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City of Dover, New Hampshire
OFFICE OF THE CITY ATTORNEY

CITY OF DOVER

CITY CHARTER PROVISION C6-3

ISSUES

1. Methodology for selection of the "National Consumer Price Index—Urban as published by the United States Department of Labor"
2. Treatment of County tax and the State tax
3. Role of the School Department and School Board in the budget process
4. Application of the provisions for "net new construction"
5. Treatment of revenues generated by the municipality

Analysis of Proposed Tax Cap City of Dover, NH

Updated as of 1/23/2008
Annual Average CPI - U (Not Seasonally Adjusted)

Property Tax Related Components of General Fund Budget

	City Portion	School Portion	State Portion	County Portion
A. Prior Fiscal Year Net Amount Raised by Taxes (Actual FY2008 Tax Levy):	\$19,974,876	\$22,735,976	\$6,476,696	\$5,872,169
B. Multiplied by National CPI Urban - CPI-U (2007 Calendar Year Annual Average percent change, not seasonally adjusted, 1982-84 base year)	2.8%	2.8%	2.8%	2.8%
C. Subtotal (A x B =)	\$559,297	\$636,607	\$181,347	\$164,421
D. Prior April 1 to March 31 Net Construction/Demolition Permit Value:	\$45,000,000	\$45,000,000	\$45,000,000	\$45,000,000
E. Multiplied by Prior Fiscal Year Tax Rate (Actual):	\$7.23	\$8.02	\$2.31	\$2.07
F. Subtotal (D x E =)	\$325,350	\$360,900	\$103,950	\$93,150
G. Increase Allowed for FY2009 Tax Levy (C + F =):	\$884,647	\$997,507	\$285,297	\$257,571
H. FY2009 Amount allowed to be Raised by Taxes (Capped Tax Levy) (A + G =):	\$20,859,523	\$23,733,483	\$6,761,993	\$6,129,740
I. FY2009 Amount Proposed to be Raised by Taxes (Estimated Tax Levy):				
J. Variance between estimated and capped tax levy (H - I =):			\$469,990	(\$751,168)
K. Amount required to be absorbed by City portion due to estimated County tax levy increase and by School portion due to estimated School State tax levy decrease:			(\$469,990)	\$751,168
L. Revised FY 2009 Amount Allowed to be Raised by Taxes (Capped Tax Levy) (H+K):	\$20,108,354	\$24,203,474	\$6,292,003	\$6,880,908
M. Budget Increase Allowed per Estimated Capped Tax Levy (L - A):	\$133,478	\$1,467,498	(\$184,693)	\$1,008,739

Analysis of Proposed Tax Cap City of Dover, NH

Updated as of 1/23/2008

Dec to Dec CPI -U (Not Seasonally Adjusted)

Property Tax Related Components of General Fund Budget

	City Portion	School Portion	State Portion	County Portion
A. Prior Fiscal Year Net Amount Raised by Taxes (Actual FY2008 Tax Levy):	\$19,974,876	\$22,735,976	\$6,476,696	\$5,872,169
B. Multiplied by National CPI Urban - CPI-U (2007 Calendar Year Dec to Dec percent change, not seasonally adjusted, 1982-84 base year)	4.1%	4.1%	4.1%	4.1%
C. Subtotal (A x B =)	\$818,970	\$932,175	\$265,545	\$240,759
D. Prior April 1 to March 31 Net Construction/Demolition Permit Value:	\$45,000,000	\$45,000,000	\$45,000,000	\$45,000,000
E. Multiplied by Prior Fiscal Year Tax Rate (Actual):	\$7.23	\$8.02	\$2.31	\$2.07
F. Subtotal (D x E =)	\$325,350	\$360,900	\$103,950	\$93,150
G. Increase Allowed for FY2009 Tax Levy (C + F =):	\$1,144,320	\$1,293,075	\$369,495	\$333,909
H. FY2009 Amount allowed to be Raised by Taxes (Capped Tax Levy)(A + G =):	\$21,119,196	\$24,029,051	\$6,846,191	\$6,206,078
I. FY2009 Amount Proposed to be Raised by Taxes (Estimated Tax Levy):			\$6,292,003	\$6,880,908
J. Variance between estimated and capped tax levy (H - I =):			\$554,188	(\$674,830)
K. Amount required to be absorbed by City portion due to estimated County tax levy increase and by School portion due to estimated School State tax levy decrease:	(\$674,830)	\$554,188	(\$554,188)	\$674,830
L. Revised FY 2009 Amount Allowed to be Raised by Taxes (Capped Tax Levy)(H+K):	\$20,444,366	\$24,583,239	\$6,292,003	\$6,880,908
M. Budget Increase Allowed per Estimated Capped Tax Levy (L - A):	\$469,490	\$1,847,263	(\$184,693)	\$1,008,739

