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October 31, 2024

The Durham Town Council
Durham, New Hampshire 03824

Re: **Administrator's Proposed 2025 Operational & Capital Budgets**
Administrator's Proposed 2025-2034 Capital Improvement Plan

Dear Honorable Members of the Council:

I am pleased to present for your review and consideration the Administrator's proposed 2025 budget, which includes the General Fund, Water Fund, Sewer (Wastewater) Fund, Library Fund, Parking Fund, Depot Road Lot Fund, Churchill Rink Fund, and Downtown TIF Fund budgets, as well as the Administrator's proposed 2025-2034 Capital Improvement Plan incorporating the FY 2025 Capital Fund budget utilizing a ten-year time horizon. The proposed budget allocates limited resources and supports funding for targeted initiatives. It is consistent with Town Council goals, to the extent that has been responsibly accomplished while still meeting the budgetary requirements of departments in order to safely and reliably meet the needs of the Durham community based on historical levels of service delivery and evolving challenges.

Due to wage pressures driven by the post-pandemic environment, a high rate of inflation over the last three years, increasing healthcare and energy costs, and low growth in the tax base, this is intended to be a steady state budget to ensure Town operations stand ready to accomplish needed tasks as efficiently and effectively as possible for a community of our size, complexity, and demographics, taking into consideration the reality that Durham is host to UNH, the State of New Hampshire's flagship public university.

The development of the proposed budget was part and parcel of a rigorous, yet inclusive process. Staff within the various departments of the Town prepared and submitted thoughtful, responsible, and lean budgets. The Business Manager and I subsequently met with departments, evaluated, and modified as needed each budgetary line item 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 broad objectives of the town. Our effort was intended to eliminate unnecessary requests and waste altogether, identify and take advantage of new efficiencies and opportunities where possible, strategically pivot as needed within a complex and ever-changing world, and align spending with the 2024-2025 Town Council goals -- thereby allowing the Council to focus its limited time on broad policy issues impacting the overall community.

We have worked with our new Assessor, Darcy Freer, concerning the projected 2025 assessed valuation for Durham. ***With few to no new assessed value beyond home improvements and***

superficial commercial updates taking place at present, we're projecting an increase in the overall assessed valuation in 2025 of just 1% or \$18,788,106. Last year as part of the FY 2024 budget development process, we had projected a valuation of \$1,876,630,401 but the actual valuation came in \$10,505,433 less at \$1,866,124,968, so we begin the FY 2025 budget process with approximately \$10.5 million less in overall assessed valuation than anticipated a year ago for tax rate setting purposes. As such, I note for the record once again that without meaningful future tax base growth generated from new development and construction, significant TBD new efficiencies across operations (unlikely), or a dramatic increase in non-property tax revenues (unlikely), it will be increasingly difficult to hold the Durham tax rate in line with the rate of inflation without cutting services.

Projected non-tax General Fund revenues are up by \$2,508,630 for 2025. Revenues include a one-time transfer of \$2,173,425 from unassigned fund balance to fully fund the cost of Option 2 improvements at the historic Wagon Hill Farm Bickford-Chesley House (\$1,173,425) and \$1 million toward Madbury Road Phase 3 improvements scheduled for FY 2025.

A \$135,000 transfer to the General Fund from the Municipal Transportation Fund will cover the cost of \$40,000 in sidewalk improvements, \$60,000 for 2 x 4-handled EV chargers, \$30,000 for a RRFB crosswalk signalization on Mill Road at Hetzel Hall/The Works, and \$5,000 to help support the UNH Cat Trax Program in 2025.

An additional transfer of \$62,000 from the Employee Earned Leave Buyout Trust to offset planned retirement/end of service payouts is included.

Revenues from the Parks & Recreation Department are estimated at \$292,000, up by \$82,000 over last year. This includes \$130,000 from Youth School Year Programs, \$28,000 for Adult Programs, \$5,000 from Community Programs/Events, \$110,000 from Summer Camps, and \$5,000 for Miscellaneous P&R.

