

D R A F T

DURHAM TOWN COUNCIL MINUTES MONDAY, NOVEMBER 10, 2003 DURHAM TOWN HALL – COUNCIL CHAMBERS 7:00 P.M.

MEMBERS PRESENT: Malcolm Sandberg, Chair; Arthur Grant; John Kraus; Annmarie Harris; Mark Morong; Neil Niman; Katie Paine; Peter Smith

MEMBERS ABSENT: Patricia Samuels

OTHERS PRESENT: Town Administrator Todd Selig; other interested members of the public

I. Call to Order

Chair Sandberg called the meeting to order. He explained that this was a special meeting of the Council to focus on the budget. He noted that the Council had previously looked at the draft CIP, and would be working with the budget for the next several weeks.

II. Approval of Agenda

Councilor Harris MOVED to approve the agenda. The motion was SECONDED by Councilor Morong, and PASSED unanimously.

III. Presentation and Discussion on the proposed 2004 Operating Budget and 2003-2013 Capital Improvement Program

Administrator Selig explained that he would be giving a five-part presentation that included the following:

1. Overview of Transmittal letter
2. CIP- different sections and how it works
3. Operational budget for 2004
4. Financial Fiscal forecast
5. Proposed Timeline for Budget Process

1. Overview of Transmittal Letter

Administrator Selig stressed that the budget reflected the importance of providing basic services in a competent manner, and striving to improve things already in place before embarking on new endeavors.

He explained that the transmittal letter outlined major initiatives, and noted that this letter could be found at the beginning of both the Budget and the CIP, and would soon be available on the Town web site. He noted that the transmittal letter described the process by which the budget was developed, and the decision-making parameters that were used.

Administrator Selig said the general fund budget as proposed at that point in time was \$8,886,825, and represented an increase of \$416,648, of 4.9% over fiscal year 2003. He said that translated into a tax rate impact of 2.9% increase over the current tax rate of \$5.85 per thousand.

He next addressed the portion of the transmittal letter that discussed Durham's heavy tax burden, noting that the tax warrant had been approved the previous week. He said that because the Municipal portion of the tax rate was relatively smaller than the other portions (County, Local School and State School), the success at minimizing the increase of the Municipal tax rate tended to be overshadowed by the increases in the tax rates of these other sectors. He noted this did not relieve the Town of being careful, but said it was frustrating that much larger factors were at play in this situation.

He said the transmittal letter described the various consumer price indexes that they tried to use as a base to have a sense of what was affordable in the present economy. He described various indexes used by the Dept of Labor, and noted the Northeast Urban Index, at 2.9%, was most reflective of Durham's experience.

Administrator Selig noted the Transmittal letter ended with the warning that unless the Town could aggressively increase the tax base, or increase revenues, or reduce spending fairly drastically, it would ultimately get to the point in projections where they would be unable to control the Municipal rate of growth at a reasonable level.

2. CIP

Administrator Selig demonstrated the various sections of the CIP to Council members. He explained that the Town charter required a 6-year CIP, but he and Paul Beaudoin had made the decision to extend it to 10 years to enable better long range planning. He noted that the projects listed in the CIP were those with a value of \$20,000 or more and at least a 5-year life span.

He explained that the CIP had separate sections for the projects of each department, and also said that within these sections, projects were ranked in importance. He noted the importance of this ranking so it would be very clear what projects were priorities for the Town. He said this was especially important when several projects were planned for a department over time. Administrator Selig also showed how, for each year, there was a chart that showed where the funding for each project was expected to come from.

He next discussed the spreadsheets in the section of the CIP entitled “General Fund Fiscal Forecast and Bond Payment Schedule. He noted there were major sections for different departments, with projects listed. He also explained that for the third year, he and Mr. Beaudoin had made the CIP more than a planning document for first year, so that the 2004 listings were reflective of the budget. He said it was important to understand that the CIP was a planning document, and that other than 2004, the numbers did not represent a firm commitment that the Town would absolutely move forward with the projects listed, or if they would, when they would do so. He described the CIP as an attempt to show the anticipated projects that were out there, and to chart the Town’s course.

He then discussed the listing of projects in the **Hightlights of the 2004-2013 Capital Improvement Plan**, and went through this to give Council members a sense of what had changed between the previous draft of the CIP and the current document, based on comments received and other factors.

He spoke in detail about some of the projects on the list list, including plans to build a new fire house instead of upgrading the existing fire station; repairs needed to the Wiswall Bridge; and purchase of a dual use vehicle by the Public Works Department that would be able to handle both refuse and recycling collection. He also noted projects listed under Water Fund and Wastewater Fund categories, and spoke specifically about the planned water system study, which had been moved up from 2006 to 2004 in light of discussion on this issue by both the Town Council and Planning Board. He also explained that pending the results of that study, a study of the Spruce Hole aquifer was planned for 2006.

