



## RESOLUTION

### ESTABLISHING AN EXPENDABLE TRUST FUND FOR STATE EMPLOYER PENSION COSTS AND APPROPRIATING \$2,230,000 FROM FUND BALANCE ASSIGNED FOR THIS PURPOSE INTO THE EXPENDABLE TRUST FUND

### *CITY OF NASHUA*

*In the Year Two Thousand and Sixteen*

**RESOLVED** by the Board of Aldermen of the City of Nashua that pursuant to NH RSA 31:19-a, the City of Nashua hereby establishes an expendable trust fund for the purpose of funding the city's employer contributions to the New Hampshire Retirement System. This is established to fund pension costs in excess of yearly budgeted pension costs appropriations. One-third of the initial funds in this expendable trust fund may be expended or transferred from this fund per fiscal year by the Financial Services Division in each of the next three fiscal years (Fiscal Year 2017, Fiscal Year 2018, and Fiscal Year 2019). Any balance remaining in this expendable trust fund at each fiscal year end will not lapse or be closed out to the General Fund, but will remain in this expendable trust fund. This expendable trust fund will be discontinued on June 30, 2019. At the time the fund is discontinued, any remaining balance shall be transferred into the General Fund.

**FURTHERMORE, BE IT RESOLVED** by the Board of Aldermen of the City of Nashua that \$2,230,000 is appropriated from fund balance assigned for this purpose into this expendable trust fund.

As this is a resolution which supplements the FY2016 Adopted Budget, the following information is provided pursuant to NRO § 5-145, E:

Currently, the accumulated sum of all appropriations of the FY2016 combined annual municipal budget is \$260,536,617. The FY2016 dollar amount under the limit established by City Charter Section 56-c is \$40,276

If this resolution passes, the accumulated sum of all appropriations of the FY2016 combined annual municipal budget will be \$262,766,617. The FY2016 dollar amount over the limit established by City Charter Section 56-c would be \$2,189,724.

**THEREFORE, BE IT RESOLVED** by the Board of Aldermen of the City of Nashua that under the authority of the City of Nashua Charter Section 56-d, the amount of \$2,230,000 representing certain principal and interest on municipal bonds included in the FY2016 Adopted Budget is exempt from the budget limitation imposed by City Charter Section 56-c, resulting in the FY2016 dollar amount under the limit of \$40,276.

## LEGISLATIVE YEAR 2016

**RESOLUTION:**

**R-16-015**

**PURPOSE:**

**Establishing an expendable trust fund for state employer pension costs and appropriating \$2,230,000 from fund balance assigned for this purpose into the expendable trust fund**

**SPONSOR(S):**

**Mayor Jim Donchess  
Alderman Ken Siegel**

**COMMITTEE  
ASSIGNMENT:**

**FISCAL NOTE:**

**Establishes a restricted fund to account for appropriations designated for a specific purpose. The employer contributions paid to NHRS by the city are expected to rise to approximately \$20,500,000 in FY2016. In FY2012-2014 in anticipation of the increases in the NHRS employer rates, \$2,230,000 was included in general fund balance assigned for this purpose. To assist in managing the impact of such increases going forward, it is recommended that a State Employer Pension Costs Expendable Trust Fund be established during FY2016.**

**With this appropriation, the FY2016 combined annual municipal budget exceeds the limitation on budget increases under Charter Sec. 56-c. This resolution includes the exemption of \$2,230,000 of municipal bond principal and interest included in the FY2016 Adopted Budget.**

**This appropriation reduces the general fund assigned fund balance and does not impact the general fund unassigned fund balance which remains at \$27,729,910. This appropriation will not impact the current tax rate.**

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### **ANALYSIS**

This resolution establishes an expendable trust fund for appropriations to be used as described in the resolution. RSA 31:19-a provides for an annual accounting and report of the activities of the trust. The legislation also appropriates \$2,230,000 into the expendable trust fund from fund balance assigned for this purpose. The intent of the legislation is to provide a mechanism to more effectively budget and pay for the state employer pension costs owed to the New Hampshire Retirement System (NHRS). The legislation provides that one-third of the initial appropriation may be used each fiscal year, and that the fund will be discontinued on June 30, 2019. The state statute that permits the creation of expendable trust funds also permits the local legislative body to discontinue the funds.

The city's pension costs have gone up significantly in recent years, as the state eliminated its subsidy for teachers/fire/police starting in FY2012 and has increased the required employer

contribution percentage rate every two years. Since FY2011, the city's pension payments to the NHRS have risen from \$11.8 million to \$20.5 million (an increase of \$8.7 million or 74%). The NHRS change in employer rates every two years creates a challenge for municipalities who budget such pension expenses on an annual basis. This legislation will provide a funding mechanism to smooth a portion of the impact of the biennial increases in the NHRS employer rates over the next three fiscal years (FY17, FY18, and FY19).

Under the authority of the City of Nashua Charter Section 56-d, this resolution would exempt the amount of \$2,230,000 representing principal and interest on municipal bonds from the budget limitation imposed by City Charter Section 56-c.

Charter Sec. 53 permits specific non-budget, supplementary appropriations. No public hearing is required under Charter Sec. 56-a. A two-thirds vote is required under Charter Sec. 56-b for an item or amount not in the mayor's budget. A roll call is required under Charter Sec. 49. The supplementary appropriation is part of the combined annual budget for spending cap purposes.

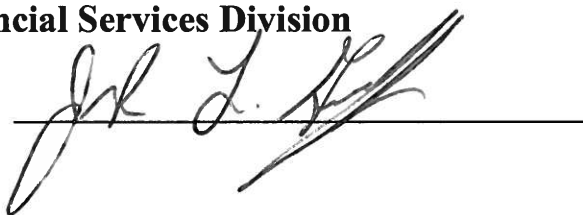
In order to exempt principal and interest payments of municipal bonds from the budget limitation found in Nashua City Charter § 56-c, an affirmative vote of at least 10 aldermen is required. Nashua City Charter § 56-d.

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**Approved as to account  
structure, numbers,  
and amount:**

**Financial Services Division**

**By:**



**Approved as to form:**

**Office of Corporation Counsel**

**By:**



**Date:**