Revenue projections continue to include an annual approx. \$150,000 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 water and wastewater operating budgets for Durham and UNH, as outlined below:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>Town Water Share:</u>	39.4%	41.7%	41.6%	40.7%	41%	44.3%	47.6%	48.6%	46.8%
<u>UNH Water Share:</u>	60.6%	58.3%	58.4%	59.3%	59%	55.7%	52.4%	51.4%	53.2%
<u>Town Wastewater:</u>	40.6%	43%	42.8%	42%	42.3%	45.6%	48.9%	49.9%	48.1%
<u>UNH Wastewater:</u>	59.4%	57%	57.2%	58%	57.7%	54.4%	51.1%	50.1%	51.9%

Budgetary projections not only take into account revenue and growth in the tax base as outlined above, but also setting Overlay at \$125,000 to cover potential abatements for 2025 and an

additional \$360,000 associated with outstanding 2018 and 2019 Eversource abatement litigation in Superior Court. Abatements will again be funded through the use of unassigned fund balance.

A primary driver within Durham's municipal operation are personnel-related costs, which account for 61.6% of total spending as part of the proposed 2025 budget.

Fiscal Year 2025 Budgetary Proposal

This year's budget cycle has resulted in a proposed 2025 General Fund budget totaling \$22,679,171 -- a spending increase of \$3,364,156. Adjusting for the direct unassigned fund balance transfer of \$2,173,425 mentioned above, this equates to an actual 6.16% increase in spending over FY 2024. Increases are due to required wages and benefits as a result of employee collective bargaining agreements including the recently ratified police contract on 10/21/24 carrying a market-driven 6% COLA wage adjustment, market-driven mid-contract wage adjustments for firefighters to stem staff melt, a 3% COLA for non-union personnel, a 12.5% health insurance increase, energy/fuel cost increases, increases in various supplies, materials, and construction services, and other miscellaneous requests that will be discussed as part of the upcoming budget process.

The twelve-month year-over-year, September to September change in **Consumer Price Index (CPI-U)** data follows for informational purposes:

	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>CPI-U Boston-Cambridge-Newton, MA-NH</u>	8.2%	2.6%	3.4%

In total, this year's budgetary proposal is projected to increase the 2025 local municipal portion of the tax rate by 45 cents to \$6.20 per thousand dollars of assessed valuation, an increase of 7.71%. The 2023 and 2024 tax rate was held at \$5.75 per thousand dollars of assessed valuation. The tax rate remained at \$7.37 (formerly \$8.48 but adjusted due to 2018 statistical revaluation update) for 2015, 2016, 2017, and 2018. The proposed budget would cost the average Durham property taxpayer with a home valued at \$500,000 an additional \$225.00 in taxes for 2025 on the municipal portion of the tax rate.

The proposed **Water Fund budget** carries an anticipated 2.9% increase in user fees (a rate of \$10.92 per hundred cubic feet) for FY 2025.

The proposed **Sewer (Wastewater) Fund budget** reflects a 3.4% increase in user fees in FY 2025 (a rate of \$10.66 per hundred cubic feet).

Some budget highlights include the following:

- 1. Bickford-Chesley House at Wagon Hill Farm.** Funding is included for FY 2025 utilizing \$1,173,425 from unassigned fund balance, which when combined with approximately \$706,000 in funding already on hand comprised of existing capital funds (~\$400,000), LCHIP Grant (\$286,600) and Moose plate Grant (\$20,000), will total \$1,849,416.77 to support completing Options 1 and 2 at Wagon Hill Farm's Bickford-Chesley House. This carries the scope laid out by the LCHIP documents plus additional scope needed to occupy

the first floor and ell. It includes Exterior window replacement, handicap ramp, two ell bathrooms, complete sprinkler system, life safety electrical, rough wiring and plumbing of the second floor, rehabilitation of the basement and first floor, dehumidification and sump pump for the basement, front porch and exterior trim and siding repairs, exterior painting, new ell door, exterior grading and masonry repairs. Option 2 components include the scope outlined above plus all four of the ell bathrooms, full sprinkler system with life safety lighting and fire alarm, finishing the rehabilitation of the 2nd floor caretaker's quarters, handicap ramp, insulation, and heating of the ell bathrooms, HVAC for the historic 1st and 2nd floors, historic window replacements, life safety and egress required for 3-Season use of the unconditioned barn.

