

D-R-A-F-T

DURHAM TOWN COUNCIL
MONDAY, JULY 24, 2006
BUDGET AND CIP WORK SESSION
DURHAM TOWN HALL – COUNCIL CHAMBERS
7:00 PM

MEMBERS PRESENT: Chair Niman; Councilor Carroll. Councilor Peter Smith; Councilor Morong; Councilor Needell; Councilor Van Asselt; Councilor Julian Smith; Councilor Leach; Councilor Henry Smith

MEMBERS ABSENT:

OTHERS PRESENT: Town Administrator Todd Selig; Police Chief Dave Kurz; Fire Chief Peter O’Leary; Public Works Director Mike Lynch; Town Planner Jim Campbell; Town Assessor Rob Dix; Business Manager Gail Jablonski

I. Call to Order

II. Approval of Agenda

There was discussion as to whether to go through the items on the Agenda one by one, or to simply use the list as a point of departure. It was agreed to do the latter.

Councilor Julian Smith MOVED to approve the Agenda. Councilor Needell SECONDED the motion, and it PASSED unanimously 9-0.

Background Information

The following list of questions/issues was compiled in preparation for this work session:

- A. How much does the Town currently spend in each major category?
- B. What is the major driver for increased spending in the budget?
- C. What are the sources of revenue for the town?
- D. How are revenues tied to growth in the property base?
- E. What is the fund balance?
- F. How much of the fund balance had been used each of the last ten years?
- G. What determines the town tax rate?
- H. How has the tax rate changed over the last ten years?
- I. How does our tax rate compare with other communities in the Seacoast?

Expenditures

- A. Can we slow down spending increases?
- B. What happens if we try and cut spending?
- C. Does the current mix of spending between major categories reflect the priorities of this Council?
- D. Should we alter the mix of spending to reflect a different set of priorities?
- E. Are there areas where we should increase spending?
- F. Are there things we could do today that will enable us to reduce spending sometime in the future?
- G. Should we engage in zero-based budgeting?
- H. Should we adopt a growth target for the size of the budget and require that the Administrator meet that target?

Revenues

- A. Should we more aggressively try to expand the property base in order to collect more taxes?
- B. Can we get additional funds from UNH?
- C. Should we be more aggressive in terms of looking for grant money?
- D. Should we review and potentially increase some of the fees we charge?

Fund Balance

- A. Is the fund balance a shock absorber or a rainy day fund?
- B. What is the optimal level of fund balance?

Tax Rate

- A. Should we target the level of spending or the tax rate?
- B. What are the consequences of having a high tax rate?
- C. Should we more aggressively look at the County budget?
- D. Other than reducing spending or increasing revenues, are there other things we could do to hold down increases or actually reduce the tax rate?

Payment of Property Taxes

Should the Town change to a semi-annually collection of property taxes rather than annual?

2007-2016 Capital Improvement Program

Chair Niman said the goal of the work session was for the Council to provide some direction now concerning the 2007 Budget, instead of at the last minute. He said it was hoped that by the end of the session, Administrator Selig would have a good sense of where Councilors stood on the various Budget issues.

Councilor Needell asked where things stood concerning the CIP, noting that the 2006 CIP had not been approved by the Council.

Administrator Selig said the CIP was a planning document, which was tied directly to the Budget. He said when the Town went to a default Budget, it also went to the default CIP, and provided details on this. There was discussion on this.

Administrator Selig provided some detail on the Budget process, and said over the last six years he had done a mixture of things to remove inefficiencies, implement new technologies, etc. He said he was confident that these were tight Budgets, and said he would invite anyone to challenge the various line items in them. He said it was not just a matter of saying that the Budget should be capped at 3%, because he would then come back to the Council with what that would mean in terms of cutting expenditures, and there would have to be a lot more discussion after that. He said it was a difficult situation.

