b> | <b>ESTIMATED<br/>REVENUES<br/>FY 07</b> | <b>%<br/>CHANGE</b> | <b>\$\$<br/>CHANGE</b> |
|--|--|--------------------------------------|--|---|---------------------|------------------------|
| <b>SEWER CONSUMPTION</b>               |  |                                      |  |   |                     |                        |
| MUNICIPAL                              | 87,544                                 | 54,127                               | 45,520                                 | 75,010                                  | 64.8%               | 29,490                 |
| OTHER UTILITIES SEWER                  | 90,540                                 | 115,892                              | 97,544                                 | 106,770                                 | 9.5%                | 9,226                  |
| COMMERCIAL TYPE 1                      | 1,945,855                              | 2,611,238                            | 2,354,106                              | 2,663,463                               | 13.1%               | 309,357                |
| INDUSTRIAL TYPE 1                      | 429,180                                | 525,656                              | 398,450                                | 536,732                                 | 34.7%               | 138,282                |
| RESIDENTIAL TYPE 1                     | 2,748,310                              | 2,134,303                            | 2,572,064                              | 2,369,563                               | -7.9%               | (202,501)              |
| <b>TOTAL SEWER CONSUMPTION</b>         | <b>5,301,429</b>                       | <b>5,441,218</b>                     | <b>5,467,684</b>                       | <b>5,751,538</b>                        | <b>5.2%</b>         | <b>283,854</b>         |
| <b>MISCELLANEOUS FEES</b>              |  |                                      |  |   |                     |                        |
| JOB WORKED SERVICES                    | 30,000                                 | 67,446                               | 30,000                                 | 20,000                                  | -33.3%              | (10,000)               |
| SEPTAGE                                | 30,000                                 | 46,763                               | 34,500                                 | 60,000                                  | 73.9%               | 25,500                 |
| PENALTY INCOME                         | -                                      | -                                    | 15,000                                 | 12,000                                  | -20.0%              | (3,000)                |
| INTEREST ON INVESTMENTS                | 100,000                                | 51,266                               | 56,525                                 | 270,000                                 | 377.7%              | 213,475                |
| MISC REVENUE                           | -                                      | 145,697                              | -                                      | -                                       | -                   | -                      |
| PERMITS                                | 2,000                                  | 5,325                                | 4,000                                  | 5,000                                   | 25.0%               | 1,000                  |
| MISCELLANEOUS                          | 14,500                                 | 38,232                               | 14,500                                 | 18,000                                  | 24.1%               | 3,500                  |
| COST OF SALES                          | -                                      | (3,950)                              | -                                      | -                                       | -                   | -                      |
| HOUSEHOLD HAZARDOUS WASTE              | 10,000                                 | 6,807                                | 10,000                                 | -                                       | -100.0%             | (10,000)               |
| <b>TOTAL MISCELLANEOUS FEES</b>        | <b>186,500</b>                         | <b>357,586</b>                       | <b>164,525</b>                         | <b>385,000</b>                          | <b>134.0%</b>       | <b>220,475</b>         |
| <b>STATE AID GRANT PROGRAM</b>         |  |                                      |  |   |                     |                        |
| STATE AID GRANT PROGRAM                | 1,500,243                              | 1,798,931                            | 1,675,990                              | 1,539,816                               | -8.1%               | (136,174)              |
| <b>TOTAL STATE AID GRANT PROGRAM</b>   | <b>1,500,243</b>                       | <b>1,798,931</b>                     | <b>1,675,990</b>                       | <b>1,539,816</b>                        | <b>-8.1%</b>        | <b>(136,174)</b>       |
| <b>STATE REVOLVING LOAN PROGRAM</b>    |  |                                      |  |   |                     |                        |
| STATE REVOLVING LOAN PRGM              | 2,500,000                              | -                                    | 2,500,000                              | 3,000,000                               | 20.0%               | 500,000                |
| <b>TOTAL ST REVOLVING LOAN PROGRAM</b> | <b>2,500,000</b>                       | <b>-</b>                             | <b>2,500,000</b>                       | <b>3,000,000</b>                        | <b>20.0%</b>        | <b>500,000</b>         |
| <b>SPECIAL AGREEMENTS</b>              |  |                                      |  |   |                     |                        |
| PEASE REIMBURS SEWER LOAN              | 199,348                                | 83,059                               | 194,156                                | 188,965                                 | -2.7%               | (5,191)                |
| REV FROM SPECIAL AGRMNTS               | 153,086                                | 168,152                              | 153,086                                | 153,086                                 | 0.0%                | -                      |
| <b>TOTAL SPECIAL AGREEMENTS</b>        | <b>352,434</b>                         | <b>251,211</b>                       | <b>347,242</b>                         | <b>342,051</b>                          | <b>-1.5%</b>        | <b>(5,191)</b>         |
| <b>OTHER FINANCING SOURCES</b>         |  |                                      |  |   |                     |                        |
| OTHER FINANCING SOURCES                | (620,546)                              | -                                    | 391,813                                | 1,900,635                               | 385.1%              | 1,508,822              |
| <b>TOTAL OTHER FINANCING SOURCES</b>   | <b>(620,546)</b>                       | <b>-</b>                             | <b>391,813</b>                         | <b>1,900,635</b>                        | <b>385.1%</b>       | <b>1,508,822</b>       |
| <b>TOTAL SEWER FUND</b>                | <b>9,220,060</b>                       | <b>7,848,946</b>                     | <b>10,547,254</b>                      | <b>12,919,040</b>                       | <b>22.5%</b>        | <b>2,371,786</b>       |

## Sewer Fund Revenue Descriptions and Trends

The City of Portsmouth Sewer Fund operates as a financially self-supporting enterprise fund. It is expected that revenues generated from rates, fees and retained earnings will sustain the cost of all operations and any debt service; no General Fund (tax) support is expected. Revenue sources for the City of Portsmouth Sewer Fund are classified into six categories:

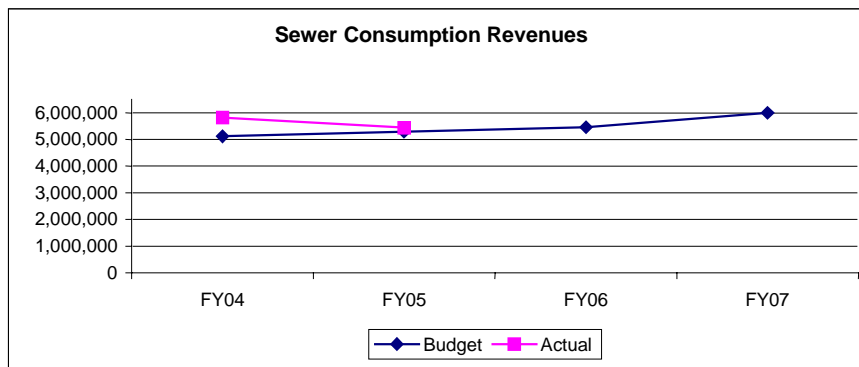
- 1) Sewer Consumption Revenues
- 2) Miscellaneous Fees
- 3) State Aid Grant Program
- 4) State Revolving Loan Program
- 5) Special Agreements
- 6) Other Financing Sources

Following are descriptions of all Sewer fund revenues with budget to actual trends (graphed) for major revenue sources.

### Sewer Consumption Revenues:

**-Sewer Consumption Revenues-** Ordinance - Revenue generated from sewer consumption by customers. The revenue generated from this source is the primary cash flow for the division. The Sewer Fund recognized a decrease in user rate revenues for FY05. The revenue is dependent on water consumption, which as previously noted, dropped in FY05 due to weather conditions. Fluctuations in this revenue source are similar to Water in that while expected they are unpredictable and difficult to budget. The Sewer Fund will recognize a surplus in revenues when demand is higher and a deficit when demand drops.

Sewer consumption revenues are subcategorized into five customer classes: municipal, residential, commercial, industrial and other utility customers. The City Council approves through a budget resolution changes in the Sewer rate.



|        | FY04      | FY05      | FY06      | FY07      |
|--------|-----------|-----------|-----------|-----------|
| Budget | 5,120,090 | 5,301,429 | 5,467,684 | 5,751,538 |
| Actual | 5,830,319 | 5,441,218 |           |           |

## **Miscellaneous Fees:**

**-Job Worked Sales** – Sewer Ordinance - Services rendered by the Sewer division maintenance department for the repair or construction of services in which an identify customer will be responsible for the costs. Services billed to individual customers include: repair of vehicular damage to City property, repair of Sewer service on private property, upgrade to existing service at property. Services are rendered on demand, thus making the revenue unpredictable from year to year. Actual revenues have ranged from \$5,600 to \$67,000 annually.

**-Septage Charges** – Sewer Ordinance – Revenues generated from the City accepting sewage from customers that requires additional handling and treatment processing costs.

The Sewer Fund has experienced an annual increase in revenues for the past three years. The increase is attributable to: the City began accepting septage from outside of the city limits, the city's septage charge is lower or at the same price as other surrounding communities, an increase in gas prices making it more costly for septage haulers to leave the city to use other facilities.

**-Service Charges Fees** – Sewer Ordinance – Revenues from charges assessed to customers for special requests. Charges include: final bill request, turn-on/off Sewer service to a property, meter testing, frozen meter charges and returned check fee.

**-Penalty Income** – Sewer Ordinance - Sewer bills are due and payable upon presentation. An interest charge of 1.5% per month shall be made on outstanding balances unpaid after 30 days. The City converted to new billing software during 2002. During the transition period, penalties were not assessed. FY05 is the first time the City began to assess penalties on the new billing software. Anticipation that revenues will be level or slightly below FY06 figures is due to customer awareness of city policy of penalty assessment.