DEPARTMENT OF REVENUE ADMINISTRATION
Municipal Services Division
2007 Tax Rate Calculation

TOWN/CITY: DOVER

Gross Appropriations	44,899,853
Less: Revenues	25,540,636
Less: Shared Revenues	404,967
Add: Overlay	191,024
War Service Credits	510,500

Barbara Johnson

10/25/07

Net Town Appropriation	19,655,774
Special Adjustment	829,602

Approved Town/City Tax Effort	(11) 20,485,376	TOWN RATE
		7.23 (6)

SCHOOL PORTION

Net Local School Budget (Gross Approp. - Revenue)	34,474,882
Regional School Apportionment	0
Less: Adequate Education Grant	(5,262,210)

Handwritten:
 -510,500
 19,974,876

State Education Taxes	(6,476,696)	(2) 22,735,976	LOCAL SCHOOL RATE
Approved School(s) Tax Effort			8.02 (7)

STATE EDUCATION TAXES

Equalized Valuation(no utilities) x	\$2.24
2,891,382,252	
Divide by Local Assessed Valuation (no utilities)	
2,799,489,900	
Excess State Education Taxes to be Remitted to State	
Pay to State →	0

(3) 6,476,696	STATE SCHOOL RATE
	2.31 (8)

COUNTY PORTION

Due to County	5,922,221
Less: Shared Revenues	(50,052)

Approved County Tax Effort	(9) 5,872,169	COUNTY RATE
		2.07 (9)

		TOTAL RATE
		19.63

Total Property Taxes Assessed	55,570,217
Less: War Service Credits	(510,500)
Add: Village District Commitment(s)	0
Total Property Tax Commitment	55,059,717

PROOF OF RATE

Net Assessed Valuation	Tax Rate	Assessment
State Education Tax (no utilities)	2.31	6,476,696
All Other Taxes	17.32	49,093,521
		55,570,217

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City of Dover

County Tax Impact

FY 2009



	DRA Equalization	COUNTY BUDGET ALLOCATION	SHARED REVENUES	ESTIMATED COUNTY TAX EFFORT
BARRINGTON	8.0497%	2,155,923.92		
DOVER	25.8786%	6,930,960.08		
DURHAM	8.1282%	2,176,944.59		
FARMINGTON	4.5373%	1,215,215.27		
LEE	4.3324%	1,160,328.05		
MADBURY	1.9401%	519,610.17		
MIDDLETON	1.7278%	462,736.63		
MILTON	4.1838%	1,120,541.72		
NEW DURHAM	4.1850%	1,120,858.99		
ROCHESTER	21.4964%	5,757,296.89		
ROLLINSFORD	2.4429%	654,285.23		
SOMERSWORTH	8.6493%	2,316,503.47		
STRAFFORD	4.4484%	1,191,395.00		
Total	100.0000%	\$26,782,600.00	\$50,052	\$ 6,880,908.08