He said one way or another, the Town was providing what Durham residents wanted and demanded. He said in order to look seriously at ameliorating the tax rate, a respectful discussion was needed on possible taxable development in Town. He said this kind of development did not have to be contrary to protection of the environment or other Town goals. He said it was not the total solution, but was a big part of it, and was something the Town had not been willing to embrace.

Administrator Selig explained that the CIP included things the Town had bought into, but hadn't yet started to fund, - for example, the land conservation bond, and said in the short term, there would be a budget hit from this. He noted other items in the CIP including a library/town hall facility.

He said ORYA had some financial issues, and said the organization would likely request a sizable increase in appropriation. He said this was something that he and the Council would need to talk about.

He said the Mill Pond Center had expressed the fact that it was having financial difficulties, and he noted that at its last meeting, the Council had discussed how the Town might partner with the Center to support the arts in Durham.

Councilor Van Asselt said no matter what the Council or Administrator Selig did, utility and other costs were going up. He said the Town was faced with increased costs if it wanted to provide the same, or even a little less, in the way of services.

Administrator Selig agreed. He said 63% of the Budget went to employee wages and benefits, and said approximately another 20% was direct payments made to external groups – for the dispatch center, welfare payments, etc. He said about 95% of costs were fixed, and said the final 5% allowed choices. But he said cutting into that 5% greatly impacted the things the Town needed to do, for example, the roads program, where cuts could be made in the short term, but where there would be negative impacts in the longer term for the Town. He provided additional details of possible cuts, - in such things as transportation/traffic analyses, educational sessions for employees and town officials. He said there was room for discussion on how much the Town should spend on legal expenses, but said typically this was based on historical legal costs.

He noted some other items in the CIP: a new library building; \$100,000 for a traffic and transportation study; a little over \$1 million to improve the infrastructure out by Goss; the first of 3 payments of \$100,000 for athletic fields; town office improvements; replacement of police cars; etc.

He said the Budgets in recent years had been honed to such a degree that if additional cuts were made to it, residents would not like what had been taken out.

Councilor Van Asselt said the Town didn't have as much discretion concerning expenditures as a private individual did. He said he didn't think the Town spent wildly, and said to make changes to the Budget was therefore difficult. He asked how the Council could perhaps focus on doing a few things differently this year, while continuing to support the kinds of things people around the table didn't want to give up.

Administrator Selig noted that the Town was actually only in control of 23% of the tax rate, with the rest of it determined by the State and County. He also said that out of 216 town tax rates, with 1 being the town with the lowest tax rate (also includes ties among towns), Durham was ranked at 209.

Councilor Needell said increasing costs was a given, but said what was not a given to him was that they needed to start pitting departments against each other, in order to find a solution to increasing costs. But he said that if there were a really large increase in the tax rate, some changes would need to be made. He agreed that it was important to increase revenues.

Administrator Selig said he didn't subscribe to the idea of padding the budget, and also said each year he challenged department heads to get out the fluff. He noted there was no penalty to departments for not spending the funds they were allocated each year.

Councilor Peter Smith said 5% of the Budget, or \$500,000, was the only portion of the Budget that was meaningfully subject to reduction without making major changes in how the Town was run. He noted that legal expenses were included in the 5%, but said he thought of this as a fixed expense, since there was less control over it than over many other items in the Budget.

In answer to a question from Councilor Peter Smith, Administrator Selig said approximately \$100,000-150,000 of the \$500,000 could be removed without a major impact. He provided details on this. He said there would be consequences from these cuts, but said the Town wouldn't see much change in terms of services provided.

Councilor Peter Smith asked Administrator Selig if the increase in expenditures next year would exceed the most relevant CPI (consumer price index).

Administrator Selig said expenditures probably would exceed the CPI, driven by health insurance costs, fuel costs, etc., but said he couldn't provide an accurate figure on this at the moment. He said the issue would be complicated by the fact that there were other ideas in the mix as to how funds might be spent.