2. The **Health Agencies and Hospitals budget** will increase by \$1,875 in 2025 to support the integration of Twenty-One Senses programming into various Town-sponsored activities, ensuring a peaceful refuge is available for individuals who may struggle with sensory challenges. The Town has generally adopted a policy of not accepting new requests for donation and holding existing contributions more or less at the status quo, yet the Human Rights Commission believes this to be an appropriate addition and I concur. Total budget for this functional area is \$13,925.
3. The **Direct Assistance/Welfare budget** has been increased by \$10,000 to a total of \$50,000 to address increased caseloads supported by the Town's general assistance policies that are based upon documented need.
4. The **Library budget** increase is approx. 1% over 2024 and represents a steady-state allocation.
5. The **Assessing budget** includes a one-time allocation of \$37,000 to undertake a statistical update of all properties in 2025. Since the full revaluation two years ago, values in Durham have continued to increase at a high rate. The statistical update will capture those values and ensure fairness across assessments utilized. We estimate values in Durham will increase by another 5% - 6% as a result of the revaluation. It has not been our practice, however, to integrate this new value into tax rate projections.
6. The **Code Enforcement officer** is budgeted full time for 6-mos. and part-time officer for 6 mos., taking into account the planned retirement of our current Code Officer in 2025, that individual's interest in continuing on part-time in Durham, and reduced workload within the department due to a current slowdown in new construction.
7. General Government **Property/Liability Insurance** costs are up \$19,000.
8. **Police Training** is up by \$8,000 and **Police Accreditation** costs are up \$15,000 as 2025 is a full accreditation year for the department. One replacement hybrid **Police Vehicle** at \$71,000 is included while a second cruiser request was cut.
9. **Fire Department Building Rent** is up \$33,000 to secure an additional 2,000 sq. ft. of space, **Fire IT Hardware** costs are up \$20,000, **Fire Uniform** costs are up \$15,000, **Fire Equipment Maintenance** is up \$9,000, **Fire Dispatch-LMR** costs are up \$9,400.
10. **Land and Mobile Radio Maintenance Contract** costs are up between Police and Fire at \$20,000.
11. **Rectangular Rapid Flashing Beacons (RRFB) Crosswalk Signalization** for Mill Road at Hetzel/The Works is included at \$30,000.
12. **Two 4-handled EV charging stations** are included at \$60,000, with funding as described above. We are hopeful grant funding will be secured to offset 80% of the cost but will proceed with installation regardless.

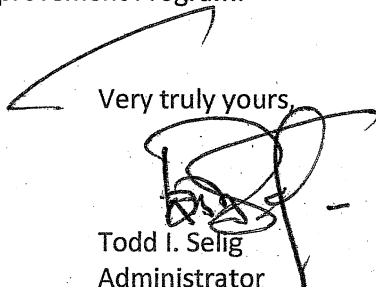
13. Continued support of **UNH Cat Trax bikeshare program** is included at \$5,000, with funding as described above.
14. The **Information Technology/MIS budget** includes an allocation of \$45,000 to support updating our municipal web site in 2025 due to technology changes that will no longer support the services we traditionally provide, \$20,000 for public-facing Wi-Fi improvements at Town Hall, and \$29,500 for general computer equip. replacement per normal multi-year cycle.
15. \$20,500 is included to purchase a modest inventory of **LED cobra head street lights** to enable DPW to continue to replace units as they fail over time. DPW's reserve is depleted and it is increasingly difficult to obtain such lights on demand.
16. The **DPW Road Resurfacing budget** will be \$482,800 for the reclamation of Constable Road, Falls Way, Ryan Way, and Orchard Drive paid for utilizing cash. These roadways are experiencing significant rutting, alligator cracking, and aggregate loss/heaving resulting in uneven surfaces and altered stormwater conveyance patterns. Additionally, funding is included for a mill and overlay on Garrison Avenue from Main St. to Dennison Rd.
17. A new **Zamboni at the Churchill Rink Fund** is budgeted at \$120,000, with funding offset from the Rink Fund.
18. The **Fire Capital Reserve Fund** will be charged \$12,000 for a new thermal imaging camera, \$95,000 to replace the Chief's Chevrolet Tahoe, \$45,000 for facility improvements, \$52,000 for personal protective equipment, \$48,000 for LMR emergency backup power, \$30,000 to replace self-contained breathing apparatus, \$80,000 to replace hydraulic rescue tools. In addition, \$100,000 is allocated to refurbish the 2012 Marian Tanker (Tanker 4) per normal cycle.
19. Phase 3 of the **Madbury Road Complete Streets** project is budgeted at \$3,120,900, with \$1,000,000 of the total being charged to unassigned fund balance. Phase 3 will include construction improvements between Garrison Ave. and Edgewood Rd. See the CIP description for details.
20. See the accompanying CIP plan for 2025 **Water Fund** and **Wastewater Fund** improvements.
21. More community members are using the **Durham Public Library (DPL)** as they navigate their post-pandemic work environments. Attendance is up as well for programs serving both children and adults. Use of technology and print and digital resources are steady. The budget is largely business as usual for 2025.
22. **Parks & Recreation (P&R)** has been instrumental in the development of new community events and activities that bring people together downtown, on our trails, and to our various recreational facilities and park spaces. Summer camps and afterschool programs have been expanded to help meet the demand in registrations. Programs downtown support our local businesses by driving potential customers downtown. Contracted services are up \$86,700, offset with anticipated revenue to be generated.
23. Approx. \$18,000 in funding to continue to partner with the **UNH Sustainability Fellowship Office** to bring on a Graduate Student for the spring (\$4,500)/summer (\$9,000)/fall (\$4,500) 2025 semesters to continue/drive forward our sustainability efforts in Durham in support of the Energy Committee and Council goals, as well as our commitment to the Global Covenant of Mayors for Climate Action and Energy initiative.
24. \$3,500 is once again included to support the planting of 6-10 shade trees as part of our **Tree City efforts**. Durham is the longest running Tree City municipality in NH.
25. \$32,000 once again included within the Conservation Commission budget to support the part-time/contract **Land Stewardship Coordinator position**.