**-Interest on Investments** – The amount of interest earned from deposits

**-Miscellaneous Income** – Revenue from unexpected events, considered to be unique and unlikely to occur again in the future. Events include: photocopying, sale of maps, Sewer testing for a customer, new connection fees.

## **State Revenues:**

**-State Revolving Fund Program (DWSRF)** – RSA 486:14. The State of New Hampshire offers low interest loans to municipalities for approved Department of Environmental Services projects. The annual revenue budget amount reflects anticipated disbursement requests to the loan program.

**-State Aid Grant Program** – RSA 486:3. Revenue received from the State of New Hampshire as a contribution for eligible sewage construction projects. The annual contribution is based on the project's amortization schedule and the impact on user fees. The City of Portsmouth is currently eligible for 30 percent contribution from the State.



### **Special Agreements:**

**-Special Agreements** – The Sewer Fund has entered into agreements with customers whose Sewer requirement necessitates Sewer system improvements. The terms of each agreement is based on system improvements and financing needs of the customer. The annual revenue budget amount equals the annual payment due from all customers for the fiscal year. Based on the terms of each agreement, the annual revenue is predictable and stable. New agreements are not expected at this time, therefore there is no change in revenue predicted.

**-Pease Payback Towards Debt** – Per the Municipal Service Agreement (MSA) effective July 1, 1998, calls for the Pease Development Authority (PDA) to reimburse the City for the cost of upgrades to the sewer treatment plant located on premises.

### **Other Financing Sources:**

**-Budgetary Use of Fund Balance** – The budgeted use of fund balance is typically used to stabilize rate increases from year to year.

CITY OF PORTSMOUTH  
SPECIAL REVENUE FUNDS  
COMPARISON BUDGETED, ACTUAL AND ESTIMATED REVENUES  
FOR FISCAL YEARS 2005-2007

|   | BUDGETED<br>REVENUES<br>FY 05 | ACTUAL<br>REVENUES<br>FY 05 | BUDGETED<br>REVENUES<br>FY 06 | ESTIMATED<br>REVENUES<br>FY 07 | %<br>CHANGE  | \$\$<br>CHANGE  |
|---|-------------------------------|-----------------------------|-------------------------------|--------------------------------|--------------|-----------------|
| <b>Community Development</b>                    |                               |                             |                               |                                |              |                 |
| CDBG Entitlement                                | 225,669                       | 225,669                     | 226,279                       | 215,978                        | -4.6%        | (10,301)        |
| Portsmouth Economic Developmnet Program         | 38,330                        | 38,330                      | 1,800                         | 1,800                          | 0.0%         | -               |
| UDAG Interest                                   | 97,500                        | 119,245                     | 150,000                       | 150,000                        | 0.0%         | -               |
| <b>Total Community Development</b>              | <b>361,499</b>                | <b>383,244</b>              | <b>378,079</b>                | <b>367,778</b>                 | <b>-2.7%</b> | <b>(10,301)</b> |
| <b>Parking and Transportation</b>               |                               |                             |                               |                                |              |                 |
| Portion of Parking Meter<br>and Garage Revenues | 1,008,225                     | 1,008,225                   | 1,229,937                     | 1,349,227                      | 9.7%         | 119,290         |
| <b>Total Parking and Transportation</b>         | <b>1,008,225</b>              | <b>1,008,225</b>            | <b>1,229,937</b>              | <b>1,349,227</b>               | <b>9.7%</b>  | <b>119,290</b>  |
| <b>Total Special Revenue Funds</b>              | <b>1,369,724</b>              | <b>1,391,469</b>            | <b>1,608,016</b>              | <b>1,717,005</b>               | <b>6.8%</b>  | <b>108,989</b>  |

## **Special Revenue Fund Revenue Descriptions and Trends**

### **Community Development:**

**-CDBG Entitlement** - The City's Community Development Department administers Community Development Block Grant (CDBG) funds, which are provided to Portsmouth annually by the U.S. Department of Housing and Urban Development for the purpose of benefiting people earning low or moderate incomes. The amount of federal funding is determined by a national formula based on income, age of housing and population growth/decline.

The Community Development Department's General Administration line item covers the administrative costs associated with CDBG-funded programs and projects; this includes salaries and benefits for some of the City's Community Development Department staff, as well as other operational costs such as legal notices, office supplies, postage and staff training. HUD does not allow general administration costs to exceed 20% of the City's CDBG budget.

**-Portsmouth Economic Development Program** - The Portsmouth Economic Development Loan Program (PEDLP), which was funded through federal CDBG dollars, is not currently accepting new loan applications. Community Development staff do, however, manage the existing loan portfolio; the only cost associated with this program is the small annual outside audit fee.

**UDAG Interest** – Interest earned from payback of Urban Development Action Grants. The City has an internal policy allowing the expenditure of up to 75% of the interest earned on the principal balances of grant paybacks.

### **Parking and Transportation:**

**-Parking Meter and Garage Revenues** - A portion of parking meter and garage revenues, equal to the budgeted expenditure for the Parking and Transportation Division of Public Works are recorded in this Special Revenue Fund.

City of Portsmouth  
 Combined Statement of Revenues and Expenditures and Changes in Undesignated Fund Balance  
 Governmental Funds and Enterprise Funds as Presented in the Budget Document  
 Fiscal Year 2007 (Note Beginning Balance Fund Balances are estimated)  
 (For Budgetary Purposes Only)

|   | Governmental Funds |                       | Enterprise Funds |                   | Total              |
|---|--------------------|-----------------------|------------------|-------------------|--------------------|
|   | General Fund       | Special Revenue Funds | Water Fund       | Sewer Fund        |                    |
| <b>Revenues</b>   |                    |                       |                  |                   |                    |
| Local Fees, Licenses, Permits                           | 807,500            |                       |                  |                   | <b>807,500</b>     |
| Other Local Sources                                     | 7,250,778          |                       |                  |                   | <b>7,250,778</b>   |
| Parking Revenues  | 3,569,000          |                       |                  |                   | <b>3,569,000</b>   |
| Interest & Penalties                                    | 640,000            | 150,000               |                  |                   | <b>790,000</b>     |
| School Revenues   | 3,950,000          |                       |                  |                   | <b>3,950,000</b>   |
| State/Federal Revenues                                  | 2,829,784          | 217,778               |                  |                   | <b>3,047,562</b>   |
| Fund Transfers  | (1,349,227)        | 1,349,227             |                  |                   | <b>-</b>           |
| Use of Fund Balance/Reserves                            | 1,073,500          |                       |                  |                   | <b>1,073,500</b>   |
| Property Tax  | 59,228,912         |                       |                  |                   | <b>59,228,912</b>  |
| Enterprise Fund Revenues                                |                    |                       | 9,826,813        | 12,919,040        | <b>22,745,853</b>  |
| <b>Total Revenues</b>                                   | <b>78,000,247</b>  | <b>1,717,005</b>      | <b>9,826,813</b> | <b>12,919,040</b> | <b>102,463,105</b> |
| <b>Expenditures</b>                                     |                    |                       |                  |                   |                    |
| City Council  | 36,621             |                       |                  |                   | <b>36,621</b>      |
| City Manager  | 238,679            |                       |                  |                   | <b>238,679</b>     |
| Human Resources   | 2,172,667          |                       |                  |                   | <b>2,172,667</b>   |
| City Clerk  | 171,638            |                       |                  |                   | <b>171,638</b>     |
| Elections   | 43,780             |                       |                  |                   | <b>43,780</b>      |
| Legal   | 434,876            |                       |                  |                   | <b>434,876</b>     |
| Finance   | 1,573,916          |                       |                  |                   | <b>1,573,916</b>   |
| General Administrative                                  | 827,006            |                       |                  |                   | <b>827,006</b>     |
| Planning  | 462,160            |                       |                  |                   | <b>462,160</b>     |
| Inspection  | 332,087            |                       |                  |                   | <b>332,087</b>     |
| Public Health   | 103,151            |                       |                  |                   | <b>103,151</b>     |
| Public Works  | 5,246,728          | 1,349,227             | 9,826,813        | 12,919,040        | <b>29,341,808</b>  |
| Public Library  | 1,368,399          |                       |                  |                   | <b>1,368,399</b>   |
| Recreation  | 1,086,440          |                       |                  |                   | <b>1,086,440</b>   |
| Community Development                                   |                    | 307,654               |                  |                   | <b>307,654</b>     |
| Public Welfare  | 344,981            |                       |                  |                   | <b>344,981</b>     |
| Outside Social Services                                 | 188,304            |                       |                  |                   | <b>188,304</b>     |
| Emergency Management                                    | 5,500              |                       |                  |                   | <b>5,500</b>       |
| Police Department                                       | 7,921,165          |                       |                  |                   | <b>7,921,165</b>   |
| Fire Department   | 6,226,861          |                       |                  |                   | <b>6,226,861</b>   |
| School Department                                       | 33,672,916         |                       |                  |                   | <b>33,672,916</b>  |
| Non-Operating   | 15,542,372         |                       |                  |                   | <b>15,542,372</b>  |
| <b>Total Expenditures</b>                               | <b>78,000,247</b>  | <b>1,656,881</b>      | <b>9,826,813</b> | <b>12,919,040</b> | <b>102,402,981</b> |
| Net Increase (Decrease)<br>in Undesignated Fund Balance | 0                  | 60,124                | -                | -                 | <b>60,124</b>      |
| Estimated:<br>Undesignated:                             |                    |                       |                  |                   |                    |
| Fund Balance Beginning FY 07                            | 6,944,996          | 3,671,009             | 3,849,437        | 13,898,410        | <b>28,363,852</b>  |
| Fund Balance - Ending FY 07                             | 6,944,996          | 3,731,133             | 3,849,437        | 13,898,410        | <b>28,423,976</b>  |

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## **DEBT SERVICE**

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The following pages analyze Debt Service for the General, Water, and Sewer Funds.