Councilor Peter Smith noted that he was not talking about new programs. There was additional discussion about this.

Chair Niman said besides broadening the tax base, another approach was to address underlying structural problems regarding Town expenditures. He provided some examples of this, noting there were 19 police officers on the Durham Police Department because the Town had a problem that needed to be managed. He said if the underlying structural problem could be solved, at some point the Town wouldn't need to have 19 police officers.

He said a similar analysis concerning structural problems could be done regarding the Fire Department. He said perhaps other entities could provide some of the services the Fire Department currently provided, so the Town could receive the same level of services in a more cost effective way. He said perhaps the Council could talk more about these kinds of structural problems, and about fixing them.

Chair Niman said the Council could also look at individual Budget items, and could also talk about things the Town was currently not spending money on, but that which residents were asking for. He said they could also bypass this altogether, and let Administrator Selig figure things out.

Councilor Van Asselt said Councilor Needell had raised an interesting question, and said it was something the Council should get a grip on, - whether the Town portion of taxes was too high for the services that were provided. He said he was comfortable with what he got from his taxes, although noting he would like to see more revenues.

He provided additional details on how he thought they should approach the Budget process, and dealing with increased costs. He said he liked the idea of having a discussion on structural changes that perhaps could be made, but said this discussion shouldn't take place within the framework of discussing the Budget. He said he would prefer to have this discussion during the course of the year, as a policy matter.

Councilor Peter Smith said if there were structural items to discuss, he had no problem with the idea of discussing them as part of the current discussion on the Budget. He said he had three structural items to make note of:

- 1) Merger of the Durham and UNH police departments. He said he had felt for a long time that this would be a wise policy, and would be the most significant thing that could be undertaken to save a significant amount of money.
- 2) He said there were some issues that could be quite relevant to the size of the Fire Department budget, for example, the issue of how funds were divided among the Town and the University, and the underlying data needed to make further arguments on that; he also said the 4 person vs. five-person shift could be looked at.
- 3) Dispatch Center changes (using County facility, etc.)

Councilor Smith asked what could be expected in terms of delving into these issues, and whether this was irrelevant to next year's Budget.

Administrator Selig said the policing issue was difficult, noting it was not only about cost, but also about the quality of service. He provided details on some UNH views concerning this. He said it would take the remainder of this year and a part of next year to get a meaningful answer to various questions, so there would be no fiscal impact until 2008.

Concerning possible structural changes to the Fire Department, he said Durham had done well in terms of its negotiations, but he said nothing was expected until 2008 as to whether there were issues of fairness that still needed to be addressed.

Administrator Selig said he had recently had discussions with the University and County representatives concerning the dispatch center issue. He said the Town was waiting to see if the new County facility had

the capacity to take on Durham's workload, and explained that there were a host of technical issues that needed to be looked at. He also said there were issues of quality and level of service to consider, and provided details on this. He also noted that some of the entities involved were not particularly supportive of the transition, for a variety of reasons.

He said the clincher for Durham was the existing technical issues to be dealt with if such a transition were to occur. He said the Town could monitor the operation of the new center, but said whether it could meet the Town's expectations was not known at present, and would not be known within this Budget year.

Chair Niman asked Administrator Selig to continue to monitor the dispatch center, police department merger and fire department issues, to see if there were any ways that could be found to save the Town money.

There was further discussion on the police department merger idea. Administrator Selig said from the Town's point of view, it would be beneficial to look at whether there would be a financial savings from consolidating the two departments. He said there were some funds he could designate for such an analysis, but said he thought this was a University issue, and noted there were some people on the campus who were interesting in pursuing the consolidation idea. He said he had discussed with them how the cost of studies on this issue could be allocated, and said there would be some kind of analysis of the issue over the coming year.

Councilor Leach noted that some of the concerns the University police department had with the merger idea was the quality of service of the Town's police department.