3. Operational Budget

Administrator Selig next spoke in detail about the layout of the Budget document. He explained that page 7 provided a breakdown by major components, of the general fund projects, where the amended 2003 budget was compared to the proposed 2004 budget. He said the goal of this page and others was to show clearly where the increases and decreases in the budget were occurring. He noted page 8 also showed major components of the budget, by department with an explanation of substantial changes (either increases or decreases). Administrator Selig provided details on these changes, some of which are listed below:

- Increased premium costs for health and dental insurance and increased NH Retirement System rates
- Reduction in administrative costs through elimination of minutes/secretarial position and contracting out of minutes work, transfer of work to DCAT, and development of listserv which negated need for newsletter
- Equipment upgrades – from analog to digital for DCAT needed to improve rebroadcast programming
- Increased human service agencies contributions needed because of increased usage of services by Durham residents

- Reduction in budget request from Ambulance Corp because of surplus in 2003 as well as increased revenue from insurance
- Increase in funding for Zoning and Code Enforcement Dept. – for an assistant code enforcement officer, if the landlord ordinance passed. It was noted the money for this would come from rental unit permit fees
- Increased funding for Public Works Department for subcontracting out of grading of dirt roads, and savings for Public Works Department based on reorganization of the department, involving decrease by half of Superintendent of Water and Solid Waste salary

Administrator Selig did a similar comparison between the 2003 amended and proposed 2004 Water Fund and Sewer Funds.

There was discussion about a comment Administrator Selig had made about bringing back to Durham a police officer who was on staff but had formerly worked through the regional drug task force. He and Mr. Beaudoin explained that this person would focus on alcohol and drug issues in Durham, and explained that because the position was already funded in the budget, it did not show up on the list of substantial changes in the budget from 2003 to 2004. Administrator Selig said that with the various issues facing Durham recently, it would certainly be useful to have this person available.

Administrator gave a brief overview of the detailed sections of the operational budget.

4. Fiscal Forecast – General Fund

Administrator Selig said this document gave a clear sense of where the Town had been and where it was going with the budget. He then explained the process he had gone through in working with department heads in developing numbers for the budget. He said he found it especially useful to ask them first to identify what they thought represented the status quo, moving forward (Level Services FY 2004), and then asked them, if they could come forward with changes, what they would be (Dept. Head Request FY2004). Administrator Selig said he and Mr. Beaudoin then looked at both of those requests, met with the departments to see up close what cuts would mean in different areas, and gradually arrived at budget figures (Town Administrator's FY2004).

Councilor Samuels asked if there was a list of Town owned properties, and their maintenance needs/status, so these properties could be maintained regularly enough and therefore would not get to the point where the expense of repairing them became much greater.

Administrator Selig said the Public Works Department didn't exactly have a list, but had informally been keeping an eye on Town properties and in a disciplined way had been making their way through maintenance work that needed to be done on them.

He said he had talked with each department about what their maintenance problems were.

Councilor Niman asked what "Level Services meant, and Administrator Selig said it essentially meant the status quo, - nothing new.

Mr. Beaudoin explained it as a way of saying what you are doing today is costing this much; tell us how much it will cost to do the same thing next year, and was a realistic way of approaching a budget when people didn't really want to cut services.

Councilor Niman asked about the difference between the projected tax rate increase of the projected Level Services FY2004 budget and the tax rate increase under the Town Administrator's FY 2004 budget, and Administrator explained that the second budget reflected the unreserved fund balance. He also noted the final Town Administrator's budget reflected a 4.9% increase in spending over the previous year.

He discussed the revenue portion of the budget and said what was reflected was that in order to get the 2.9% increase in the tax rate, they had requested using \$360,000 of fund balance. He noted the projected tax rate for 2004 was \$6.02 per thousand, an increase from the present \$5.85 rate, and reflected the 2.9% increase in the rate.

There was discussion about the Unreserved Fund Balance. Administrator Selig explained that the 2005 tax rate increase was projected as 3.88%, and to get to that rate the Town would be utilizing \$645,000 of fund balance, which resulted in a decrease in the fund balance. He explained that the fund balance would be decreasing over the next few years, while the tax rate would be going up significantly at the same time. He said the Town effectively would relatively soon be losing control of being able to use the fund balance to manage the impact of the tax rate. He said this made the point clearly that if the Town continued on the tract it was on, without raising revenue, growing the tax base, cutting services significantly, or increasing the tax rate, they eventually would lose control of the Municipal side of the budget.

There was discussion about the valuation of Town property, and what assurance there was that this valuation would continue to go up. Administrator Selig said historically it had gone up by a certain amount, but said part of what made current projections difficult was that there had not been a lot of new construction recently, perhaps in part because of the zoning rewrite process.

Mr. Beaudoin said they were conservative in setting revenue figures. He explained that the Town hadn't received as much revenue from zoning permits, etc, as they had anticipated, but that fortunately other areas had made up for this. He said he expected the number would increase in the coming year. He also noted that built into the fiscal forecast for years 2005-2007 was the 2.5 million conservation bond. Mr. Beaudoin explained that the most conservative way to factor it in was to act as though the Town would go out next year and purchase the land, with the bonding to kick in the

following year. He noted the bond would have a significant impact on the tax rate in 2005 and moving forward, depending on when the money was used.

