



TOWN OF DURHAM
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October 30, 2020

The Durham Town Council
Durham, New Hampshire 03824

Re: **Administrator's Proposed 2021 Operational & Capital Budgets**
Administrator's Proposed 2021-2030 Capital Improvement Plan

Dear Honorable Members of the Council:

I am pleased to present for your review and consideration the Administrator's proposed 2021 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 2021-2030 Capital Improvement Plan incorporating the FY 2021 Capital Fund budget utilizing a ten-year time horizon. The proposed budget again allocates limited resources and supports funding for some targeted initiatives consistent with Town Council goals, to the extent it has been possible to do so responsibly while still meeting the budgetary needs of departments in order to safely and reliably meet the basic needs of the Durham community based on historical levels of service delivery and evolving challenges/opportunities. In light of the all-encompassing Covid-19 pandemic, which has thrown many of our 2020 plans and revenue/expenditure estimates to the wind, this is generally intended to be a steady state budget to ensure our operations remain ready to accomplish needed tasks as efficiently, effectively, and healthfully as possible for a community of our size and demographics, taking into consideration the reality that Durham hosts UNH, the State of New Hampshire's flagship public university, and that the national emergency pandemic situation continues and will likely extend until at least mid-2021.

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) 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, and align spending to the extent possible with the 2020-2021 (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 2021. After many discussions and much analysis, we're projecting \$13 million in new value; an increase of only 1%. To offset the natural growth in municipal expenditures, we would ideally bring on an additional \$20 – \$30 million annually. For comparative purposes, between 2008-2012, we saw average annual valuation increases around \$6 million. During the recent development experienced in Durham between 2014-2017, we saw average annual increases of \$28 million. It was this new development combined with ongoing careful budgetary management that allowed Durham to keep the local/municipal portion of the tax rate flat for four years in a row in 2015, 2016, 2017, and 2018.

General Fund revenues, driven by widespread impacts from the pandemic, are down by about \$150,000 from what was projected for 2020, representing a significant negative impact to the Town's bottom line. Costs for managing our parking program and credit card fee processing for the downtown parking kiosks are up and we have increased parking fees in attempt to offset this trend – but the pandemic has stripped downtown Durham of demand for spaces resulting in a dramatic shortfall in revenue for 2020 and projected into 2021. Revenue projections continue to include an annual \$145,000 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. 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 59% UNH and 41% Durham for Water; and 57.7% UNH and 42.3% Durham for Wastewater). These and other revenue numbers are helped by a projected \$676,700 per year in revenue (an increase of \$302,700 over 2020) from our PILOT with Riverwoods Durham (\$850,000 payment minus Riverwoods Durham's bond payment for water/wastewater utility extensions totaling \$173,300), which began in 2019. The Riverwoods PILOT payments to Durham will incrementally increase over the next few years.

Budgetary projections take into account revenue and limited growth in the tax base combined with projected Seacoast Reliability Project revenue impacts, setting Overlay at \$300,000 (up from \$125,000 in 2020 with \$100,000 to address potential general abatement requests and \$200,000 to offset a PREFCO abatement (the "Goss" manufacturing facility on Technology Drive)), no projected use of fund balance, and recommended expenditures. Proposed expenditures for 2021 are up by \$151,940 over 2020. (Note, for comparative purposes, the proposed budget for 2019 and 2020 – both of which were lean, minimalist budgets -- included expenditure increases of \$505,830 and \$514,200, respectively.) 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 2021, 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.), and **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, along with a potential further reduction in state revenues as a result of the Covid-19 pandemic.

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, 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 62.45 % of total spending as part of the proposed 2021 budget.

Fiscal Year 2021 Budgetary Proposal

This year's budget cycle has resulted in a proposed 2021 General Fund budget totaling \$16,966,000 -- a spending increase of \$151,940 or .9% compared to FY 2020. Increases are due to required wages and benefits as a result of collective bargaining contracts, a 2% COLA for non-union personnel, insurance increases, debt service costs, and other miscellaneous requests that will be discussed as part of the upcoming process. Non-property tax revenues are expected to *decrease* in FY 2021 by approx. \$150,000 or -1.94% to \$7,347,600.

In total, this year's budgetary proposal is projected to increase the 2021 local municipal portion of the tax rate by 3.83% from \$7.79 to \$8.09, an increase of 30 cents. The tax rate had remained at \$7.37 (formerly \$8.48 but adjusted due to 2018 statistical revaluation update) 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 \$105.00 in taxes for 2021.