### **COMPUTATION OF LEGAL DEBT MARGIN (GENERAL, SCHOOL, AND WATER)**

Legal debt margins are established by the State of New Hampshire and are based on an equalized assessed valuation calculated by the State. There are three bonded debt limit margins established by the state: the General Fund, School related debt, and Water Fund debt limit margins. The General Fund debt limit is limited to 3% of equalized assessed valuation with landfills being exempt from the calculation. School related debt is limited to 7% of equalized assessed valuation. While the Water Fund is limited to 10% of equalized assessed valuation, it should be noted that the Sewer Fund has no legal debt margin.

### **LONG-TERM DEBT SERVICE FORECAST MODEL (GENERAL, WATER, AND SEWER)**

The long-term debt service forecast model displays issued long-term debt and projected future long-term debt for the General Fund, followed by the Water and Sewer Funds. Also listed are debt-related revenues. These revenues would not exist if certain debt issuance did not exist. The attached graph displays the pertinent funds' annual projected debt service payments for the next 10 years.

### **PROJECTED LONG-TERM DEBT SERVICE AS A PERCENTAGE OF THE GENERAL FUND BUDGET**

This page estimates future General Fund Budget totals and uses the projected net debt service from the Long Term Debt Service Forecast Model previously displayed, to calculate the percentage that debt service will be of the general fund budget. These projections go outward 10 years and a graph displays the result.

### **LONG TERM DEBT OUTSTANDING BALANCES (GENERAL, WATER, AND SEWER)**

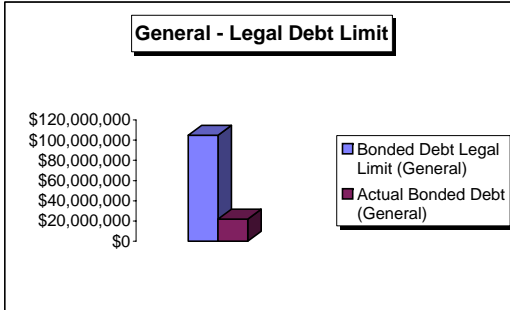
These pages display the outstanding debt balance of the General, Water and Sewer Funds for the next 10 years. They also show the scheduled payments against these balances for the next 10 years. A graph displays these numbers in a bar chart. In addition, the City's General Fund debt burden (including School Debt) is calculated. Debt burden measures how leveraged a community is by calculating the amount of debt outstanding as compared to the city's full valuation.

CITY OF PORTSMOUTH, NEW HAMPSHIRE  
Computation of Legal Debt Margin  
As of June 30, 2005

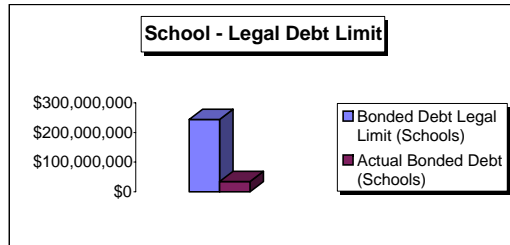
|  |                         |
|--|-------------------------|
| Modified local assessed valuation                            | \$ 3,075,582,479        |
| Department of Revenue Administration<br>inventory adjustment | <u>374,802,482</u>      |
| Equalized assessed valuation                                 | 3,450,384,961           |
| Adjustment: RSA 31-A   | <u>43,197,950</u>       |
| Base valuation for debt limit (1)                            | <u>\$ 3,493,582,911</u> |

**Note: as of June 30, 2005**

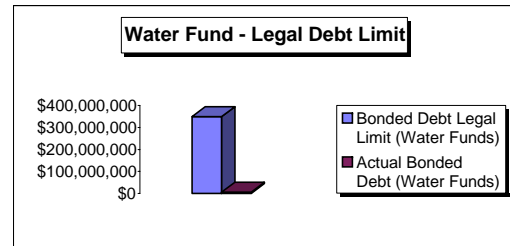
|  |                             |            |
|--|-----------------------------|------------|
| <b>Bonded debt limit - 3.0% of base (General Debt)</b> | <b>\$ 104,807,487</b>       |            |
| Gross bonded debt June 30, 2005                        | 14,905,288                  |            |
| Less:  |                             |            |
| Landfill (4)   | 3,013,288                   |            |
|  | 11,892,000                  |            |
| Authorized but unissued                                |                             |            |
| Library  | 7,000,000                   |            |
| FY 05 Street Improvements                              | 3,000,000                   |            |
|  | 10,000,000                  |            |
| <b>Total debt applicable to 3% limitation</b>          | <b><u>21,892,000</u></b>    | <b>21%</b> |
| <b>Legal Debt Margin</b>                               | <b><u>\$ 82,915,487</u></b> | <b>79%</b> |



|   |                              |            |
|---|------------------------------|------------|
| <b>Bonded debt limit - 7.0% of base (School Debt) (5)</b> | <b>\$ 244,550,804</b>        |            |
| Gross bonded debt June 30, 2005                           | 34,200,000                   |            |
|   | 34,200,000                   |            |
| Authorized but unissued                                   |                              |            |
| <b>Total debt applicable to 7% limitation</b>             | <b><u>34,200,000</u></b>     | <b>14%</b> |
| <b>Legal Debt Margin</b>                                  | <b><u>\$ 210,350,804</u></b> | <b>86%</b> |



|  |                           |            |
|--|---------------------------|------------|
| <b>Bonded debt limit - 10% of base (Water Fund) (2)(3)</b> | <b>349,358,291</b>        |            |
| Gross bonded debt June 30, 2005                            |                           |            |
| Water bonds  | 5,911,104                 |            |
|  | 5,911,104                 |            |
| Authorized but unissued                                    |                           |            |
|  | -                         |            |
| <b>Total debt applicable to 10% limitation</b>             | <b><u>5,911,104</u></b>   | <b>2%</b>  |
| <b>Legal Debt Margin</b>                                   | <b><u>343,447,187</u></b> | <b>98%</b> |



- (1) The equalization of all taxable property in the State of New Hampshire is conducted annually by the New Hampshire Department of Revenue Administration under the provisions of RSA 21-J: 3(XIII).
- (2) Enterprise funds.
- (3) Subject to a separate debt limit of 10% of the City's base valuation per RSA 33:5-a.
- (4) Exempt per RSA 33:3:e
- (5) Subject to a separate debt limit of 7% of the City's base valuation per RSA 33:4-a

