



TOWN OF DURHAM
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October 31, 2018

The Durham Town Council
Durham, New Hampshire 03824

Re: **Administrator's Proposed 2019 Operational & Capital Budgets**
Administrator's Proposed 2019-2028 Capital Improvement Plan

Dear Honorable Members of the Council:

I am pleased to present for your review and consideration the Administrator's proposed 2019 Budget, which includes the General Fund, Water Fund, Sewer Fund, Library Fund, Parking Fund, Depot Road Lot Fund, Churchill Rink Fund, and Downtown TIF Fund budgets, as well as the Administrator's proposed 2019-2028 Capital Improvement Plan incorporating the FY 2019 Capital Fund budget utilizing a ten-year time horizon. The proposed budget allocates limited resources and supports funding for targeted initiatives consistent with Town Council goals. It is intended to be a steady state budget to ensure our operations remain ready to accomplish needed tasks as efficiently and effectively as possible for a community of our size and demographics, and taking into consideration the reality that Durham hosts UNH, the State of New Hampshire's flagship public university.

As is the case each year, the development of the proposed budget was part and parcel of a rigorous, yet inclusive process. The Business Manager and I have evaluated (and modified as necessary on multiple occasions) each budgetary line item utilized by the municipality in an effort to assure ourselves, and thereby the Council and the community, that requests are justified and reflect meaningful efforts on the part of our boards, committees, commissions, trustees, and departments, as well as our various external partners, to accomplish the broader goals and objectives articulated by the Town Council and the community as a whole. Our effort was intended to eliminate unnecessary requests altogether, identify and take advantage of new efficiencies where possible (though we have found fewer and fewer in recent years as we fine tune operations), and align spending to the extent possible with the 2018-2019 (and beyond) Town Council goals thereby allowing the Council to focus its limited time on broader policy issues impacting the overall community.

Business Manager Gail Jablonski and I have worked with Assessor Jim Rice concerning the projected future assessed valuation for Durham in 2019. After many discussions and much analysis, we're projecting \$9 million in new value. For comparative purposes, between 2008-2012, we saw average annual valuation increases around \$6 million. During the recent development experienced in town over the past few years between 2014-2017, we saw average annual increases of \$28 million. It was new development that allowed Durham to keep the local/municipal portion of the tax rate flat for four years in a row.

Motor vehicle revenues are down by about \$100,000 from what was projected for 2018, representing an impact to revenue for 2019. Costs for managing our parking program and credit card fee processing for the downtown parking kiosks are up so revenues are down there as well. Revenue projections continue to include an annual \$140,000.00 payment from UNH to compensate the community for the University's financial impact upon the Town in the area of policing services plus certain actual roadway costs associated with the upkeep and maintenance/resurfacing of Main Street running through the UNH campus between Pettee Brook Lane and the Rt. 155A intersection. At this time, UNH also supports 50% of the Fire Department operational and capital budgets, 2/3 of the cost of joint water and wastewater capital projects, and a pro rata (rolling 36 mo. average) share of the shared water and wastewater operating budgets for Durham and UNH (currently at 58.4% UNH and 41.6% Durham for Water; and 57.2% UNH and 42.8% Durham for Wastewater). This and other revenue reductions are generally offset by about \$200,000 per year in new monies from our PILOT with Riverwoods Durham, which begins in 2019. The Riverwoods PILOT payments to Durham will increase annually over the next several years.

Budgetary projections take into account revenue, limited growth in the tax base, setting Overlay at \$125,000 to address potential abatement requests, no projected use of fund balance, and recommended expenditures. Proposed expenditures for 2019 are up by \$505,830 over 2018, even given the fact that numerous items have been cut that I believed should have ideally been included for funding in 2019. Cutting more would result in ill-advised impacts to our operations. Due to these various factors, I do not believe it possible to responsibly bring the Council a proposed budget holding the local municipal rate constant for a fifth consecutive year, while also meeting other Council goals and my responsibility under the Charter to ensure the departments (and the Town) are prudently operated.

In the end, three factors impact the tax rate: **spending** (carefully designed to meet goals/community programming expectations), **revenue** (through user fees, grants, motor vehicle registrations, permits, etc.), **assessed valuation** (derived through new development, new construction, or changing real estate market conditions). If spending goes up and revenue plus increased valuation cannot offset those increases, the tax rate must go up. Unless new revenue sources or additional means of financing the requirements of NH local government can be found, this burden will continue to increase for Durham property owners, especially amidst a general environment of downshifted costs from the state, additional Federal regulations, and limited revenue streams available to New Hampshire municipalities.

As I note annually, significant progress continues to be made in our collective efforts in making Durham a better place in which to live, work, raise a family, enjoy numerous tracts of conserved land, and play. We have endeavored to spend the taxpayers' money wisely and have provided the maximum number of desired services possible within the limited constraints of the Town budget. Every effort continues to be made to stabilize the cost of the various services the municipality provides. Like many other communities throughout the state, the tax rate is significant and places a particularly heavy burden on the property taxpayer, particularly those on a fixed income.