The proposed Sewer (Wastewater) Fund budget reflects a 0% increase in user fees in 2021 (a rate of \$8.97 per hundred cubic feet), while the proposed Water Fund budget carries an anticipated 5.4% increase in user fees (a rate of \$7.74 per hundred cubic feet) for FY 2021.

The twelve-month August 2019 to August 2020 Consumer Price Index (CPI-U) numbers are: U.S. City Index – 1.3%, Northeast – 1.1%, and Boston-Cambridge-Newton, MA-NH – 0.6%.

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. Due to the downturn in the recycling market as a result of China's National Sword policy, the new contract between Durham and Waste Management effective Nov. 2020 has seen substantial increases in the processing of all recyclables – a \$30,000 impact.
2. The part-time Economic Development Director position is reduced from 24 hrs/wk to 16 hrs/week.
3. One of two fire inspector positions is eliminated for 2021 resulting in the complete pause of Housing Standards Ordinance inspections. It is recommended that the Council revisit in 2021 whether it desires to resume the Housing Inspection program in 2022 or beyond.
4. \$25,000 has been added to the Town's Contingency line, bringing this item to a proposed budget of just \$125,000 or .7% of the Town's General Fund budget. Historically we have targeted 1%, which would be \$167,500. Given the pandemic, we wanted additional flexibility to cover unanticipated cost drivers.
5. The 20th police officer position at the DPD will remain vacant through March and the 21st officer position will remain vacant through September 2021.
6. \$2,500 has been included to add to the fund (an initial \$2,500 deposit was made in 2020) to purchase new TBD festive lighting decorations for downtown to add to/enhance the existing holiday decorations at the request of the Council.
7. \$3,500 is included to support the planting of shade trees as part of our Tree City efforts.
8. \$6,950 has been included for a new tent for Parks & Rec. to support outdoor programming, both during and beyond the pandemic.
9. \$4,000 is included to support Historic District Commission member educational participation in the CAMP program.
10. \$13,000 is allocated to replace the air conditioning/ventilation system on the second floor of the Historic Building. The existing system is now inoperable.
11. \$25,000 is included to cover the cost of anticipated retirements in 2021.
12. The annual \$100,000 contribution (funded 50/50) between Durham/UNH to replenish our Fire Equipment Capital Reserve Fund intended to cover the cost of expensive equipment items at the DFD in a predictable, sustainable manner over time to avoid lulls and valleys in our funding reserve has been cut to \$0.00 for 2021. Certainly not an ideal scenario.
13. McGregor Memorial EMS support is up \$6,300 to reflect increased/improved space need allocations at Putnam Hall versus the historic General Service Building location.
14. While Durham is very resilient when compared to communities across NH, more can and should be done locally to make the Town more resilient in the face of a changing

climate. In this endeavor, there is a great deal of opportunity and benefit in continuing to do so in collaboration with UNH. While the opportunities are numerous, the resilience assessment undertaken in summer 2019 suggested some immediate actions: a) Work with the UNH Sustainability Institute to complete municipal (complete) and community (ongoing) greenhouse gas emissions inventories; b) Hire a sustainability coordinator; c) and Join the Global Covenant of Mayors, a coalition of cities that are working to cut GHG emissions and adapt to climate change (evaluation ongoing). To this end, the FY 2021 proposed budget will include approximately \$15,000 in funding to continue to work with the UNH Sustainability Fellowship Office to bring on a Graduate Student for the spring/summer/fall 2021 semesters to continue/drive forward our sustainability efforts in Durham in support of the Energy Committee and Council goals.