**CITY OF PORTSMOUTH, NEW HAMPSHIRE**  
**LONG TERM DEBT SERVICE FORECAST MODEL**  
**GENERAL FUND**

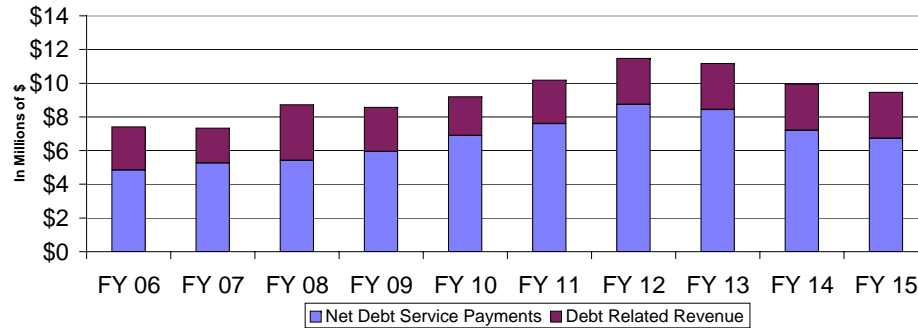
| ISSUE DATE  | ISSUE NAME                      | INTEREST RATE | ORIGINAL ISSUE    | BUDGET FY 06 | FY 07     | FY 08     | FY 09     | FY 10     | FY 11     | FY 12     | FY 13     | FY 14     | FY 15     |
|---|---------------------------------|---------------|-------------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>ISSUED DEBT</b>                                  |                                 |               |                   |              |           |           |           |           |           |           |           |           |           |
| <b>03/01/97</b>                                     | <b>96 &amp; 97 Improvements</b> | <b>4.72%</b>  | <b>3,768,000</b>  |              |           |           |           |           |           |           |           |           |           |
|   | Principal                       |               |                   | 375,000      | 370,000   |           |           |           |           |           |           |           |           |
|   | Interest                        |               |                   | 36,130       | 18,130    |           |           |           |           |           |           |           |           |
| <b>11/18/98</b>                                     | <b>Coakley 20 yr</b>            | <b>3.80%</b>  | <b>3,605,773</b>  |              |           |           |           |           |           |           |           |           |           |
|   | Principal                       |               |                   | 180,289      | 180,289   | 180,289   | 180,289   | 180,289   | 180,289   | 180,289   | 180,289   | 180,289   | 180,289   |
|   | Interest                        |               |                   | 95,914       | 89,063    | 82,212    | 75,361    | 68,510    | 61,659    | 54,808    | 47,957    | 41,106    | 34,255    |
| <b>06/15/00</b>                                     | <b>99 City Improvements</b>     | <b>5.04%</b>  | <b>2,610,000</b>  |              |           |           |           |           |           |           |           |           |           |
|   | Principal                       |               |                   | 260,000      | 260,000   | 260,000   | 260,000   | 260,000   |           |           |           |           |           |
|   | Interest                        |               |                   | 65,780       | 52,780    | 39,780    | 26,520    | 13,260    |           |           |           |           |           |
| <b>06/15/00</b>                                     | <b>00 City Improvements</b>     | <b>5.04%</b>  | <b>500,000</b>    |              |           |           |           |           |           |           |           |           |           |
|   | Principal                       |               |                   | 50,000       | 50,000    | 50,000    | 50,000    | 50,000    |           |           |           |           |           |
|   | Interest                        |               |                   | 12,650       | 10,150    | 7,650     | 5,100     | 2,550     |           |           |           |           |           |
| <b>06/15/00</b>                                     | <b>High Hanover Expansion</b>   | <b>5.04%</b>  | <b>4,500,000</b>  |              |           |           |           |           |           |           |           |           |           |
|   | Principal                       |               |                   | 450,000      | 450,000   | 450,000   | 450,000   | 450,000   |           |           |           |           |           |
|   | Interest                        |               |                   | 113,850      | 91,350    | 68,850    | 45,900    | 22,950    |           |           |           |           |           |
| <b>07/01/00</b>                                     | <b>Coakley OU-2 20 yr</b>       | <b>3.80%</b>  | <b>652,330</b>    |              |           |           |           |           |           |           |           |           |           |
|   | Principal                       |               |                   | 32,617       | 32,617    | 32,617    | 32,617    | 32,617    | 32,617    | 32,617    | 32,617    | 32,617    | 32,617    |
|   | Interest                        |               |                   | 18,591       | 17,352    | 16,113    | 14,873    | 13,634    | 12,394    | 11,155    | 9,915     | 8,676     | 7,437     |
| <b>09/15/02</b>                                     | <b>School Renovations 20 yr</b> | <b>3.69%</b>  | <b>38,000,000</b> |              |           |           |           |           |           |           |           |           |           |
|   | Principal                       |               |                   | 1,900,000    | 1,900,000 | 1,900,000 | 1,900,000 | 1,900,000 | 1,900,000 | 1,900,000 | 1,900,000 | 1,900,000 | 1,900,000 |
|   | Interest                        |               |                   | 1,299,125    | 1,251,625 | 1,201,750 | 1,147,125 | 1,090,125 | 1,033,125 | 973,750   | 909,625   | 828,875   | 733,875   |
| <b>09/15/02</b>                                     | <b>01 Improvements</b>          | <b>3.69%</b>  | <b>3,750,000</b>  |              |           |           |           |           |           |           |           |           |           |
|   | Principal                       |               |                   | 375,000      | 375,000   | 375,000   | 375,000   | 375,000   | 375,000   | 375,000   | 375,000   | 375,000   | 375,000   |
|   | Interest                        |               |                   | 83,438       | 74,063    | 64,219    | 53,438    | 42,188    | 30,938    | 19,219    | 6,563     |           |           |
| <b>09/15/02</b>                                     | <b>Peverly/Banfield Rd</b>      | <b>3.69%</b>  | <b>400,000</b>    |              |           |           |           |           |           |           |           |           |           |
|   | Principal                       |               |                   | 40,000       | 40,000    | 40,000    | 40,000    | 40,000    | 40,000    | 40,000    | 40,000    | 40,000    | 40,000    |
|   | Interest                        |               |                   | 8,900        | 7,900     | 6,850     | 5,700     | 4,500     | 3,300     | 2,050     | 700       |           |           |
| <b>09/15/02</b>                                     | <b>Spinnaker Point</b>          | <b>3.69%</b>  | <b>500,000</b>    |              |           |           |           |           |           |           |           |           |           |
|   | Principal                       |               |                   | 50,000       | 50,000    | 50,000    | 50,000    | 50,000    | 50,000    | 50,000    | 50,000    | 50,000    | 50,000    |
|   | Interest                        |               |                   | 11,125       | 9,875     | 8,563     | 7,125     | 5,625     | 4,125     | 2,563     | 875       |           |           |
| <b>09/15/02</b>                                     | <b>03 Improvements</b>          | <b>3.69%</b>  | <b>3,990,000</b>  |              |           |           |           |           |           |           |           |           |           |
|   | Principal                       |               |                   | 400,000      | 400,000   | 400,000   | 400,000   | 400,000   | 400,000   | 400,000   | 390,000   |           |           |
|   | Interest                        |               |                   | 88,650       | 78,650    | 68,150    | 56,650    | 44,650    | 32,650    | 20,150    | 6,825     |           |           |
| <b>02/01/05</b>                                     | <b>Fire Engine Note</b>         | <b>2.97%</b>  | <b>437,000</b>    |              |           |           |           |           |           |           |           |           |           |
|   | Principal                       |               |                   | 147,000      | 145,000   | 145,000   |           |           |           |           |           |           |           |
|   | Interest                        |               |                   | 12,979       | 8,613     | 4,307     |           |           |           |           |           |           |           |
| <b>08/01/05</b>                                     | <b>05 Improvements</b>          | <b>3.95%</b>  | <b>2,945,000</b>  |              |           |           |           |           |           |           |           |           |           |
|   | Principal                       |               |                   |              | 295,000   | 295,000   | 295,000   | 295,000   | 295,000   | 295,000   | 295,000   | 295,000   | 295,000   |
|   | Interest                        |               |                   | 58,900       | 111,900   | 100,100   | 88,300    | 76,500    | 64,700    | 52,900    | 41,100    | 29,300    | 17,500    |
| <b>08/01/05</b>                                     | <b>Library</b>                  | <b>3.95%</b>  | <b>6,960,000</b>  |              |           |           |           |           |           |           |           |           |           |
|   | Principal                       |               |                   |              | 350,000   | 350,000   | 350,000   | 350,000   | 350,000   | 350,000   | 350,000   | 350,000   | 350,000   |
|   | Interest                        |               |                   | 141,788      | 276,575   | 262,575   | 248,575   | 234,575   | 220,575   | 206,575   | 192,575   | 178,575   | 164,575   |
| <b>Total General Fund Issued Debt Principal Due</b> |                                 |               |                   | 4,259,905    | 4,897,905 | 4,527,905 | 4,382,905 | 4,382,905 | 3,622,905 | 3,622,905 | 3,612,905 | 2,757,905 | 2,757,905 |
| <b>Total General Fund Issued Debt Interest Due</b>  |                                 |               |                   | 2,047,819    | 2,098,025 | 1,931,117 | 1,774,666 | 1,619,066 | 1,463,466 | 1,343,169 | 1,216,135 | 1,086,532 | 957,641   |
| <b>Total General Fund-Issued Debt</b>               |                                 |               |                   | 6,307,724    | 6,995,930 | 6,459,022 | 6,157,571 | 6,001,971 | 5,086,371 | 4,966,074 | 4,829,040 | 3,844,437 | 3,715,547 |



