

CITY OF
DOVER

CITY COUNCIL AGENDA

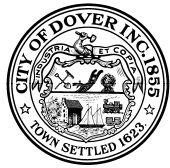
Meeting Type: Workshop
Meeting Location: City Hall
Meeting Date: January 30, 2008
Meeting Time: Following Special Meeting

- 1. Convene Workshop Following Special Meeting**
- 2. Tax Cap Charter Provision Implementation for FY2009**
- 3. Adjourn**

The Workshop began at 7:10 pm. This Workshop is to discuss the Tax Cap Charter provisions. Joint Fiscal Committee started talking about issues not laid out in language and need a clearer understanding of intent and County tax and School tax issues. The main questions surround language of analysis, methodology for selecting CIP, treatment of County and State tax, role of the School Department in budget process, application of the term new construction and treatment of revenues generated by the City. This meeting is to discuss the background on CIP and how they determine calculations. This meeting is inclusive with the School Board being allowed to comment however the City Council has ultimate say. They set policies on implementation and then will come back with an ordinance to place it on city books. Joyal discussed the content. The Tax Cap was taken verbatim from Laconia and the end result is that it places a cap on the tax levy and places restrictions on the ability to increase tax for the City and School Board. The amount of spending allowed by Laconia calculations is the annual average of 2.8%. If you look at the second page of the handout, each number comes from a document issued by the State, County, or Bureau of Labor. Line D is estimated by the City to be \$45 million dollars based on anticipated building permit value. Line A comes from documents from the Department of Revenue Administration (DRA) as seen on page 4. The DRA certifies the tax rate and comes up with the final rate. This number will be provided every year. Page 2 of the handout number 10 is the estimated share of County tax based on proposals. These calculations are shown on page 5. The 17% County increase was used by DRA to calculate the City share. Number 12 also comes from the DRA as shown on page 6. Using the Laconia example, where the City absorbs the County tax change and the school absorbs the State tax levy there is a \$469,000 credit. This is premised on annual average CPI not seasonally adjusted (2.8%). Page 3 of the handout uses a different CPI measure. The 12 month change calendar year December to December not seasonally adjusted is 4.1. This changes the numbers previously discussed. Therefore we need to determine which CPI to use. Laconia uses 2.8% and it is anticipated they will continue to use that number. We need to discuss CPI first as that is what everything is based on. Pages 7, 8, and 9 are the Department of Labor which determines CPI and how to use it. Ours is the all city average which is a national average. Page 10 shows the index number and the 12 month changes that occur. After we determine which CPI to use I suggest we stay consistent with its use. DeDe stated that using the annual average percent from 1982 distorts the number and that 4.1% is more realistic of what has happened. Year to year this 4.1 number will be more accurate.

Weston stated that she does not like it called a tax cap. The spending cap is only associated with city and school board. She agreed with DeDe it should be 4.1 % and did not feel it should include the State and County portion.

Myers recommended that we try to discuss the CPI right now and then discuss the State and County portions. Mayor asked for thoughts on what CPI to use.



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McCusker stated that the average of 12 months is 2.8%. If you have an idea of what things cost in previous year then you can judge current year. Fluctuations may occur.

Trefethen supported the use of 2.8%. He replied that people are latching onto 4.1% because it is occurring to them we are in trouble. North End Fire Station is \$500,000.00. However, 2.8 % in long run will give us a number that is consistent.

Cheney agreed with Trefethen and remarked that while cost of living is going up 2.1% the Cap specifies prior year. I went back to base year. In 23 years December to December was higher in 10 years however over time they come out the same. The problem is with the swing in budgeting. I also looked at the greatest difference which was 3%. The 2.8% change is a more consistent change.

Callaghan stated that he looked at the language and distributed some results. If you look at the range you end up with 2.8%. It is clear what the expectation is.

Myers stated he was in agreement. He also looked at the swings and in 2005 oil prices and hurricane Katrina caused wild spikes. These occurrences could benefit us 1 year but then we could suffer the next year. The annual numbers are more consistent. He favors 2.1% and favors using it each year. Consistent use of numbers will help with long term planning.

Doris Grady of the School Board also looked at the amendment. As a citizen she had the chance to vote. Every paragraph of the petition states limit spending and that the tax rate estimate is equal to the change in CPU. She reiterated that the change is not the average and that an override can occur with a 2/3 vote if necessary. We have had more variability in 2006 than 2007. The 4.1 % is the best representative of the economy.

