



STAFF REPORT
Public Hearing 9-6-22

AGENDA ITEM #: 22-90
COUNCIL MTG OF: August 2, 2022
FROM: Administration
OFFERED BY: Administration
PREPARED BY: Administration
SUBJECT: Receipt of Unanticipated Revenues – NHRS Reimbursement

PURPOSE

The purpose of this document is request authorization of the Town Council to accept additional funds provided to the Town of Derry through the New Hampshire Retirement System (NHRS), made available after the adoption of the FY 2023 Town budget.

TOWN ADMINISTRATOR COMMENTS

The State Legislature has decided to share excess revenues from the State budget in the form of one-time fund reimbursement of a portion of Group II NHRS expenses. The Town is encouraged to accept these funds after the September 6, 2022, public hearing.

BACKGROUND

The State of New Hampshire incentivized municipalities many decades ago to participate in the New Hampshire Retirement System by agreeing to pay a certain percentage of Group II (Police and Fire) retirement expenses, as well as a percentage of teacher retirement expenses. While the percentage of contribution did vary through the years, for a majority of the time the State contributed 35% of local costs.

During the Lynch Administration, the State first reduced and then eliminated the cost sharing, ultimately costing Derry residents millions of dollars each year in higher property taxes. Recognizing the unfair burden upon property taxpayers, momentum has been growing in the State Legislature to fulfill this promise and restore some level of funding.

The FY23-24 State Budget did include one-time funds to assist employers with these costs. The Legislature and Governor approved the reimbursement of 7.5% of the Town's share of its Group II retirement costs, which is estimated to be approximately \$300,000 for Derry.

DISCUSSION

As the Council is aware, the application of one-time revenues to reduce the tax rate can be problematic, as that reduction would have to be replaced with tax dollars the following year; this is particularly difficult when the community operates under a tax cap, like Derry.

It is recommended that the Council accept these funds, and plan to use them to stabilize the tax rate over a four-year period. Each year, \$75,000 would be used to reduce the tax rate, which equals \$0.02 off the current rate. It is recommended that the balance of the funds for FY24-26, \$225,000 be placed in the CBA Implementation Trust Fund.

FISCAL IMPACT

The Tax Rate for 2022 would be reduced by \$0.02 and repeated for 2023-2025.

RECOMMENDED ACTION BY COUNCIL

It is recommended that the Town Council vote to accept these unanticipated funds for use to lessen the impact of retirement system costs upon Derry taxpayers.

RECOMMENDED MOTION

See attached Resolution #2022-062.