**CITY OF PORTSMOUTH, NEW HAMPSHIRE  
LONG TERM DEBT SERVICE FORECAST MODEL  
GENERAL FUND**

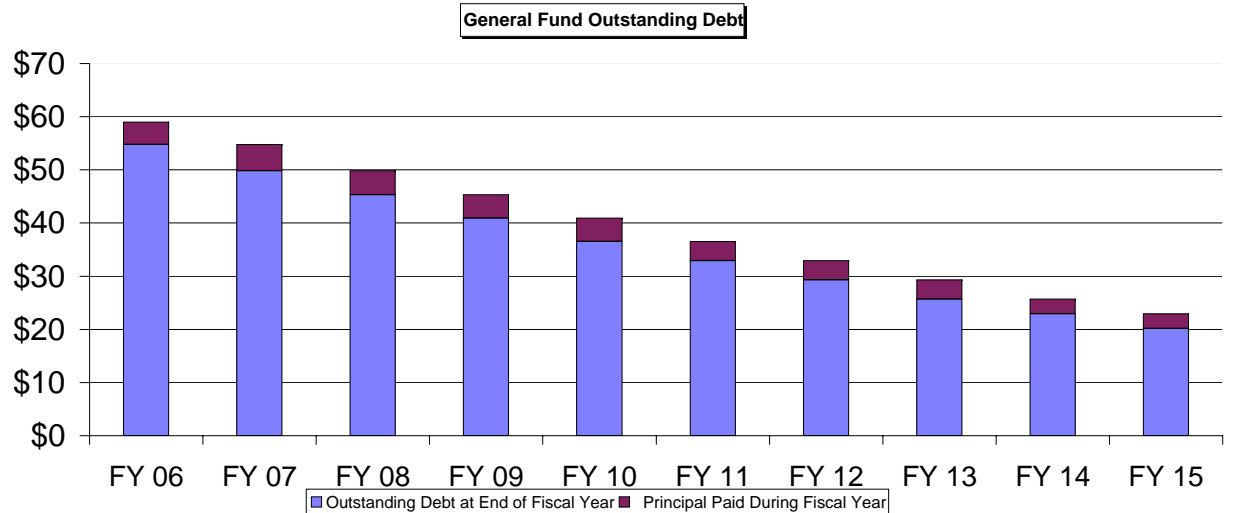
| ISSUE DATE  | ISSUE NAME  | INTEREST RATE | ORIGINAL ISSUE | BUDGET FY 06     | FY 07            | FY 08            | FY 09            | FY 10            | FY 11             | FY 12             | FY 13             | FY 14            | FY 15            |
|---|---|---------------|----------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|------------------|------------------|
| <b>Projected Future Debt:</b>                       |   |               |                |                  |                  |                  |                  |                  |                   |                   |                   |                  |                  |
|   | Allocation to Debt Reserve                          |               |                | 744,288          |                  |                  |                  |                  |                   |                   |                   |                  |                  |
| *10 yr  | 06 Improvements                                     | 4.50%         | 950,000        |                  | 137,750          | 133,475          | 129,200          | 124,925          | 120,650           | 116,375           | 112,100           | 107,825          | 103,550          |
| *20 yr  | Conference Center Parking Facility (Tax Exempt)     | 4.50%         | 7,579,909      |                  |                  | 582,714          | 582,714          | 582,714          | 582,714           | 582,714           | 582,714           | 582,714          | 582,714          |
| *20 yr  | Conference Center Parking Facility (Non Tax Exempt) | 6.00%         | 7,420,091      |                  |                  | 646,130          | 646,130          | 646,130          | 646,130           | 646,130           | 646,130           | 646,130          | 646,130          |
| *10 yr  | New Castle Ave Improvements                         | 4.50%         | 600,000        |                  | 87,000           | 84,300           | 81,600           | 78,900           | 76,200            | 73,500            | 70,800            | 68,100           | 65,400           |
| 10 yr   | 07 City Improvements                                | 4.50%         | 4,900,000      |                  | 110,250          | 699,475          | 677,425          | 655,375          | 633,325           | 611,275           | 589,225           | 567,175          | 545,125          |
| 10 yr   | 08 School Building Improvements                     | 4.50%         | 500,000        |                  |                  |                  | 72,500           | 70,250           | 68,000            | 65,750            | 63,500            | 61,250           | 59,000           |
| 10 yr   | 09 City Improvements                                | 4.50%         | 4,000,000      |                  |                  |                  |                  | 580,000          | 562,000           | 544,000           | 526,000           | 508,000          | 490,000          |
| 10 yr   | 10 School Building Improvements                     | 4.50%         | 500,000        |                  |                  |                  |                  |                  | 72,500            | 70,250            | 68,000            | 65,750           | 63,500           |
| 10 yr   | 11 City Improvements                                | 4.50%         | 4,000,000      |                  |                  |                  |                  |                  |                   | 580,000           | 562,000           | 544,000          | 526,000          |
| 10 yr   | 12 School Building Improvements                     | 4.50%         | 500,000        |                  |                  |                  |                  |                  |                   |                   | 72,500            | 70,250           | 68,000           |
| 20 yr   | School Renovations 20 yr                            | 4.50%         | 20,000,000     |                  |                  |                  |                  |                  | 1,900,000         | 1,855,000         | 1,810,000         | 1,765,000        | 1,720,000        |
| 20 yr   | School Renovations 20 yr                            | 4.50%         | 10,000,000     |                  |                  |                  |                  |                  |                   | 950,000           | 927,500           | 905,000          | 882,500          |
|   | Rolling Stock Projected Debt                        |               |                | 350,000          |                  | 110,250          | 216,450          | 453,350          | 436,250           | 419,150           | 312,050           | 209,000          |                  |
| *Authorized   |   |               |                |                  |                  |                  |                  |                  |                   |                   |                   |                  |                  |
| <b>Total Projected Bonded Debt and Interest Due</b> |   |               |                | <b>1,094,288</b> | <b>335,000</b>   | <b>2,256,344</b> | <b>2,406,019</b> | <b>3,191,644</b> | <b>5,097,769</b>  | <b>6,514,144</b>  | <b>6,342,519</b>  | <b>6,100,194</b> | <b>5,751,919</b> |
| <b>TOTAL DEBT SERVICE WITH PROJECTED DEBT</b>       |   |               |                | <b>7,402,012</b> | <b>7,330,930</b> | <b>8,715,366</b> | <b>8,563,590</b> | <b>9,193,615</b> | <b>10,184,140</b> | <b>11,480,218</b> | <b>11,171,559</b> | <b>9,944,631</b> | <b>9,467,466</b> |
| <b>Debt Related Revenues</b>                        |   |               |                |                  |                  |                  |                  |                  |                   |                   |                   |                  |                  |
|   | Coakley Landfill State Aid                          |               |                | (50,192)         | (49,183)         | (48,173)         | (47,164)         | (46,154)         | (45,144)          | (44,135)          | (43,125)          | (42,115)         | (41,106)         |
|   | School Building Aid (High School)                   |               |                | (1,016,250)      | (1,016,222)      | (1,016,222)      | (1,016,222)      | (1,016,222)      | (1,016,222)       | (1,016,222)       | (1,016,222)       | (1,016,222)      | (1,016,222)      |
|   | Projected School Building Aid (Middle School)       |               |                |                  |                  |                  |                  |                  | (300,000)         | (300,000)         | (300,000)         | (300,000)        | (300,000)        |
|   | Projected School Building Aid (Elementary Schools)  |               |                |                  |                  |                  |                  |                  |                   | (150,000)         | (150,000)         | (150,000)        | (150,000)        |
|   | Use of Debt Reserve                                 |               |                | (1,500,000)      | (1,000,000)      | (1,000,000)      | (330,929)        |                  |                   |                   |                   |                  |                  |
|   | Use of Parking Revenues                             |               |                |                  |                  | (1,228,844)      | (1,228,844)      | (1,228,844)      | (1,228,844)       | (1,228,844)       | (1,228,844)       | (1,228,844)      | (1,228,844)      |
| <b>TOTAL DEBT (net of reimbursements)</b>           |   |               |                | <b>4,835,569</b> | <b>5,265,526</b> | <b>5,422,127</b> | <b>5,940,432</b> | <b>6,902,395</b> | <b>7,593,929</b>  | <b>8,741,017</b>  | <b>8,433,368</b>  | <b>7,207,450</b> | <b>6,731,294</b> |

**General Fund Annual Projected Debt Service**



**CITY OF PORTSMOUTH, NEW HAMPSHIRE  
LONG TERM DEBT-OUTSTANDING BALANCES  
GENERAL FUND**

|  | <u>FY 06</u> | <u>FY 07</u> | <u>FY 08</u> | <u>FY 09</u> | <u>FY 10</u> | <u>FY 11</u> | <u>FY 12</u> | <u>FY 13</u> | <u>FY 14</u> | <u>FY 15</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Outstanding Debt at Beginning of Fiscal Year | 49,105,288   | 54,750,383   | 49,852,477   | 45,324,572   | 40,941,667   | 36,558,762   | 32,935,857   | 29,312,951   | 25,700,046   | 22,942,141   |
| Additional Debt Issued During Fiscal Year    | 9,905,000    |              |              |              |              |              |              |              |              |              |
| Principal Paid During Fiscal Year            | (4,259,905)  | (4,897,905)  | (4,527,905)  | (4,382,905)  | (4,382,905)  | (3,622,905)  | (3,622,905)  | (3,612,905)  | (2,757,905)  | (2,757,905)  |
| Outstanding Debt at End of Fiscal Year       | 54,750,383   | 49,852,477   | 45,324,572   | 40,941,667   | 36,558,762   | 32,935,857   | 29,312,951   | 25,700,046   | 22,942,141   | 20,184,236   |



**Debt Burden as of June 30, 2005- (measures how leveraged a community is by calculating the amount of debt outstanding (General and Schools) as compared to the City's full valuation)**

Debt Outstanding - General \$14,905,288 + Schools \$34,200,000 = Total Debt Outstanding \$49,105,288

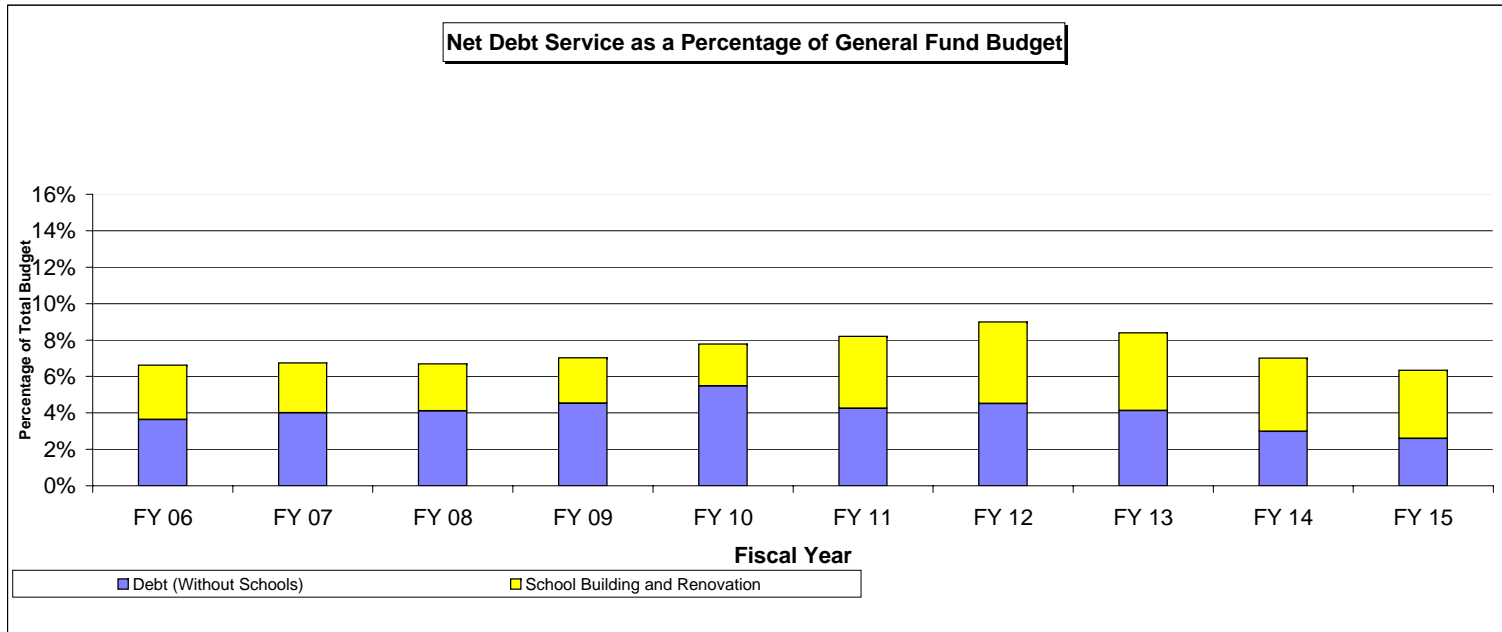
Debt Burden - 1.41%  
as of June 30, 2005

Full Valuation - \$3,493,582,911

Note: Moody's views debt burdens that range from 3 to 4% as average.