Myers stated that the intent was to follow the Laconia model.

Trefethen stated that the petition reads for the calendar year previous not 1 month. The calendar year average is more representative of calendar year.

DeDe stated that an average that includes many years is not representative of what is happening this year. It is clear this language was missing from the amendment. The 4.1% is more reflective of short term. We can build a budget based on what it costs today.

Cheney requested that the City Attorney speak on this topic.

Attorney replied that it is okay to use either. Laconia uses the average, Nashua uses a 3 year average and Franklin uses December to December.

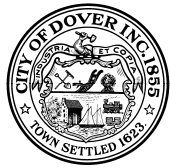
Mayor stated that intent was to follow Laconia. The 2.8 number gives us a better and steadier representation.

DeDe it tax amendment was to follow Laconia then there is an issue as there is no language on which number they use.

McCusker stated that experts are telling us that nothing will be getting cheaper this year. It would be shortsighted to take less money at this time when we know we need more money. Fuel is expensive. Why would we purposely choose to take less money if we can keep it level? Cheney responded that this is about being consistent and setting precedent. Social Security is giving an increase of 2.3% and we need to be realistic.

Trefethen stated that in November if voters had choice of 4.1% or 2.85 he believes those who voted for this cap would have wanted 2.8%. Those who voted no would still have voted no.

Myers expressed disappointment that Councilor Scott was not here. The City is going into residents pockets when they also have challenges.



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McCusker stated that he did not agree with Councilor Trefethen about how voters would have voted. This has to do with what we will not have anymore and with what we will do without. This was not clarified in the amendment and probably was purposely not clarified so that we could have our opinion. Other cities do it differently then Laconia and some do it differently each year. There is not a need to lock in as this requires flexibility.

Myers stated that we are not voting on this tonight. We are attempting to reach consensus so that an ordinance can be drafted for public hearing and review. The School Board also needs these numbers as they are being held up. Councilors: Callaghan, Cheney, Trefethen and Mayor Myers wanted 2.8% and Councilors: McCusker, Weston and DeDe wanted 4.1%. This is not binding.

The next issue is the treatment of County and State tax. In Laconia the City takes the County tax and the School Board takes the State. Trefethen said that the word County was not used in the amendment. As a spender it could be a pass through but as a tax payer you would not want that.

City Attorney clarified that Count and State do not appear in the language. It also is not in Laconia however they do include it in Franklin. Derry and Nashua have provision that State and local taxes are excluded. No one hinted at excluding County and State taxes. This would involve a lot of money and has a higher potential for litigation. The Attorney Generals office when they worked with Laconia in 2005 talked about having a tax cap with Federal and State mandates and that a cap affects your ability to respond. However, the 2/3rds override provision makes this permissible. In the absence of specific language, County and State are included. The Mayor asked if we are all in agreement that they need to be included?

Cheney stated they should not be included because the County and State do not use a tax cap. This will give us more local control.

Mayor requested clarification on original Laconia language. Originally 2/3 override ability not there so they had it added?

Attorney clarified that originally they required more than 2/3s but the Attorney General office wanted 2/3 provision to meet mandates.

DeDe replied that per our attorney the County and State mandates are included so that this is how he would choose to go.

Attorney again reiterated that it would be ripe for litigation if excluded.

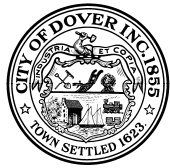
mcCusker stated he was at the forums and the key variable was the cost of the County. It was then very clear that County and State protions were a part of our budget and were included.

Mayor also stated that a what if scenario had been done and no one said don't include County and State.

Weston explained that she never considered County and State included. This ouwld limit the City and School. Whichever figure is chosen-2.8or 4.1% then the tax rate is based on that plus County and State.

Mayor asked the City Manager if the County and State protions are broken up on the City budget.

Joyal responded that the Council votes on a combined budet which includes City, County and State. The Council votes on the bottom line.



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Callaghan stated that what is being mentioned are exceptions and exceptions would be listed. Count and State need to be included.
Joyal reminded the council that when the budget is certified that DRA can manipulate the numbers without going back to Council because the final authority is the DRA.