



**TOWN OF BRENTWOOD  
SELECTBOARD  
TOWN OFFICE: 1 DALTON ROAD  
AGENDA FOR 09/19/2023 @ 6:00 PM**

- I. Convene
- II. Review and sign payroll and accounts payable register
- III. Review and approve the Consent Agenda: Subject to Change
  - a. Recreation Manifest
  - b. Treasurer's Report
  - c. Building Permits
- IV. Public Comment
- V. Discussion/Action Items
  - a. 2024 Cost of Living Increase
  - b. Proposed amendments to Selectboard Handbook
- VI. Regular Business
  - a. Committee Updates
- VII. Any other matter that may legally come before the Board
- VIII. Non-Public Session:  
May be called at any time in accordance with Chapter 91A:3II, a, b, c, d, e, i
- IX. Adjourn

MEMO

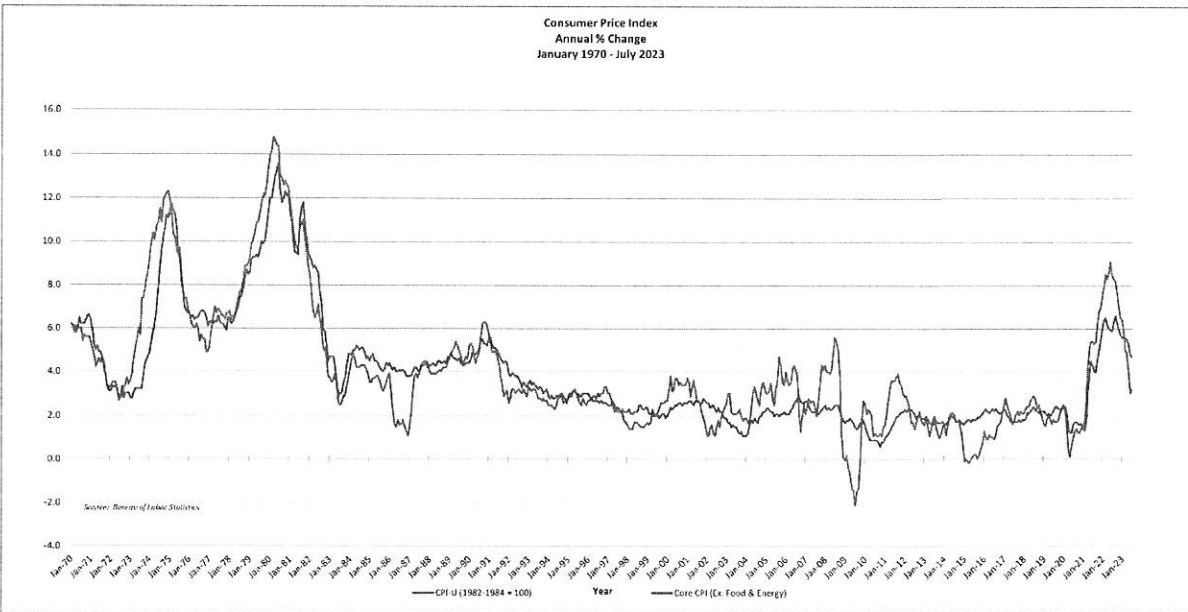
Date: September 8, 2023

To: Brentwood Board of Selectmen

From: David T. Mayes, Chief Investment Officer, Three Bearings Fiduciary Advisors, Inc.

RE: 2024 – 2025 COST OF LIVING

The estimate for inflation for April 2024 – March 2025 is 3.0% with a range of 2.5% to 3.5%. As in prior years, this estimate has been formulated by combining information on recent inflation trends, economists' forecasts, and inflation expectations implicit in current bond market prices. Additional information including data on labor market conditions and other factors may also be utilized to assist the Selectmen in determining a COLA value.



**Recent Inflation Trends:** Since reaching a peak of 9.1% in June of 2022, the year-over-year change in the Consumer Price Index (CPI) has dropped significantly. As of the most recent reading for July 2023, the annual inflation rate stood at 3.2% which was a slight uptick from June's 3.0% increase. Over the prior 12 months ending in July 2023, the CPI year-over-year change has averaged 5.9%. Year-to-date through July, the average annual CPI change was 4.6%. Excluding the more volatile food and energy sectors, the Core CPI has increased at an average annual rate of 5.7% since August of 2022, and monthly readings on the Core CPI have fallen between 4.7% and 6.3% with readings coming in at the lower end of that range in the most recent months. This shows that core inflation has remained persistently high but is also on a downward trend.