A primary driver within Durham's municipal budget is personnel-related costs that accounts for 63.72% of total spending as part of the proposed 2019 budget.

Fiscal Year 2019 Budgetary Proposal

This year's budget cycle has resulted in a proposed 2019 General Fund budget totaling \$16,073,030 -- a spending increase of \$505,830 or 3.2% compared to FY 2018. Increases are due to required wages and benefits as a result of collective bargaining contracts, a 2% COLA for non-union personnel, insurance increases, additional staffing within the Public Works Department, and increased debt service costs. Non-property tax revenues are expected to very modestly increase in FY 2019 by \$185,300 or 2.7% to \$7,177,250.

In total, this year's budgetary proposal is projected to increase the 2019 local municipal portion of the tax rate by 3.12% from \$ 7.37 (formerly \$8.48 but adjusted due to 2018 statistical revaluation update) to \$7.60, an increase of 23 cents. The tax rate has remained at \$7.37 for 2015, 2016, 2017, and 2018. The proposed increase would cost the average Durham property taxpayer with a home valued at \$350,000 an additional \$80.50 in taxes for 2019.

The proposed Sewer (Wastewater) Fund budget reflects a 2.73% decrease in user fees in 2019 (a rate of \$8.71 per hundred cubic feet), while the proposed Water Fund budget carries an anticipated 16.9% increase in user fees (a rate of \$7.08 per hundred cubic feet) for FY 2019.

The twelve-month July 2017 to July 2018 Consumer Price Index (CPI-U) numbers are: U.S. City Index - 2.9%, Northeast - Size Class B/C (Pop. 2.5 million or less) - 3.4%, and Boston-Brocton-Nashua-MA-NH-ME-CT - 3.4%.

Budget highlights include the following, which in addition to the voluminous budget and CIP documents, I am hopeful the Council and the community will carefully review, to ensure their satisfaction with this proposal and the many hard choices made within.

1. This proposal includes \$473,950 in fixed compensation increases for full time wages (less new positions requested).
2. This proposal includes \$288,050 in additional debt service costs for 2019. The \$1.96 million Durham Police Department addition/renovation bond approved by voters by referendum in March 2017 comes on line.
3. A sum of \$78,000 is included to support an additional staff position (Maintenance Worker IV) at Public Works to supplement the highway crew, allowing additional resources to address routine matters to include highway work, more attention to safety issues while on site, additional roadside trimming & trail maintenance activities, and plowing support. (A second new position is in fact needed as well to fully address issues identified but it was not funded as part of this proposal due to fiscal constraints.)
4. \$320,000 is recommended though debt service to cover the cost of a modest expansion into additional space at the UNH General Services Building for use by the

- Fire Department over the next 5 years until such time as a new combined DFD/UNH PD/(possibly McGregor) station can be constructed and occupied on Waterworks Road. The allocation would repurpose two bays previously utilized by UNH housekeeping and the relocation of the inspection division at the department into more workable quarters.
5. The new DFD/UNH PD/(possibly McGregor) Public Safety complex building on Waterworks Road on the UNH campus is included in the CIP for 2025. The est. cost is in the \$20,000,000 range with the Town only paying for its proportional share of the project, which will be 50% of an estimated \$8 million, a several years old number. If McGregor is included, the space would likely be Town-owned with the actual cost of debt service and operations charged back to McGregor. Durham would potentially bond the project with UNH providing offsetting revenue for its proportional share of the facility. Grant monies are needed for this project to proceed and the parties need to work on bringing down total cost. The good news is that we have collectively determined that the Waterworks Road site will be the future location of this important new facility.
 6. \$21,735 has been cut from requested funding from area social service agencies for 2019.
 7. \$50,000 was cut from the Town's Contingency line, which would have helped provide reserve funds for Durham in the event utility abatements are decided against the Town upon appeal. Fairpoint, Unutil, and Eversource all have outstanding abatements appeals dating back several years on the books.
 8. Numerous department positions (see following list) were requested as part of this year's budget process, which were not added: second full time DPW position within highway department; DFD Training position; DFD increase 28 hr./wk. Admin. Asst. position to 40 hr./wk.; GIS Manager position (postponed to 7/2020); increase 35 hr./wk. position to 40 hr./wk. in Town Clerk/Tax Collector office; add new 25 hr./wk. position in Town Clerk/Tax Collection office. Note, additional positions identified as needs by staff but not requested due to funding constraints included: additional DPW staff member at the water department; additional DPW staff member at the wastewater department; second full time position at Recreation Department; assistant Town Manager position.
 9. The Durham Public Library requested an additional \$26,235 to cover staffing and collection costs, which was cut by \$12,000 (the new money requested for collections – which I do believe warrants funding, but which made the list of cuts).
 10. \$33,400 requested by the Land Stewardship Coordinator for conservation maintenance, monitoring, trail work, signage, bog bridge repairs, etc. has been cut from the General Fund and recommended for funding from the Conservation Fund at the discretion of the Conservation Commission.
 11. This budget eliminates \$30,000 to cover the cost of an historical 20% discount for Durham residents off the cost of a UNH pool pass. If approved, there would no longer be a Durham subsidy for use by residents of the outdoor pool.
 12. This budget eliminates Durham's \$44,025 contribution of an historical tax funded subsidy for the Oyster River Youth Association to offset the cost of participation for Durham, Lee, and Madbury youth. If approved by the Council, ORYA would need to replace these funds through added participation fees or through cost reductions in