Total \$ 26,782,600.00

STATE OF NH EDUCATION PROPERTY TAX: \$6,292,003



State of New Hampshire
 Department of Revenue Administration

57 Regional Drive, PO Box 487, Concord, NH 03302-0487
 Telephone (603) 271-3397
 www.revenue.nh.gov



ADMINISTRATION
 G. Philip Blatsos
 Commissioner
 Margaret L. Fulton
 Assistant Commissioner

MUNICIPAL SERVICES
 Barbara J. Robinson
 Director
 Donald Borrer
 Assistant Director

RECEIVED

DEC 04 2007

CITY MANAGER'S OFFICE
 DOVER, NH

STATEWIDE ENHANCED EDUCATION TAX
 WARRANT
 FOR TAX YEAR 2008

December 3, 2007

To the Selectmen or Assessors of DOVER

In accordance with the provisions of RSA 76:8, you are hereby required to assess the sum of \$6,292,003 for the 2008 Statewide Enhanced Education Tax. Per RSA 76:3, this amount is based on a uniform rate of \$2.140/1000 of the 2006 equalized valuation without utilities in the amount of \$2,940,188,109.



Barbara J. Robinson
 Director
 Municipal Services

Note: This warrant amount will be used to calculate your locally assessed state school rate in the fall of 2008.

TDD Access: Relay NH 1-800-735-2964

Individuals who need auxiliary aids for effective communication in programs and services of the Department of Revenue Administration are invited to make their needs and preferences known to the Municipal Services Division.

6

How to Use the Consumer Price Index for Escalation

directly proportional to the percent change in the CPI index between two specified time periods. Consider whether to make an allowance for a "cap" that places an upper limit to the increase in wages, rents, etc., or a "floor" that promises a minimum increase regardless of the percent change (up or down) in the CPI.

PROVIDE a built-in method for handling situations that may arise because of major CPI revisions or changes in the CPI index base period. The Bureau always provides timely notification of upcoming revisions or changes in the index base.

The CPI and escalation: Some points to consider

The CPI is calculated for two population groups: All Urban Consumers (CPI-U) and Urban Wage Earners and Clerical Workers (CPI-W). The CPI-U represents about 87 percent of the total U.S. population and is based on the expenditures of *all* families living in urban areas. The CPI-W is a subset of the CPI-U and is based on the expenditures of families living in urban areas who meet additional requirements related to employment: more than one-half of the family's income has to be earned from clerical or hourly-wage occupations. The CPI-W represents about 32 percent of the total U.S. population.

There can be small differences in movement of the two indexes over short periods of time because differences in the spending habits of the two population groups result in slightly different weighting. The long-term movements in the indexes are similar. CPI-U and CPI-W indexes are calculated using measurement of price changes for goods and services with the same specifications and from the same retail outlets. The CPI-W is used for escalation primarily in blue-collar cost-of-living adjustments (COLA's). Because the CPI-U population coverage is more comprehensive, it is used in most other escalation agreements.

The 26 metropolitan areas for which BLS publishes separate index series are by-products of the U.S. City Average index. Metropolitan area indexes have a relatively small sample size and, therefore, are subject to substantially larger sampling errors. Metropolitan area and other sub-components of the national indexes (regions, size-classes) often exhibit greater volatility than the national index. BLS strongly recommends that users adopt the U.S. City Average CPI for use in escalator clauses.

The U.S. City Average CPI's are published on a seasonally adjusted basis as well as on an unadjusted basis. The purpose of seasonal adjustment is to remove the estimated effect of price changes that normally occur at the same time and in about the same magnitude every year (e.g., price movements due to the change in weather patterns, model change-overs, holidays, end-of-season sales, etc.). The primary use of seasonally adjusted data is for current economic analysis. In addition, the factors that are used to seasonally adjust the data are updated annually. Also, seasonally adjusted data that have been published earlier are subject to revision for up to 5 years after their original release. For these reasons, the use of seasonally adjusted data in escalation agreements is inappropriate.