Councilor Van Asselt said Councilor Peter Smith's suggestions were good ones, but said he thought the priority in the Budget was to include adequate funds to find the information needed on these things. He provided details on this.

Administrator Selig said emergency medical services were another issue that needed to be considered in terms of whether the current arrangement made sense.

Councilor Peter Smith said he agreed it should be part of the Budget to fund these analyses, but he said this would probably take more will and politics than anything else, especially regarding the police department merger idea - given the scope of that change. He said that for money saving reasons as well as good policy reasons, these were important issues, and said to the extent that money was needed in the Budget for them, Administrator Selig should let the Council know this.

Chair Niman asked if any Councilors disagreed with the idea that Administrator Selig would determine what kind of resources he would need in order to evaluate some of these structural issues, and the dollars associated with those additional resources.

Councilor Leach asked if these various issues were so interrelated that they would all have to be tackled in the same year, or if it would be better to focus on just a few of them.

Administrator Selig said he didn't have an answer for that at present, and said it would depend on where things stood when it was time to forward the Budget to the Council.

Councilor Morong said he would like more details on what the focus of a study would be, before supporting one.

Chair Niman said he would hope they would go for the “low hanging fruit” first.

Administrator Selig said he was trying to look at these things without spending a lot of money, so had been doing this internally. He said if he needed funds, he would let the Council know.

Councilor Van Asselt said he would like to know what other Councilors thought about the idea of cutting the Budget.

Administrator Selig noted that labor contract negotiations would be taking place this year, and that the Council would have to approve the financial package. He said Councilors would have the chance to weigh in on some Budget issues at that time, but he said even there, there were some limitations, if the Town wanted to retain the good employees it had.

Councilor Needell said the Council had come to expect that Administrator Selig would look for cost savings. He said the Council should separate the things it might want to add to the Budget from the things that the Town was now spending money on. He also said he didn’t really see much in the current Budget that could be cut, and asked if other Councilors were comfortable with the idea that the Council was not going to fundamentally change the Budget in this session.

Councilor Peter Smith said he was comfortable with this idea. He said he didn’t reach this conclusion because he thought he knew what the people of Durham thought about this, which was something that really couldn’t be known. He said what gave him comfort was that as he had come to understand the Budget process, the Town Administrator and Department heads, at some point he had felt he could put very substantial reliance on their judgments.

Councilor Henry Smith said there was not a lot of wiggle room in the Budget, and said he didn’t see where much could be cut from it. He noted what had happened in Councilor deliberations on the 2006 Budget. He said he didn’t see the tax rate going down, and said that perhaps the Council could devote one night rather than two months to discussing the Budget this year.

Councilor Morong said having gone through this process several times now, and knowing Town staff and the Budget better, he saw the reality of the situation better. But he said one thing he would want to discuss was how to approach the fund balance, stating that it was a valid topic.

Chair Niman said taxes were too high in Durham, and said the Town spent too much for the services it had. But he said he had changed his perspective concerning trying to change this, and was focusing now on generating more business to cover the services the Town provided, and to broadening the tax base. He said he had no desire to drag out the Budget season, and said he agreed the process could be shortened.

Councilor Carroll said that since she had been on the Council, she had been concerned about the money the Town spent paying interest on the money the Town had to borrow because property taxes were only paid once a year. She said she realized that other Councils had looked at this issue. She said she had

gone through the numbers with Business Manager Gail Jablonski, and had read former Chair Malcolm Sandberg's essay on why taxes should be paid once a year.

She said she still thought this issue should be looked at, noting that about \$300,000 dollars were involved, and also that interest rates were going up. She said Durham was the only town in its population category that didn't have a semiannual tax bill, and said this indicated that the Town should at least look at this issue.

Business Manager Gail Jablonski provided details on the process she had gone through in looking at the numbers behind annual vs. a biannual tax billing.

Chair Niman asked Administrator Selig what his view was on this.