15. As a follow up to the assessment reports from Aaron Sturgis of Preservation Timber Framing received in early 2020 for both the Wagon Hill Farm farmhouse and the Old Town Hall/Courthouse, funds are included in 2021 for engineering services (\$43,000 – farmhouse, \$37,000 Courthouse) to design and create bid specifications for significant improvements to both facilities in 2022, in conjunction with the Heritage Commission's assistance in envisioning and seeking grant dollars to leverage both projects. Limited funding is also included in the DPW facilities budget for minor improvements/repairs in both facilities to carry us through to 2022 construction as necessary.
16. As part of the approved FY 2020 budget, a full-time GIS Manager position was budgeted to begin 7/1/20. Due to the pandemic, this program was put on delay and is recommended to be reinstated beginning March 1st 2021.
17. \$6,000 was cut, which will bring the amount budgeted for the Durham subsidy for residents who desire to obtain a pass for the UNH Outdoor Pool to \$0.
18. \$5,000 requested by Oyster River Womenade for the first time was not included in this budget proposal.
19. \$52,400 requested by the Oyster River Youth Association as a subsidy to offset the organization's administrative operations (and indirectly the participation of youth from Durham as part of ORYA programming) was not included in this budget proposal. The Council has discussed phasing out funding entirely for several years. \$14,000 had been budgeted for ORYA in 2020, down from the prior year.
20. A new DPW Projects Engineer is included in this proposal to both keep up with workload, monitor compliance with numerous Federal/state permits, and to help the department become more proactive in its efforts, potentially saving capital project monies and increasing efficiencies over the long-term.
21. \$118,000 has been included to cover the cost of two replacement police vehicles (hybrid) in 2021.
22. \$435,000 is included for roadway resurfacing in 2021 with cash to appropriate treatments for the following roadways: Bartlett Road, Fogg Drive, Fogg Lane, Kelsey Drive, Mathes Cove, Meserve Road, Moharinet Way, Sullivan Falls, Tall Pines Road, Woodridge Road.
23. Sidewalk work totaling \$36,000 will allow for the reconstruction of 2011 ft. of sidewalk along Dover Road from the intersection of Rt. 108 to the Dover Road pump station.

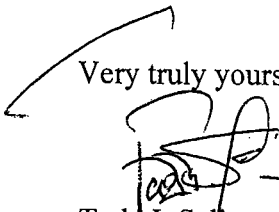
24. \$90,000 is budgeted through debt to purchase 120 kw in solar panels from ReVision Energy associated with PPA1, the Power Purchase Agreement associated with our 99 kW array on the Churchill Rink, 15 kW on the Library, and 6 kW at the Police Department. This is a recommendation both of the Energy Committee and the work of our UNH Sustainability Fellow from summer 2020.
25. \$1,385,000 is budgeted (\$720,000 DFD/\$665,000 DPD) through debt for necessary upgrades to our radio simulcast system for the Land and Mobile Radio system servicing Durham's emergency responders.
26. \$ 275,000 is budgeted through debt to proceed with engineering/design services to move forward a TBD solution for the ailing Mill Pond Dam on the Oyster River. Once the Council determines a future course with regard to this structure, funding can be fine-tuned for 2022/2023.
27. \$640,000 is included through debt to design/engineer roadway, sidewalk, and drainage improvements necessary for Madbury Road. Construction cost anticipated for 2023 is \$2,485,000. An associated Madbury Road water line replacement project within the Water Fund will coincide with this effort budgeted at \$500,000 for engineering in 2021 and \$2,205,000 for construction in 2023.
28. \$425,000 continues to be budgeted annually within the Wastewater Fund to address the ongoing need to update major components within our WWTP infrastructure.
29. \$63,200 is included through debt for the Churchill Rink in 2021. This will add to the \$650,000 budgeted in 2020 for planned improvements that were put on hold due to Covid-19. A new, updated plan is being developed to include enclosure of the building envelope, insulation, dehumidification system, a new Zamboni/mechanical/storage room, addition of southwest side, fire suppression/alarm system, CO2 monitoring exhaust fan system in playing area, further repairs to dasher boards, low emissivity ceiling, and LED Lighting. Design will continue into 2021 and expenditure of funds will be contingent upon final Council approval of a plan moving forward.
30. \$2,100,000 is budgeted (awaiting updated appraised value for parcel from UNH) for the Town to acquire 66 Main St. from UNH in 2021 utilizing approximately \$750,000 in bonding (paid for through the TIF), \$750,000 in parking impact fees, and \$600,000 in TIF dollars.
31. \$175,000 is budgeted (payment 2 of 3) to support the Piscataqua Region Estuaries Partnership (PREP) CArE (Critical Advances for our Estuaries 2020-2022) initiative, made possible 100% through the funding collaboration between Eversource and Durham (with Durham's \$525,000 in SRP settlement funds for the Estuary). It's worth noting that the Environmental Business Council of NE's Nicholas Humber Award for Outstanding Collaboration was awarded in 2020 to the Eversource SRP Little Bay Submarine Cable Crossing. Sometimes contentious projects, with targeted and informed feedback from Durham, can become successful projects in the end.

The FY 2021 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 2021 budget book, the 2021-2030 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 for Town Council and community information.

I look forward to talking more with the Council concerning the FY 2021 proposed budgets and the proposed 2021-2030 Capital Improvement Program.

Very truly yours,



Todd I. Selig
Administrator

Enclosures