Escalation agreements using the CPI usually involve changing the base payment by the percent change in the level of the CPI between the reference period and a subsequent time period. This is calculated by first determining the index point change between the two periods and then the percent change. The following example illustrates the computation of percent change:

CPI for current period	136.0
Less CPI for previous period	129.9

How to Use the Consumer Price Index for Escalation

Equals index point change	6.1
Divided by previous period CPI	129.9
Equals	0.047
Result multiplied by 100	0.047×100
Equals percent change	4.7

The Bureau of Labor Statistics neither encourages nor discourages the use of price adjustment measures in contractual agreements. Also, while BLS can provide technical and statistical assistance to parties developing escalation agreements, we can neither develop specific wording for contracts nor mediate legal or interpretive disputes which might arise between the parties to the agreement.

For any additional information about the CPI, please call (202) 691-7000, or write to:

Bureau of Labor Statistics Office of Prices and Living Conditions 2
 Massachusetts Avenue, NE., Room 3615 Washington, DC 20212-0001

Last Modified Date: October 16, 2001

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U.S. Bureau of Labor Statistics
 Division of Consumer Prices and Price Indexes
 Suite 3130
 2 Massachusetts Avenue, NE
 Washington, DC 20212-0001

URI: <http://www.bls.gov/CPI>
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 Include graphs NEW!

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Data extracted on: January 30, 2008 (3:46:17 PM)

Consumer Price Index - All Urban Consumers

Series Id: CUUR0000SA0
 Not Seasonally Adjusted
 Area: U.S. city average
 Item: All items
 Base Period: 1982=84=100

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
1997	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3	160.5	159.9	161.2
1998	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9	163.0	162.3	163.7
1999	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3	166.6	165.4	167.8
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0	172.2	170.8	173.6
2001	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7	177.1	176.6	177.5
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9	179.9	178.9	180.9
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3	184.0	183.3	184.6
2004	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3	188.9	187.6	190.2
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	195.3	193.2	197.4
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	201.6	200.6	202.6
2007	202.416	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.490	208.936	210.177	210.036	207.342	205.709	208.976

12 Months Percent Change

Series Id: CUUR0000SA0
 Not Seasonally Adjusted
 Area: U.S. city average
 Item: All items
 Base Period: 1982=84=100

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
1997	3.0	3.0	2.8	2.5	2.2	2.3	2.2	2.2	2.2	2.1	1.8	1.7	2.3	2.6	2.1
1998	1.6	1.4	1.4	1.4	1.7	1.7	1.7	1.6	1.5	1.5	1.5	1.6	1.6	1.5	1.6
1999	1.7	1.6	1.7	2.3	2.1	2.0	2.1	2.3	2.6	2.6	2.6	2.7	2.2	1.9	2.5
2000	2.7	3.2	3.8	3.1	3.2	3.7	3.7	3.4	3.5	3.4	3.4	3.4	3.4	3.3	3.5
2001	3.7	3.5	2.9	3.3	3.6	3.2	2.7	2.7	2.6	2.1	1.9	1.6	2.8	3.4	2.2
2002	1.1	1.1	1.5	1.6	1.2	1.1	1.5	1.8	1.5	2.0	2.2	2.4	1.6	1.3	1.9
2003	2.6	3.0	3.0	2.2	2.1	2.1	2.1	2.2	2.3	2.0	1.8	1.9	2.3	2.5	2.0
2004	1.9	1.7	1.7	2.3	3.1	3.3	3.0	2.7	2.5	3.2	3.5	3.3	2.7	2.3	3.0
2005	3.0	3.0	3.1	3.5	2.8	2.5	3.2	3.6	4.7	4.3	3.5	3.4	3.4	3.0	3.8
2006	4.0	3.6	3.4	3.5	4.2	4.3	4.1	3.8	2.1	1.3	2.0	2.5	3.2	3.8	2.6
2007	2.1	2.4	2.8	2.6	2.7	2.7	2.4	2.0	2.8	3.5	4.3	4.1	2.8	2.5	3.1

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CITY OF DOVER

CITY OF DOVER - RESOLUTION

Agenda Item#4-A:

Resolution Number: R - 2007.09.05-125
Resolution Re: SPENDING CAP PETITION

CITY CHARTER AMENDMENT #2

QUESTION: SHALL THE MUNICIPALITY AMEND THE CITY CHARTER BY PLACING A CAP ON CITY SPENDING BASED ON THE ANNUAL NATIONAL CONSUMER PRICE INDEX?