Administrator Selig said this issue has to do with cash flow. He said with annual billing, for the first eleven months of the year, the Town had to borrow funds, in anticipation of taxes to be received. He provided additional details on this. He said with biannual billing, the first billing was based on the previous year's tax rate, and provided additional details on the approach. He said if everyone paid on time, which Durham residents generally did, this would avoid having to take out TANs (Tax Anticipation Notes)

He said he had brought the biannual tax bill idea to the Council in 2001, and said at that time, the Council felt that if individual citizens could keep the money they would otherwise be paying for taxes in their accounts, they would benefit by receiving interest on those funds. He said it was understood that this benefit to the citizens would cost the Town more. He said the Council had decided it didn't want to make a change to biannual taxes, even though he personally had felt that this approach would allow the Town to save money or allocate it to other uses.

Councilor Needell asked if and how such a change could be done this year.

Administrator Selig said the Council didn't have to go to the voters for permission to go to biannual taxation.

Councilor Needell asked what the real impact on a taxpayer would be as a result of this, and where the benefit really was. He said if there was a reasonable argument that this would save some people some money, it would be worth doing, but he said the fact that it would lower the Town Budget by a certain amount was misleading, noting he thought this amount was small.

There was discussion about this.

Councilor Peter Smith said the divide came when one saw the Town as being separate from the people. He said he didn't think framing this as something where the Town would be saving more was the right way to express it. He provided details on the arguments made by the Council back in 2001 concerning this issue, and said if a change was going to be made now to do biannual taxation, it would need to be determined as much as possible what the impact would be on an individual. He said this information was not provided sufficiently back in 2001 to convince him that the system should be changed.

He also said he liked the idea that each taxpayer got a tax bill once year that was very large, explaining that it was important to emphasize the pain of paying such a big amount because of the State's current tax system. He said this was a political argument, but said he thought it had some merit.

Chair Niman suggested that a Council communication could be developed on the pros and cons of going to biannual taxation. He provided details on why he personally would like to pay his taxes twice a year. He said this would also save the Town money, and said he would like to know why Durham was the only town of its size that had annual taxation.

Councilor Julian Smith said he was happy with annual taxation.

Councilor Leach, Councilor Henry Smith, Councilor Carroll, and Councilor Morong said they were willing to look at the idea of biannual taxation.

Councilor Needell said he was ambivalent on this issue, and said the key issue to focus on was the impact on a taxpayer.

Councilor Peter Smith said he was willing to be convinced by new data, but said if this idea was pursued, there should be a public hearing, noting that people had strong views on this topic.

Councilor Leach agreed the focus on looking at this issue was the taxpayer, but said she would also like information on how it impacted the Town.

Councilor Needell said it seemed clear what the impact on the Town was, and Councilor Leach said she wanted to be sure that enough information on this was provided.

Councilor Carroll said she wondered what in the way of revenues the Town was receiving from projects that were now coming on line, such as the Hotel NH, the Irving station and new residential development.

There was discussion on this.

Councilor Peter Smith said he was always interested in learning about whether the Town was adequately taxing student rental properties.

Town Assessor Robb Dix provided details on expected tax revenues from the Hotel NH and the new Irving station. He noted that there would be a net loss for 2006 for the Irving station, but said that for 2007, there would be a net gain in valuation of approximately \$1 million.

He also said that the Town was not seeing new houses being built, noting that currently Spruce Woods had stopped building, and had an inventory of 6 units that it was having trouble moving. He provided details on some other developments in Town where the same thing was occurring, and said the market had definitely slowed down. He said property values had leveled off, and said the properties were staying on the market longer.

There was discussion about property tax rates for rental properties in Durham, and whether these were generally fair values. Mr. Dix said the assessed values for these properties were established in 2003. He

explained that an annual update on the properties was not done, but noted the valuations were updated when a rental property took out a building permit.