**Expert Consensus:** The June *Livingston Survey* compiled by the Federal Reserve Bank of Philadelphia summarizes the expectations of 32 economists from both business and academia. The most recent survey released in June 2023 shows that economists expect inflation to moderate considerably through 2024 and settle at a long-term rate of 2.4% for the next ten years. Inflation forecasts have declined since the prior survey. The forecast for 2022-2023 is now 4.1%, down from 4.4%. The forecast for 2023-2024 is now 2.5%, down from 2.6%.

The Bank's *Survey of Professional Forecasters* (August 11, 2023) projects CPI inflation of 3.1% for the third quarter of 2023 followed by a continued decline in the CPI to 2.9% in Q4 to settle at 2.5% in 2024. For the full year 2023, the expected CPI change is 3.1% with inflation moderating in 2024 to 2.5% and to 2.4% in 2025. Long-term inflation projections from this survey, based on the median projections of the forecasters surveyed, also call for inflation to settle at a more moderate level. Over the 2023-2027 period, the median inflation forecast is 2.68%. The median ten-year inflation forecast from this survey is 2.4% for the period 2023 – 2032.

The latest *Monetary Policy Report* submitted by the Federal Reserve to Congress on June 16, 2023, shows that Federal Reserve Board members and Federal Reserve Bank presidents expect inflation to range between 3.0% and 3.5% in 2023, then shift lower in 2024 with a projected range of 2.3% - 2.8%. Their longer-run inflation forecasts remain at 2.0%. These figures are based on the annual change in the price index for personal consumption expenditures (PCE), the Fed's preferred inflation measure.

**Financial Market Expectations:** The relationship between the current yield-to-maturity on nominal U. S. Treasury bonds and the current yield on inflation-indexed Treasuries (TIPS) with the same maturity provides a measure of the bond market's expectations for future inflation.<sup>1</sup> The current breakeven rate for TIPS stands at 2.21% when looking at five-year maturities suggesting that bond market investors are expecting lower future inflation in line with economist forecasts. For ten-year maturities, the expected inflation rate is 2.29%.

**Combining the Estimates:** Because all the approaches for estimating the future rate of inflation discussed here have potential flaws, past recommendations for establishing the COLA have been based on a combination of these sources. The key observation from each source of future inflation expectations is that inflation is expected to moderate substantially in the coming months and settle at a level closer to the Fed's target rate of 2.0%. These expectations are likely being driven by the end of the government's COVID-19 stimulus measures, Fed rate increases, and the corresponding rapid decline in the money supply. Monetary contraction generally takes about 18 months to work its way into inflation measures so the final impacts should be felt during the 2024-2025 period.

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<sup>1</sup> Expected inflation is calculated using current yields on nominal treasury bonds and TIPS using the following formula:  $\text{expected inflation} = [(1 + 10\text{-year Treasury yield}) / (1 + 10\text{-year TIPS yield})] - 1$ .

Source	Near-Term Inflation	Long-Term Inflation	Recent Trends
<b>Recent CPI Trend</b>	4.7% (Core CPI)		Declining
<b>Expert Forecasts</b>	3.1% (2022); 2.5% - 3.5% (2024)	2.4% - 2.7%	Declining
<b>Bond Market</b>		2.2% (5 yrs.); 2.3% (10 yrs.)	Stable/declining

Based on these data sources a reasonable expectation for inflation for the 2024-2025 fiscal year is 3.0% with a range of 2.5% - 3.5%. While some forecasts suggest that inflation will moderate more rapidly over the 2024-2025 time frame, we note that core CPI has been running higher and declining more slowly than the headline CPI measure which reasonably calls for a slightly higher inflation expectation.

**1. Proposed Amendment to Article IV, Section R (second paragraph third sentence will be replaced by the following):**

In making these decisions by majority vote, the Board should always discuss individual qualifications in a public session, but the Board may go into non-public session as permitted by R.S.A. 91-A:3.

**2. Proposed Amendment to Article IV, Section R (second paragraph fourth sentence):**

The term "ideology" in the second paragraph fourth sentence should be stricken.