6-3 BUDGET PROCEDURE:

6-3.1 Limitation on Budget Increase

A. Limitation on budget increase.

Recognizing that final tax rates for the City of Dover are set by the New Hampshire Department of Revenue Administration pursuant to RSA 21 J:35, I, the Administration, the School Department and the City Council of the City of Dover shall develop their annual budget proposals and the City Council shall act upon such proposals in accordance with the mandates of this section.

Override Provision. Budgetary restrictions described in any part of section 6-3.1 may be overridden upon a two-thirds vote of the Dover City Council. Such override expires following adoption of the annual budget. Subsequent budgets or supplemental appropriations require additional two-thirds override votes, or the limitations expressed below in section 6-3.1 will apply.

1. In submitting their proposed budgets to the City Council, the Administration and the School Department shall not propose total expenditures in an amount exceeding the tax rate established during the prior fiscal year increased by a factor equal to the change in the National Consumer Price Index - Urban as published by the United States Department of Labor for the calendar year immediately preceding the year of the budget adoption.
2. In establishing a combined municipal budget, the City Council shall be allowed to assume an estimated property tax rate only in an amount not to exceed the tax rate established during the prior fiscal year increased by a factor equal to the change in the National Consumer Price Index - Urban as published by the United States Department of Labor for the calendar year immediately preceding the year of the budget adoption.

B. Exception to budget increase limitation. Capital expenditures, and the total or any part of the principal and interest payments of any municipal bond, whether established for school or municipal purposes, may be excepted from being included in the expenditures that are subject to the prior limitation upon a two-thirds vote of the City Council. The exception made under this section shall expire upon adoption of the budget for the next budget year, unless the council votes by a two-thirds majority to renew the exception for the next budget year.

C. Budget limitation in a revaluation year. When the City Council accepts an increase in real estate values as the result of a City wide revaluation, the City Council shall adhere to a maximum increase in the combined real estate tax revenues as follows: The combined real estate taxes raised from the prior budget year shall be increased by a factor no more than the change in the National Consumer Price Index- Urban as published by the United States Department of Labor for the calendar year immediately preceding budget adoption, then this figure shall be used in establishing the new combined municipal budget.



CITY OF DOVER

CITY OF DOVER - RESOLUTION

Agenda Item#4-A:

Resolution Number: R - 2007.09.05-125
Resolution Re: SPENDING CAP PETITION

D. Budget limitation with annual changes in assessments. When annual changes in real estate values occur as a result of State of New Hampshire assessing requirements, the City Council shall adhere to a maximum increase in the combined real estate tax revenues as follows:

1. The combined real estate taxes raised from the prior year shall be increased by a factor of no more than the change in the National Consumer Price Index – Urban as published by the United States Department of Labor for the calendar year immediately preceding budget adoption, plus real estate taxes calculated by applying the prior year real estate tax rate to the net increase in new construction. “Net increase in new construction” is defined as” the total dollar value of building permits less total dollar value of demolition permits issued for the period of April 1 – March 31 preceding budget adoption.

E. Total Expenditures. Total expenditures for any given budget year shall not exceed the amount of funds reasonably calculated to be derived by the tax rate established pursuant to Paragraph A.2. herein, increased by the other revenues generated by the municipality.

Explanatory Note:

- This amendment places a cap on the level of City spending based on the National Consumer Price Index . Capital expenditures and debt expenditures are included in the cap. The cap may be overridden by a 2/3 majority vote of the City Council.

YES _____ NO _____