26. \$40,000 is allocated for the **rehabilitation and replacement of existing sidewalks** including curb ramps as crucial components of the Town's multi-modal transportation network. Targeted sidewalk sections include the reconstruction of 245 lineal feet of concrete sidewalks with deteriorating brick banding on Main St. from Smith Park Ln. to 21 Main St. The existing asphalt sidewalks will be replaced, granite curbing reset, and ADA compliant ramps installed.
27. The budget *does NOT* include funding to support **Option 3 improvements at Wagon Hill Farm's Bickford-Chesley House** -- the complete scope, full occupancy- for a total of \$2,030,572, an additional \$181,154 over Option 2. This additional scope would cover the complete building, from the LCHIP scope, the historic section occupancy, along with finishing of the barn as a vanilla box, and additional two ell bathrooms, full fire alarm, full sprinkler, rated separations between the storage underneath the barn and the main floor, insulation and HVAC for the barn, added egress, and foyers for the barn.
28. The budget *does NOT* include the purchase of a **second police department hybrid cruiser** as scheduled for 2025. The additional vehicle had a cost of \$71,000.
29. The budget *does NOT* include funding for a **part-time 16 hrs./wk. Economic Development Director position**. This had been eliminated in 2022. We would utilize contracted service funds if bringing on board professional assistance was deemed beneficial in 2025 for specific initiatives.
30. The budget *does NOT* include the full \$100,000 annual 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 peaks and valleys in our funding reserve. As a cost savings measure, only \$50,000 was allocated.
31. The budget *does NOT* include an allocation of either \$1,643,000 or \$4,350,000 for a **new municipal solar array** at either the Town's capped landfill (506,391 kWh) or at the Depot Road (955,770 kWh) parking lot. More analysis needs to be undertaken to better understand the pro's and con's of such concept plans, how power generated at these sites would be used, whether the development of such new sites is in Durham's interest, and many other outstanding questions.
32. The budget *does NOT* include (and has not for several years) monies to subsidize the cost of membership for Durham residents to obtain a pass for the **UNH Outdoor Pool**.
33. The budget *does NOT* include the addition of **four Fire Department lieutenant positions** (\$600,000) (one additional person per shift) or a **deputy chief for training** (\$187,700) to foster additional collaboration with surrounding communities to build resilience in the emergency service response system. These five positions and the cost of equipping them represented the most significant increase in the Fire Department's requested budget for 2025. If the Council was amenable to increasing the budget beyond what has been formally presented (which already exceeds the rate of inflation and Council goals), I would recommend the addition of four firefighter positions in FY 2025, beginning one each on March 1st, June 1st, Sept. 1st, and Dec. 1st.
34. The budget *does NOT* include funds (\$34,272) for a part-time **CALEA Police Accreditation Manager**. My hope is that the new police labor contract stems the loss of personnel to other departments, thereby allowing existing staff to continue to address this important task.

Details associated with the budget can be found within this FY 2025 budget book, the 2025-2034 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 2025 proposed budgets and the proposed 2025-2034 Capital Improvement Program.

Very truly yours,



Todd I. Selig
Administrator

Enclosures