

The City of Rochester 2008 proposed petitioned charter amendment would add a new subsection to section 43 of the Rochester City Charter. The column on the left is the necessary legalese and the column on the right is an explanation of the amendment.

## **Proposed City of Rochester Charter Amendment**

### **43-a Limitation on Budget Increase**

#### **A. Limitation on budget increase.**

Recognizing that final tax rates for the City of Rochester are set by the New Hampshire Department of Revenue Administration pursuant to RSA 21 J:35, I, the City Manager shall submit a proposed budget to the City Council, and the City Council shall adopt its annual budget proposals and shall act upon such proposals, in accordance with the mandates of this section.

#### **Override Provision.**

Budgetary restrictions described in any part of section 43-a may be overridden upon a vote of two-thirds (2/3) of all elected members of the City Council. Such override expires following adoption of the annual budget. Subsequent budgets or supplemental appropriations require additional two-thirds (2/3) override votes, or the limitations expressed in this section will apply.

In establishing a municipal budget, the City Manager and City Council shall be allowed to assume an estimated property tax rate 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 (2/3) vote of all members of the City Council. The exception made under this section shall expire upon adoption of the budget for the next budget year, unless two-thirds (2/3) of all members of the City Council vote to renew the exception for the next budget year.

## **Simplified Explanation of the amendment**

### **Limitation on budget increase**

This section requires the City Manager and City Council to develop their budgets within the established guidelines of the tax cap.

### **Override Provision**

A two-thirds majority of the Rochester City Council (9 out of 13 city councilors including the mayor) may override the tax cap. Override votes only last for that budget. For the City Council to override again in another year, they will have to vote again.

The total proposed budget may not be greater than the previous year's tax rate plus an amount equal to the rate of inflation as measured by the National Consumer Price Index-Urban.

### **Exceptions**

This section allows for an override only on: Capital expenditures and Municipal Bonds (Capital expenditures are expenses for projects that have long-term benefits, such as buildings and infrastructure. Municipal bonds are the way a city borrows money to finance certain long-term projects.)

### **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 real estate tax revenues as follows: The 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 municipal budget.

### **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 Manager and City Council shall adhere to a maximum increase in real estate tax revenues as follows: The 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 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 two-thirds (2/3) vote of the City Council.

### **Budget limitation in a revaluation year**

During a year when properties are revalued, the amount of money that can be raised through property taxes still may not increase more than the previous year's tax rate plus inflation (CPI-U). The total amount to be raised will then be used to figure out the new tax rate. Because of this provision, when property values go up sharply, the tax rate will come down. Spending in a revaluation year will still be controlled by the tax cap.

### **Budget limitation with annual changes in assessments.**

The State of NH has been requiring annual or frequent assessments because of the state property tax. Limits on the amount the city can raise in taxes in this case will again be limited to the amount raised by taxes the previous year plus the rate of inflation (CPI-U) plus the value of new construction multiplied by last year's tax rate. This additional amount in taxes raised from new construction will be extra money that City Council can use in balancing their budget.

### **Total Expenditures**

The total amount raised in taxes may not exceed the limits set above. The city gets revenue from other sources (fees, licenses, interest, etc.). The total city budget may not exceed the amount raised by taxes plus the amount received from these other sources.

## **IMPORTANT!!**

**FOR THIS AMENDMENT TO GET ON THE BALLOT FOR THE CITIZENS OF ROCHESTER TO VOTE EITHER UP OR DOWN, SEVERAL HUNDRED SIGNATURES OF REGISTERED VOTERS MUST BE COLLECTED BY PETITION. TO FIND OUT HOW YOU CAN HELP, SIGN A PETITION OR IF YOU HAVE ANY QUESTIONS PLEASE CALL CLIFF NEWTON AT 332-5643**