There was discussion on the property valuation update process. Mr. Dix said the hostility rate was high regarding updating valuations as frequently as the Town had been doing in recent years. He said he had been trying to be proactive in doing more frequent updates, but said the public relations aspect of this was not worth the benefit. He provided details on this.

Councilor Peter Smith asked if this meant that one couldn't expect that this program would be providing a means of revenue enhancement.

Mr. Dix said the purpose of the program had been to get good data, not to enhance revenues. He said it had increased the tax base by \$400,000-500,000, which was not a significant amount, considering the effort involved, and the issues it had raised.

There was discussion about other approaches to raising revenues, including fees and economic development.

Chair Niman said the groundwork needed to be laid for subsequent economic development. He noted an approved subdivision off Route 108 that had had difficulty marketing the lots because there wasn't water and sewer. He said the Economic Development Committee was looking at what this would cost, and he provided details on how creation of a TIF district and the use of State revolving loan funds might make this possible.

Councilor Leach asked if this could perhaps impact this Budget cycle, and Chair Niman said it could perhaps impact next year's Budget cycle.

Chair Niman said another constraint to economic development was the sewer interceptor problem, which really limited the development that occurred on the west part of Town. He said the Town might possibly have found someone who wanted to develop student housing in the MUDOR district, but said the interceptor issue was in the way.

He also noted a recent meeting between Administrator Selig, Town Planner Jim Campbell and the Gangwers, and explained that the Gangwers were interested in developing the Greens property. He said an interesting design was being considered, which might quadruple the taxes collected from the property.

There was discussion on the design being considered for the Greens property, with Mr. Campbell explaining that the design included parking below ground, professional offices on the first floor, and two additional stories of apartments.

Councilor Peter Smith asked what the property was currently assessed at, and Mr. Dix said the two properties involved were assessed at \$2 million.

Administrator Selig asked what the assessment for the Hotel NH would be, and Mr. Dix said it would be \$5 million for the whole property.

Administrator Selig said the design being considered by the Gangwers was for a structure that would be the size and scale of the Hotel NH, and could result in an increase in \$100,000 in taxes for the Town.

Chair Niman stated that getting property owners to build up the downtown area could bring in significant taxes to the Town.

Administrator Selig said property owner Mike Davis was interested in adding value to the tricolor houses downtown, by going up an additional story or two. He said the landlords in Town were discussing how this kind of development could be done in a way that complied with the new Zoning Ordinance.

Chief Kurz said this was the kind of development the Police Department would see as positive, and he provided details on this.

There was discussion that the Planning Board had been pushing for more on-site property management of rental properties, as part of stabilizing the behavior in this area. Chair Niman said that in the discussion with the Gangwers, they had noted that developing the Greens property would involve investing millions of dollars, so it was also worthwhile to invest in property management.

Administrator Selig provided details on recent discussion with the owner of the Mill Plaza, at the request of the Library Board of Trustees, about whether he would be interested in making some improvements to the parcel that might include partnering with the Town on the location of a library there. He said it was suggested that the library would serve as an anchor for potential new businesses there. He noted that Durham Marketplace owner Chuck Cressy was also at the meeting, and provided details on some possible ideas for transforming the downtown area both behind and in front of Main Street.

He said there were a lot of design possibilities for better connecting the Mill Plaza area with Main Street, some of them involving a Town facility, some of them not. He noted that this might include a parking garage, green space for University people to congregate, and could allow for a new mix of retail offerings to appeal to the broader Durham population. He also said he had talked with the Mill Pond Center about the possibility of connecting the Mill Plaza property to it. He said it was exciting to talk about these things, and said it was something the Council would also want to talk about, including whether the Town would want to encourage this kind of development, and partner with others to make it happen.

He said this would represent major new development in Town, but would be done respectfully. He suggested that visioning sessions could be held with neighbors to consider how such development could be used to re-create and enhance the downtown area. He said this would have long term potential to bring in taxable properties to Durham.

Councilor Van Asselt asked if the impact fee ordinance related to this in some way.