**City of Portsmouth  
 Projected Net Long Term Debt Service as a Percentage of the General Fund Budget  
 Issued, Authorized, and Projected**

|  | <u>FY 06</u>  | <u>FY 07</u>  | <u>FY 08</u>  | <u>FY 09</u>  | <u>FY 10</u>  | <u>FY 11</u>  | <u>FY 12</u>  | <u>FY 13</u>  | <u>FY 14</u>  | <u>FY 15</u>  |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Gen Fund Without Debt Service<br>(increase 4% )                        | 68,269,660    | 72,734,721    | 75,644,110    | 78,669,874    | 81,816,669    | 85,089,336    | 88,492,909    | 92,032,626    | 95,713,931    | 99,542,488    |
| Total Net Debt Service(Without Schools)                                      | 2,652,694     | 3,130,123     | 3,336,599     | 3,837,029     | 4,858,242     | 3,936,526     | 4,392,489     | 4,148,465     | 3,077,547     | 2,770,641     |
| School Building and Renovation Debt<br>(20 Year Payback net of Building Aid) | 2,182,875     | 2,135,403     | 2,085,528     | 2,103,403     | 2,044,153     | 3,657,403     | 4,348,528     | 4,284,903     | 4,129,903     | 3,960,653     |
| Total Net Debt Service(With Schools)   | 4,835,569     | 5,265,526     | 5,422,127     | 5,940,432     | 6,902,395     | 7,593,929     | 8,741,017     | 8,433,368     | 7,207,450     | 6,731,294     |
| Change from previous year  |               | 8.9%          | 3.0%          | 9.6%          | 16.2%         | 10.0%         | 15.1%         | -3.5%         | -14.5%        | -6.6%         |
| Total General Fund Budget  | 73,105,229    | 78,000,247    | 81,066,237    | 84,610,307    | 88,719,064    | 92,683,265    | 97,233,927    | 100,465,994   | 102,921,380   | 106,273,782   |
| Increase from previous year  |               | 6.7%          | 3.9%          | 4.4%          | 4.9%          | 4.5%          | 4.9%          | 3.3%          | 2.4%          | 3.3%          |
| <b>Tax Rate Impact:</b>  |               |               |               |               |               |               |               |               |               |               |
| Debt Service(Without Schools)  | \$0.85        | \$0.99        | \$1.05        | \$1.19        | \$1.49        | \$1.20        | \$1.32        | \$1.24        | \$0.91        | \$0.81        |
| School Building and Renovation Plan Debt                                     | \$0.70        | \$0.68        | \$0.65        | \$0.65        | \$0.63        | \$1.11        | \$1.31        | \$1.28        | \$1.22        | \$1.16        |
| Total Debt Service(With Schools)   | \$1.56        | \$1.67        | \$1.70        | \$1.84        | \$2.12        | \$2.31        | \$2.63        | \$2.52        | \$2.13        | \$1.97        |
| Assessed Value (Increase by 1% per year)                                     | 3,106,411,197 | 3,156,411,197 | 3,187,975,309 | 3,219,855,062 | 3,252,053,613 | 3,284,574,149 | 3,317,419,890 | 3,350,594,089 | 3,384,100,030 | 3,417,941,030 |
| <b>Percentage Debt Service of Budget:</b>                                    |               |               |               |               |               |               |               |               |               |               |
| Debt (Without Schools)   | 3.63%         | 4.01%         | 4.12%         | 4.53%         | 5.48%         | 4.25%         | 4.52%         | 4.13%         | 2.99%         | 2.61%         |
| School Building and Renovation   | 2.99%         | 2.74%         | 2.57%         | 2.49%         | 2.30%         | 3.95%         | 4.47%         | 4.27%         | 4.01%         | 3.73%         |
| Total Debt (With Schools)  | 6.61%         | 6.75%         | 6.69%         | 7.02%         | 7.78%         | 8.19%         | 8.99%         | 8.39%         | 7.00%         | 6.33%         |



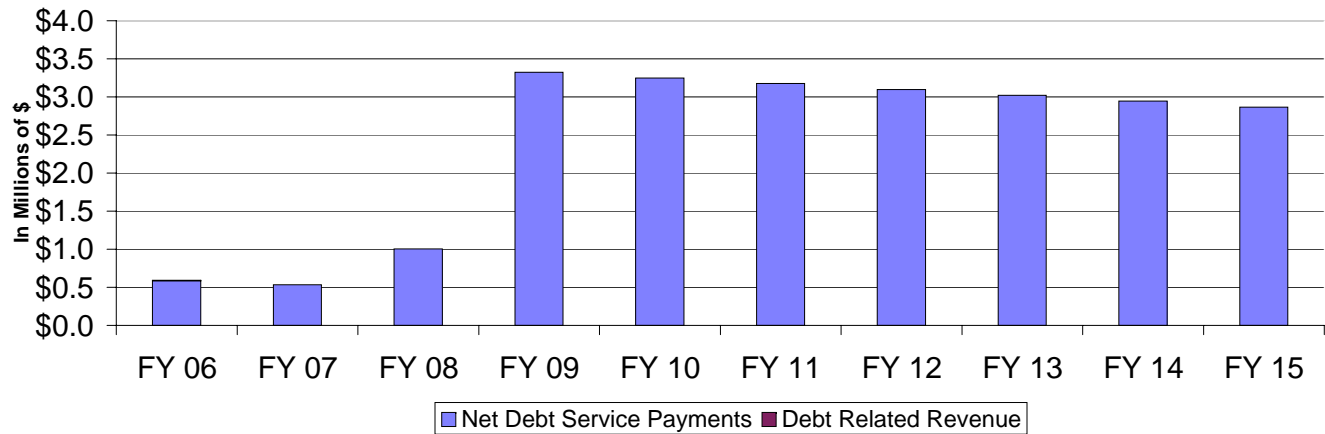
**CITY OF PORTSMOUTH, NEW HAMPSHIRE**  
**LONG TERM DEBT SERVICE FORECAST MODEL**  
**WATER FUND**

| <u>ISSUE DATE</u>                                 | <u>ISSUE NAME</u>           | <u>INTEREST RATE</u> | <u>ORIGINAL ISSUE</u> | <u>BUDGET FY 06</u> | <u>FY 07</u> | <u>FY 08</u> | <u>FY 09</u> | <u>FY 10</u> | <u>FY 11</u> | <u>FY 12</u> | <u>FY 13</u> | <u>FY 14</u> | <u>FY 15</u> |
|---|-----------------------------|----------------------|-----------------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>ISSUED DEBT</b>                                |                             |                      |                       |                     |              |              |              |              |              |              |              |              |              |
| 12/01/94  | Tank                        | 5.94%                | 2,500,000             |                     |              |              |              |              |              |              |              |              |              |
|   | Principal                   |                      |                       |                     |              |              |              |              |              |              |              |              |              |
|   | Interest                    |                      |                       |                     |              |              |              |              |              |              |              |              |              |
| 12/01/94  | Surface                     | 5.94%                | 1,600,000             |                     |              |              |              |              |              |              |              |              |              |
|   | Principal                   |                      |                       |                     |              |              |              |              |              |              |              |              |              |
|   | Interest                    |                      |                       |                     |              |              |              |              |              |              |              |              |              |
| 08/15/95  | Surface - Supplement        | 5.25%                | 450,000               |                     |              |              |              |              |              |              |              |              |              |
|   | Principal                   |                      |                       | 45,000              |              |              |              |              |              |              |              |              |              |
|   | Interest                    |                      |                       | 1,182               |              |              |              |              |              |              |              |              |              |
| 05/15/02  | Upgrade Motor Control Cente | 3.98%                | 300,000               |                     |              |              |              |              |              |              |              |              |              |
|   | Principal                   |                      |                       | 15,000              | 15,000       | 15,000       | 15,000       | 15,000       | 15,000       | 15,000       | 15,000       | 15,000       | 15,000       |
|   | Interest                    |                      |                       | 10,139              | 9,543        | 8,946        | 8,350        | 7,754        | 7,157        | 6,561        | 5,964        | 5,368        | 4,772        |
| 05/15/02  | Corrosion Control Program   | 3.80%                | 288,000               |                     |              |              |              |              |              |              |              |              |              |
|   | Principal                   |                      |                       | 14,400              | 14,400       | 14,400       | 14,400       | 14,400       | 14,400       | 14,400       | 14,400       | 14,400       | 14,400       |
|   | Interest                    |                      |                       | 9,303               | 8,756        | 8,208        | 7,661        | 7,114        | 6,567        | 6,020        | 5,472        | 4,925        | 4,378        |
| 11/01/02  | Constitution Avenue         | 3.70%                | 4,800,000             |                     |              |              |              |              |              |              |              |              |              |
|   | Principal                   |                      |                       | 240,000             | 240,000      | 240,000      | 240,000      | 240,000      | 240,000      | 240,000      | 240,000      | 240,000      | 240,000      |
|   | Interest                    |                      |                       | 160,013             | 151,124      | 142,234      | 133,344      | 124,455      | 115,565      | 106,676      | 97,786       | 88,896       | 80,007       |
| 12/01/02  | Spinney Tank                | 3.73%                | 1,162,560             |                     |              |              |              |              |              |              |              |              |              |
|   | Principal                   |                      |                       | 58,128              | 58,128       | 58,128       | 58,128       | 58,128       | 58,128       | 58,128       | 58,128       | 58,128       | 58,128       |
|   | Interest                    |                      |                       | 39,007              | 36,840       | 34,673       | 32,506       | 30,339       | 28,172       | 26,005       | 23,838       | 21,671       | 19,504       |
| <b>Total Water Fund Issued Debt Principal Due</b> |                             |                      |                       | 372,528             | 327,528      | 327,528      | 327,528      | 327,528      | 327,528      | 327,528      | 327,528      | 327,528      | 327,528      |
| <b>Total Water Fund Issued Debt Interest Due</b>  |                             |                      |                       | 219,644             | 206,263      | 194,061      | 181,861      | 169,662      | 157,461      | 145,262      | 133,060      | 120,860      | 108,661      |
| <b>Total Water Fund-Issued Debt</b>               |                             |                      |                       | 592,172             | 533,791      | 521,589      | 509,389      | 497,190      | 484,989      | 472,790      | 460,588      | 448,388      | 436,189      |