Councilor Sandberg asked Administrator Selig and Mr. Beaudoin what other things the Town could do to increase revenue and raise the tax base.

Administrator Selig said agreements with UNH and the burden this placed on the town should be an important priority, and said another was the school funding formula. He also said that impact fees, where new construction could be charged for improvements that the Town would need in order to support the new development, was an important area. He said the quicker they could move forward on impact fee development, the better.

Councilor Grant said the Town should look into raising fees in the Planning Department, especially because there were increasing legal fees. He said applicants should help pay for at least some of these costs.

Counselor Paine noted the reason applicants had to bring their lawyers was that the Town sometimes imposing ridiculous things upon them. She agreed some money could be raised through fees, but noted that, for example with the non-conforming lot situation, a lot of legal work was required simply in order to conform to the existing situation, and was the fault of the Town, not the landowner.

Councilor Morong noted that when he was on the Planning Board, it was moving toward a moratorium on building permits, while now the number of building permits had decreased. He said he sensed some other reasons for this decrease was the fact that Durham was running out of easily buildable land, and also that the Town was generally seen as unfriendly to development.

Councilor Grant said the Planning Board had actually seen an increase in the number of applicants because of changes in the works for the Zoning Ordinance, although he noted very few of these applications had resulted in building permits.

Administrator Selig spoke of his frustration and Mr. Beaudoin's frustration about how to increase revenues. He said the numbers they arrived at were realistic, and to go beyond them would be imprudent.

Mr. Beaudoin explained that they were starting to re-negotiate contracts with UNH, and said that if as part of this there was substantially greater revenue than the Town is getting now, this would be factored into the fiscal forecast. He stressed that what they had provided was the worst-case scenario.

Administrator Selig said the strategy employed in putting together the budget was to put something together the Council could approve. He said he believed this budget addressed the visioning that had been done, comments received at meetings from the Council, other Boards and members of the community.

Administrator Selig said the 2.9 tax rate increase was sustainable for the short term but not the long term. He said a rate of 3.9 was more sustainable for the long term, but said he understood that with the recent revaluation and the shift in the tax burden, as well as the increases in other portions of the tax rate, and a continuing rather sluggish economy, this would be too difficult.

Councilor Morong asked how high the fund balance generally was in the past and where the money for it came from.

Mr. Selig said this money came from one or two sources: from underestimated revenues, which get carried on the books; or overestimations of expenditures, - for example if a budget item of \$10 million is approved, and the Town only spends \$9 million, this gets carried over too, and spills into the unreserved fund balance.

In answer to a question from Mr. Morong, Administrator Selig explained the budget projections showed adding \$100,000 to the fund balance every year.

Mr. Beaudoin noted that he did a projection that took the conservation bond out of the picture, and tried to keep the increase in the tax rate between 3-4 %, and that when he did this, sufficient fund balance remained.

Councilor Sandberg said 10-20% had come to be considered a good amount to have as a fund balance. He said he thought of the fund balance as a kind of buffer, which allowed the Town's business machine to run without hiccups, and said that machine wouldn't run as well if the Town didn't have it.

There was discussion about the fact that the fund balance went down to zero in FY 2007, and Mr. Beaudoin explained that this was caused by the 2.5 million bond for land conservation. He explained again that it was important to include the bond in the budget in this way, because if they didn't and suddenly a land parcel appeared that the citizens wanted the Town to buy and this hadn't been planned for, it would throw all of the budget figures off.

5. Proposed Timeline for Budget Process

Administrator Selig explained that the Council had until the end of the calendar year to pass the budget. He said that ideally, they would be able to adopt it by December 15th, and could possibly do it sooner.

There was discussion about the preferred timing of additional meetings on the budget. Administrator Selig recommended that the Council continue discussion of the budget at their next meeting, and hold the public hearing on the budget on November 24th.

Councilor Smith suggested November 24th was not a good time to hold the public hearing, since it was so close to Thanksgiving, and would not be encouraging public input. He also noted he would be unable to attend.

There was discussion about having the public hearing on November 17th instead. Administrator Selig said that because he was making his presentation a week late, he had been concerned that Nov 17th would be too soon to hold the hearing.

Chair Sandberg said if they held the public hearing on Dec. 1st, they could still pass the budget by Dec 15th. But he said he didn't want the hearing to occur so late in the process that it would be more difficult for the Council to consider public comments.

Councilor Smith said there would be opportunity for the Council to have two meetings after a Dec 1st public hearing. He and other Council members noted that the budget materials being developed were making it easier and easier to understand the whole process, so it might not have to take as long as in the past.

After additional discussion, it was agreed that the public hearing would be held on December 1st. Chair Sandberg said the Council could also include a work session for November 24th if they wanted it.

Councilor Paine MOVED to adjourn the meeting. The motion was SECONDED by Councilor Smith, and PASSED unanimously.

Meeting adjourned at 9:00 pm

Victoria Parmele, minutes taker