Mr. Campbell said the school impact fees were in place, but had not been used yet because there had been no residential subdivisions. He said he hoped to have the water and sewer impact fees completed by the end of the year.

Administrator Selig noted that the Zoning rewrite continued to take some of Mr. Campbell's time because of issues with the revised Zoning Ordinance that had come up, so he had not had time to work in the impact fees.

Councilor Van Asselt asked if the Town was looking at seeing additional revenues from UNH in 2007, and Administrator Selig said there would be nothing significant.

Councilor Van Asselt asked about possible revenue from the Depot Road parking area.

Administrator Selig explaining that parking permits had not been selling well yet, explaining that if the Town had been willing to sell them to freshman, half of the permits would have been sold by now. But he said the Town was sensitive to the fact that UNH didn't allow on campus parking for freshman. He said it was felt that once the school year began and people were more aware of the parking, there would be interest in the parking permits.

Councilor Van Asselt asked if there were a plan B if this didn't work out, and Administrator Selig said if it was a price issue, the Town would revisit this. He said he was sure that with the right price, the lot would be filled.

There was discussion about the importance of Durham cooperating with the University in discouraging freshman from having cars on campus.

In answer to a question from a Councilor, Chief Kurz said UNH would not give parking permits to freshman any where on its property, but he said freshman did enter into contracts with landowners off campus.

Councilor Carroll said she applauded the Town for holding firm on this, and said the Town would be shooting itself in the foot if it allowed freshman to park at the Depot Road lot. She said she wished other properties in Town abided by this as well.

In response to questions from Councilors, Administrator Selig provided details on revenues the Town currently received from various fees. He said the Town was limited in terms of raising additional fees, in the sense that these would be additional taxes for residents. He said the existing fees were fair, and noted they would not bring substantial revenues into the Town.

Councilor Van Asselt asked if there would be increases in water and sewer rates to obtain additional revenues.

Administrator Selig said there would be increases, but he said the Town tried to keep these increases commensurate with the consumer price index. He noted that there had been an increase of 47% in sewer fees 2 years ago, but said they might need to be raised again in order to break even. He said there could be some increases in water and sewer rates in the shorter term because of infrastructure improvements being considered, but he explained that this would be offset in the longer term by an increase in the user base, which would spread out the costs more.

Councilor Needell asked if the cost of some of the infrastructure improvements was something that could be shared by the community. There was discussion about this, including the idea of a TIF district.

Councilor Needell asked if Council action was needed concerning economic develop issues.

Chair Niman said the hope was that everyone was excited about the economic development ideas that were being discussed, and said formal action by the Council on some of these things could happen later.

Councilor Peter Smith said it would be important to explore whether what was proposed was consistent with Durham standards, and to get an economic forecast as to whether the Town would gain revenues, when all the factors were taken into consideration.

Chair Niman said the Town wouldn't move forward with anything that the citizens didn't think was a good idea. He also said the Town might have to spend some money to determine if these ideas made sense or not, and said if this was needed, the Economic Development Committee would come back to the Council with its plan and the funding that was needed, and the Council could then make a decision on these things.

He said he was not hearing from the Council that the Economic Development Committee should not move forward in this way, and said the Committee would therefore proceed.

Councilor Morong said he thought there should be a pay as you go system concerning the fund balance, so the fund balance could be built up more rapidly. He said he was seeing a decline in the fund balance, as expenses were going up, which would make it decline even more.

Chair Niman said he was inclined to agree. He said if the Town could lay the groundwork for expanding the tax base, and could have confidence that it would see a substantial increase in revenues, then perhaps they could play around with the fund balance. But he said he thought they needed to be flexible with the fund balance in case the world changed, and the Town hadn't changed yet.