**CITY OF PORTSMOUTH, NEW HAMPSHIRE**  
**LONG TERM DEBT SERVICE FORECAST MODEL**  
**WATER FUND**

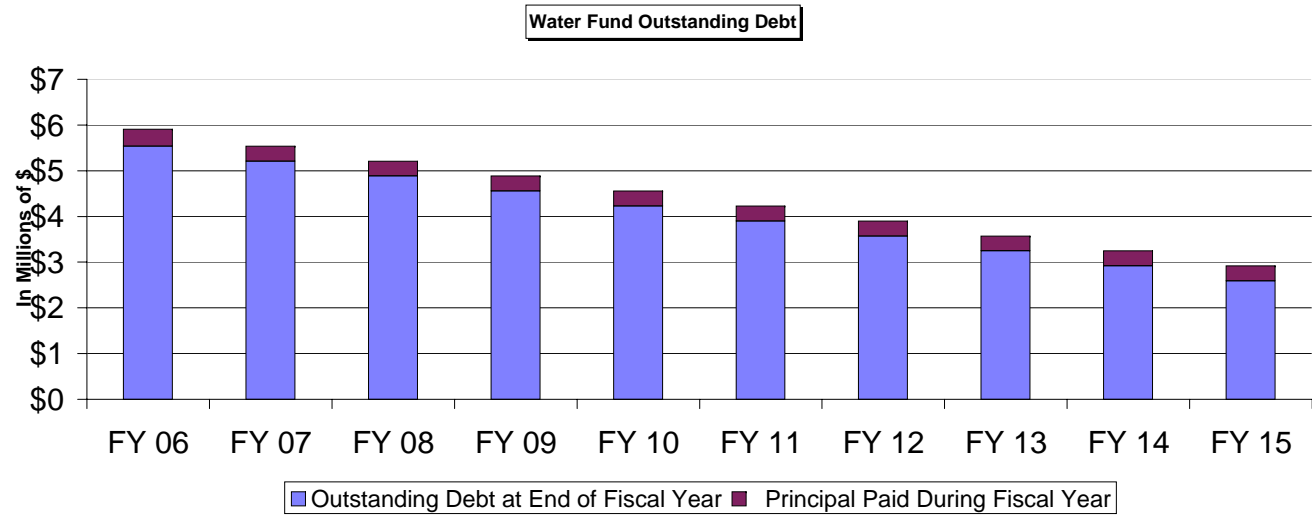
| ISSUE   | INTEREST                                   | ORIGINAL    | BUDGET            |              |              |              |              |              |              |              |              |              |              |
|---|--|-------------|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>DATE</u>   | <u>ISSUE NAME</u>                          | <u>RATE</u> | <u>ISSUE</u>      | <u>FY 06</u> | <u>FY 07</u> | <u>FY 08</u> | <u>FY 09</u> | <u>FY 10</u> | <u>FY 11</u> | <u>FY 12</u> | <u>FY 13</u> | <u>FY 14</u> | <u>FY 15</u> |
| <b>Projected Future Debt:</b>                       |  |             |                   |              |              |              |              |              |              |              |              |              |              |
| *20 yr  | Madbury Treatment Plant Upgrades Design    | 3.98%       | <b>2,000,000</b>  |              |              | 179,520      | 175,544      | 171,568      | 167,592      | 163,616      | 159,640      | 155,664      | 151,688      |
| 20 yr   | Madbury Treatment Plant Upgrades Construct | 3.98%       | <b>22,000,000</b> |              |              |              | 1,974,720    | 1,930,984    | 1,887,248    | 1,843,512    | 1,799,776    | 1,756,040    | 1,712,304    |
| *20 yr  | Maplewood Ave Waterline F                  | 3.98%       | <b>3,300,000</b>  |              |              |              | 296,208      | 289,648      | 283,087      | 276,527      | 269,966      | 263,406      | 250,285      |
| *20 yr  | Water Source Augmentation                  | 3.98%       | <b>2,600,000</b>  |              |              | 233,376      | 228,207      | 223,038      | 217,870      | 212,701      | 207,532      | 202,363      | 197,194      |
| 20 yr   | System Pressure Evaluations                | 4.46%       | <b>750,000</b>    |              |              | 70,980       | 69,306       | 67,632       | 65,958       | 62,610       | 60,936       | 59,262       | 57,588       |
| 20 yr   | Osprey Landing Water Tank                  | 4.46%       | <b>750,000</b>    |              |              |              | 70,980       | 69,306       | 67,632       | 65,958       | 62,610       | 60,936       | 59,262       |
| *Authorized   |  |             |                   |              |              |              |              |              |              |              |              |              |              |
| <b>Total Projected Bonded Debt and Interest Due</b> |  |             |                   | -            | -            | 483,876      | 2,814,965    | 2,752,176    | 2,689,387    | 2,624,924    | 2,560,460    | 2,497,671    | 2,428,321    |
| <b>TOTAL DEBT SERVICE WITH PROJECTED DEBT</b>       |  |             |                   | 592,172      | 533,791      | 1,005,465    | 3,324,354    | 3,249,366    | 3,174,376    | 3,097,714    | 3,021,048    | 2,946,059    | 2,864,510    |
| <b>Water Fund Debt Related Revenues</b>             |  |             |                   |              |              |              |              |              |              |              |              |              |              |
| Madbury Filter-State Aid                            |  |             |                   | (7,962)      |              |              |              |              |              |              |              |              |              |
| <b>TOTAL DEBT-WATER FUND(net of reimbursements)</b> |  |             |                   | 584,210      | 533,791      | 1,005,465    | 3,324,354    | 3,249,366    | 3,174,376    | 3,097,714    | 3,021,048    | 2,946,059    | 2,864,510    |

**Water Fund Annual Projected Debt Service**



**CITY OF PORTSMOUTH, NEW HAMPSHIRE  
LONG TERM DEBT-OUTSTANDING BALANCES  
WATER FUND**

|  | <u>FY 06</u> | <u>FY 07</u> | <u>FY 08</u> | <u>FY 09</u> | <u>FY 10</u> | <u>FY 11</u> | <u>FY 12</u> | <u>FY 13</u> | <u>FY 14</u> | <u>FY 15</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Outstanding Debt at Beginning of Fiscal Year | 5,911,104    | 5,538,576    | 5,211,048    | 4,883,520    | 4,555,992    | 4,228,464    | 3,900,936    | 3,573,408    | 3,245,880    | 2,918,352    |
| Additional Debt Issued During Fiscal Year    |              |              |              |              |              |              |              |              |              |              |
| Principal Paid During Fiscal Year            | (372,528)    | (327,528)    | (327,528)    | (327,528)    | (327,528)    | (327,528)    | (327,528)    | (327,528)    | (327,528)    | (327,528)    |
| Outstanding Debt at End of Fiscal Year       | 5,538,576    | 5,211,048    | 4,883,520    | 4,555,992    | 4,228,464    | 3,900,936    | 3,573,408    | 3,245,880    | 2,918,352    | 2,590,824    |