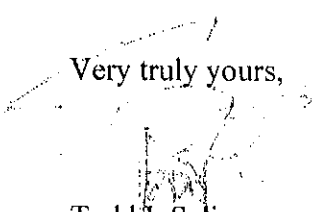
- programming. Durham would continue to provide use of our fields and historic Town Hall building for the organization's administrative offices at no cost.
13. \$75,000 has been added to the Overlay Account bringing this line to \$125,000 to offset the cost of likely abatements requests in a revaluation year.
 14. \$50,000 was added to the Town's Contingency line, offset by projected matching revenue from Eversource in accordance with a draft MOU we have negotiated with the company, in the event the Seacoast Reliability Project is ultimately approved by the NH Site Evaluation Committee, to cover supplement Durham engineering costs to monitor the project construction and potential impacts within the community.
 15. \$29,100 is included within the Assessing Department to begin a rolling full measure and list revaluation of $\frac{1}{4}$ of the properties in Durham annually.
 16. \$160,000 is included (\$80,000 – DPD, \$80,000 – DFD) to cover the cost of constructing a new radio public safety communications tower atop Beech Hill by the Town's water tank in order to broadcast effectively/reliably to and from Strafford County Dispatch, which is a serious safety issue with the current configuration.
 17. \$170,000 is included (\$100,000 – IT, \$70,000 – Assessing) to develop an accurate GIS base layer for Durham and associated tax map layer in GIS over a three-year period. \$70,000 is budgeted in 2020 for flyover orthometric/planometric layer development. A full time staff person is also recommended for July 2020 at this time, but the plan will continue to be refined as more information becomes available.
 18. \$45,000 has been included to cover the cost of a replacement police vehicle in 2019, cut from the two vehicles that were requested. In 2020, two to three vehicles will be necessary.
 19. \$145,000 has been included through debt service to cover the cost of purchasing the solar arrays atop the Police Department, Library, and Churchill Rink in late-2019/early-2020. We must still undertake a full cost-benefit analysis to weigh the pros and cons of taking this step.
 20. \$420,000 is included for roadway resurfacing in 2019 with cash to include the following roadways: Colony Cove Road, Edgerly-Garrison Road, Edgewood Ext., Ellison Lane, Faculty Road, Longmarsh Road, Rosemary Lane, Stagecoach Road, Technology Drive, Thompson Lane, and Willey Creek Road. We have \$30,000 on hand from the 2018 road program that had been allocated for roadside trimming, which will be encumbered for the 2019 paving program instead.
 21. \$90,500 is bonded in 2019 for reconstructing sidewalks as follows: Faculty Road; Main Street Section (from Madbury Road Post Office entrance to Park Court).
 22. \$15,000 has been added to the Administrator's budget consultant line for bike/pedestrian/traffic safety analysis/enhancements on an as needed basis with offsetting revenue coming from the \$45,564 in the reserve account from the vehicle/pedestrian/bicycle safety fund. We will track the dollars so that we don't spend the funds if not needed, and so we don't transfer in the monies if not spent.
 23. \$300,000 is included for feasibility engineering for the repair/replacement of the Oyster River (Mill Pond) Dam. An additional \$3,000,000 - 5,000,000 is projected in 2021 for construction with dam repair/replacement. It is recommended that the Council decide how to proceed this fall as part of the budget process so we can address both the impaired water quality in the Mill Pond marsh area and address NHDES identified safety issues with the dam. Dam removal would represent the

lowest cost long-term solution, create the largest opportunity to attract considerable grant dollars, address long ignored water quality impairments in the pond, and restore the natural ecosystem in this location.

The FY 2019 budget is a basic budget proposal intending to ensure municipal operations remain in conformance with Town Council goals while also meeting the ongoing daily needs of the community. There are few innovations/enhancements, yet those that are noted are believed to be important for the community. Details associated with the budget can be found within this FY 2019 budget book, the 2019-2028 Capital Improvement Program document, or within a separate informational booklet being prepared by the Business Office that will offer some high level analysis concerning the proposal per Town Council request.

I look forward to talking more with the Council and the community concerning the FY 2019 proposed budgets and the proposed 2019-2028 Capital Improvement Program.

Very truly yours,



Todd I. Selig
Administrator

Enclosures