There was discussion as to whether the current fund balance level was the recommended level. Administrator Selig said that for 2005, the recommended level was a minimum of 1.4% and a maximum of 4.8%. He said if the Town used the fund balance as indicated in the Budget, the level would be below what was recommended by the State, and said the level would drop until fiscal year 2009, when the fund balance would slowly begin to rise. He said it wouldn't be back to the 2005 level until 2015.

Councilor Peter Smith said he had ongoing questions on what the amount of fund balance should be, noting that he had talked a little the previous year about how some forms of government in NH, specifically towns that decided on their budget once a year at town meeting, would want to have larger fund balances than those towns that did not. He said the fund balance could afford to be somewhat less for towns with town councils.

He said another issue to consider was why a town had a fund balance. He said one reason was that it should be used exclusively as a way to cover emergencies, and he said another was that it should be used it help even things out at certain times. He said he felt there was a persuasive basis for using the fund balance for these things, as long as it was applied honestly.

Councilor Van Asselt said he wasn't sure he agreed with Councilor Morong, and he said there was no magic number for a fund balance. He said he didn't see a strong need to have a fund balance that was greater than Administrator Selig was comfortable with. He said he would prefer to see the fund balance used for core operating costs in a year when it was known that costs were going up. He noted the significant cost increases in 2006, and said this was what the fund balance should be used for.

Councilor Needell said he didn't have a problem with using the fund balance to cover the kinds of increased costs Councilor Van Asselt was speaking about, but he said he didn't think the fund balance should be artificially lowered. He asked what the level of fund balance would be that would affect the Town's bond rating, and the ability to do bonding.

Councilor Carroll said she didn't think any of the costs they were speaking about would be going down, and said if one were thinking of ways to change things structurally, energy was one of the things the Town needed to do something about, in part so the fund balance wouldn't have to be used to cover that.

Chair Niman said if spending went up 5% and the tax base was flat, the fund balance would run out. He said the concern was that if the fund balance were spent now, there wouldn't be a shock absorber if something happened. He said this was the Town's structural problem, and said since the call hadn't been heard that there should be less spending, the Town needed to find more revenues. He said the Town wouldn't have a shock absorber if it didn't expand the tax base, and said this was where they needed to put some time and effort.

Administrator Selig said he agreed with Councilor Peter Smith that Durham's fund balance was less meaningful than those of towns with the town meeting form of government. He described the usefulness of being able to use the fund balance for various purposes, to help carry the Town through, and also said it could be used as a savings account, so less money would have to be bonded. He noted that the bond rating could be impacted if the fund balance got too low.

He provided details on the fact that the fund balance was not set solely by costs. He said he recommended staying with the 4.8% increase in spending, and said if the Councilor wanted to talk about fund balance changes later, it could do so, along with discussion of economic development ideas. He said he didn't want to make a change to the fund balance without allowing time to consider these things.

Chair Niman noted it was 10:00 pm, and asked Councilors if there were any other issues they wished to raise.

In response to a question from Councilor Leach as to whether the Council would discuss the CIP that evening, Chair Niman said the Council could discuss the 2007-2015 CIP in detail when it got the specific recommendations for it.

Councilor Peter Smith said a Budget item that could conceivably cost more money was the additional resources needed with respect to matters before the ZBA. He said he would like to see this dealt with this year.

Councilor Needell said he would like to know if there were any areas that involved significant budget increases.

Chair Niman said there possibly could be, and said perhaps the Council should wait to see specific proposals concerning these things.

Councilor Needell said he just wanted to be sure that some things that had been mentioned were not lost.

Chair Niman provided some details on ORYA's financial situation, and said the Parks and Recreation Committee was trying to put together a policy concerning this. There was some discussion on this, and it was noted that the Parks and Recreation Committee's most recent meeting was on DCAT.

III. Adjournment

Councilor Morong MOVED To adjourn the meeting. The motion was SECONDED by Councilor Henry Smith, and PASSED unanimously 8-1, with Councilor Van Asselt voting against it.

Adjournment at 10:15 pm

Victoria Parmele, Minutes taker