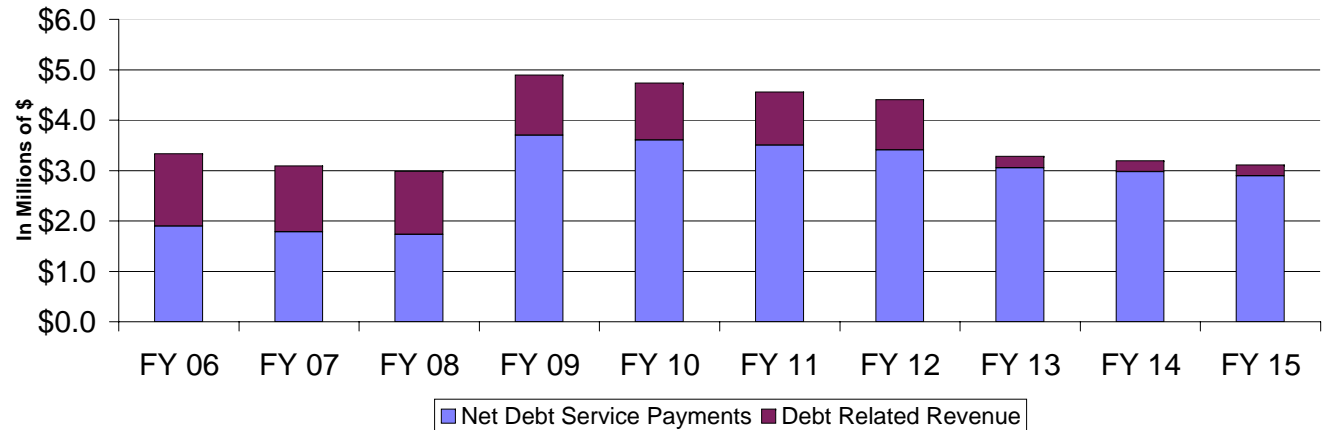
**CITY OF PORTSMOUTH, NEW HAMPSHIRE**  
**LONG TERM DEBT SERVICE FORECAST MODEL**  
**SEWER FUND**

| <b>ISSUE DATE</b>                                 | <b>ISSUE NAME</b>     | <b>INTEREST RATE</b> | <b>ORIGINAL ISSUE</b> | <b>BUDGET FY 06</b> | <b>FY 07</b> | <b>FY 08</b> | <b>FY 09</b> | <b>FY 10</b> | <b>FY 11</b> | <b>FY 12</b> | <b>FY 13</b> | <b>FY 14</b> | <b>FY 15</b> |
|---|-----------------------|----------------------|-----------------------|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>ISSUED DEBT</b>                                |                       |                      |                       |                     |              |              |              |              |              |              |              |              |              |
| <b>12/15/85</b>                                   | <b>Storm Line</b>     | <b>7.25-7.70%</b>    | <b>2,650,000</b>      |                     |              |              |              |              |              |              |              |              |              |
|   | Principal             |                      |                       | 130,000             |              |              |              |              |              |              |              |              |              |
|   | Interest              |                      |                       | 5,005               |              |              |              |              |              |              |              |              |              |
| <b>08/01/89</b>                                   | <b>Belt Press</b>     | <b>6.80%</b>         | <b>740,000</b>        |                     |              |              |              |              |              |              |              |              |              |
|   | Principal             |                      |                       | 30,000              | 30,000       | 30,000       | 30,000       | 30,000       |              |              |              |              |              |
|   | Interest              |                      |                       | 9,180               | 7,140        | 5,100        | 3,060        | 1,020        |              |              |              |              |              |
| <b>12/01/92</b>                                   | <b>New Plant</b>      | <b>7.00%</b>         | <b>19,500,000</b>     |                     |              |              |              |              |              |              |              |              |              |
|   | Principal             |                      |                       | 975,000             | 975,000      | 975,000      | 975,000      | 975,000      | 975,000      | 975,000      |              |              |              |
|   | Interest              |                      |                       | 458,738             | 394,388      | 329,063      | 263,250      | 197,438      | 131,625      | 65,813       |              |              |              |
| <b>12/21/00</b>                                   | <b>Pease WWTP</b>     | <b>4.46%</b>         | <b>6,586,836</b>      |                     |              |              |              |              |              |              |              |              |              |
|   | Principal             |                      |                       | 321,450             | 321,450      | 321,450      | 321,450      | 321,450      | 321,450      | 321,450      | 321,450      | 321,450      | 321,450      |
|   | Interest              |                      |                       | 215,243             | 200,894      | 186,545      | 172,195      | 157,845      | 143,496      | 129,146      | 114,797      | 100,447      | 86,098       |
| <b>06/11/02</b>                                   | <b>Sewer Projects</b> | <b>3.98%</b>         | <b>4,931,361</b>      |                     |              |              |              |              |              |              |              |              |              |
|   | Principal             |                      |                       | 246,568             | 246,568      | 246,568      | 246,568      | 246,568      | 246,568      | 246,568      | 246,568      | 246,568      | 246,568      |
|   | Interest              |                      |                       | 166,663             | 156,857      | 147,054      | 137,250      | 127,447      | 117,643      | 107,839      | 98,038       | 88,232       | 78,429       |
| <b>05/04/05</b>                                   | <b>Sewer Projects</b> | <b>3.69%</b>         | <b>8,898,110</b>      |                     |              |              |              |              |              |              |              |              |              |
|   | Principal             |                      |                       | 444,905             | 444,905      | 444,905      | 444,905      | 444,905      | 444,905      | 444,905      | 444,905      | 444,905      | 444,905      |
|   | Interest              |                      |                       | 327,638             | 311,754      | 295,346      | 278,938      | 262,530      | 246,122      | 229,714      | 213,305      | 196,897      | 180,489      |
| <b>Total Sewer Fund Issued Debt Principal Due</b> |                       |                      |                       | 2,147,924           | 2,017,924    | 2,017,924    | 2,017,924    | 2,017,924    | 1,987,924    | 1,987,924    | 1,012,924    | 1,012,924    | 1,012,924    |
| <b>Total Sewer Fund Issued Debt Interest Due</b>  |                       |                      |                       | 1,182,467           | 1,071,033    | 963,108      | 854,693      | 746,280      | 638,886      | 532,512      | 426,140      | 385,576      | 345,016      |
| <b>Total Sewer Fund-Issued Debt</b>               |                       |                      |                       | 3,330,391           | 3,088,957    | 2,981,032    | 2,872,617    | 2,764,204    | 2,626,810    | 2,520,435    | 1,439,064    | 1,398,500    | 1,357,940    |

**CITY OF PORTSMOUTH, NEW HAMPSHIRE**  
**LONG TERM DEBT SERVICE FORECAST MODEL**  
**SEWER FUND**

| ISSUE  | INTEREST               | ORIGINAL | BUDGET     |           |           |           |           |           |           |           |           |           |           |
|--|------------------------|----------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| DATE   | ISSUE NAME             | RATE     | ISSUE      | FY 06     | FY 07     | FY 08     | FY 09     | FY 10     | FY 11     | FY 12     | FY 13     | FY 14     | FY 15     |
| <b>Projected Future Debt:</b>                        |                        |          |            |           |           |           |           |           |           |           |           |           |           |
| *20 yr   | Sewer Phase 3 Projects | 3.70%    | 22,500,000 |           |           |           | 2,019,600 | 1,974,870 | 1,930,140 | 1,885,410 | 1,840,680 | 1,795,950 | 1,751,220 |
| *Authorized  |                        |          |            |           |           |           |           |           |           |           |           |           |           |
| <b>Total Projected Bonded Debt and Interest Due</b>  |                        |          |            | -         | -         | -         | 2,019,600 | 1,974,870 | 1,930,140 | 1,885,410 | 1,840,680 | 1,795,950 | 1,751,220 |
| <b>TOTAL DEBT SERVICE WITH PROJECTED DEBT</b>        |                        |          |            | 3,330,391 | 3,088,957 | 2,981,032 | 4,892,217 | 4,739,074 | 4,556,950 | 4,405,845 | 3,279,744 | 3,194,450 | 3,109,160 |
| <b>Sewer Fund Debt Related Revenues</b>              |                        |          |            |           |           |           |           |           |           |           |           |           |           |
| Storm Line-State Aid                                 |                        |          |            | (70,430)  |           |           |           |           |           |           |           |           |           |
| Belt Press-State Aid                                 |                        |          |            | (35,598)  | (33,792)  | (31,985)  | (30,179)  | (28,373)  |           |           |           |           |           |
| New Plant-State Aid                                  |                        |          |            | (989,671) | (945,252) | (900,160) | (854,731) | (809,302) | (763,873) | (718,445) |           |           |           |
| New Plant-State Aid                                  |                        |          |            | (61,965)  | (59,184)  | (56,361)  | (53,517)  | (50,672)  | (47,828)  | (44,983)  |           |           |           |
| Pease WWTP-State Aid                                 |                        |          |            | (152,735) | (148,651) | (144,567) | (140,484) | (136,400) | (132,316) | (128,233) | (124,148) | (120,065) | (115,981) |
| Phase I-State Aid                                    |                        |          |            | (122,402) | (119,499) | (116,595) | (113,631) | (110,787) | (107,883) | (104,979) | (102,075) | (99,171)  | (96,267)  |
| <b>TOTAL DEBT-SEWER FUND (net of reimbursements)</b> |                        |          |            | 1,897,590 | 1,782,579 | 1,731,364 | 3,699,675 | 3,603,540 | 3,505,050 | 3,409,205 | 3,053,521 | 2,975,214 | 2,896,912 |

**Sewer Fund Annual Projected Debt Service**





**CITY OF PORTSMOUTH, NEW HAMPSHIRE  
LONG TERM DEBT-OUTSTANDING BALANCES  
SEWER FUND**

|  | <u>FY 06</u> | <u>FY 07</u> | <u>FY 08</u> | <u>FY 09</u> | <u>FY 10</u> | <u>FY 11</u> | <u>FY 12</u> | <u>FY 13</u> | <u>FY 14</u> | <u>FY 15</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Outstanding Debt at Beginning of Fiscal Year | 25,211,135   | 23,063,212   | 21,045,288   | 19,027,364   | 17,009,440   | 14,991,516   | 13,003,592   | 11,015,669   | 10,002,745   | 8,989,821    |
| Additional Debt Issued During Fiscal Year    |              |              |              |              |              |              |              |              |              |              |
| Principal Paid During Fiscal Year            | (2,147,924)  | (2,017,924)  | (2,017,924)  | (2,017,924)  | (2,017,924)  | (1,987,924)  | (1,987,924)  | (1,012,924)  | (1,012,924)  | (1,012,924)  |
| Outstanding Debt at End of Fiscal Year       | 23,063,212   | 21,045,288   | 19,027,364   | 17,009,440   | 14,991,516   | 13,003,592   | 11,015,669   | 10,002,745   | 8,989,821    | 7,976,897    |

