

This set of minutes was approved at the December 18, 2006 Town Council meeting.

**DURHAM TOWN COUNCIL – BUDGET WORK SESSION
MONDAY, NOVEMBER 13, 2006
DURHAM TOWN HALL – COUNCIL CHAMBERS
7:00 PM**

MEMBERS PRESENT: Chair Neil Niman; Councilor Diana Carroll; Councilor Peter Smith; Councilor Mark Morong; Councilor Gerald Councilor Needell; Councilor Karl Van Asselt; Councilor Julian Smith; Councilor Catherine Leach

MEMBERS ABSENT: Councilor Henry Smith

OTHERS PRESENT: Town Administrator Todd Selig; Police Chief David Kurz; Town Planner Jim Campbell, MIS Coordinator Luke Vincent, Business Manager Gail Jablonski, Public Works Director Mike Lynch, Fire Chief Peter O’Leary

I. Call to Order

Chairman Niman called the meeting to order at 7:03 PM.

II. Presentation of and discussion on the Town Administrator’s Proposed FY 2007 Operating Budgets, Capital Budget, and 2007-2016 Capital Improvement Plan Budget Work Session

Chair Niman welcomed Councilors to the first work session. He first noted that the nonpublic session that had been planned for 9 pm had been canceled, since the property that was to have been discussed had been taken off the market.

He said Administrator Selig would provide an overview of Budget, and said department heads were also available to answer any questions.

It was noted that on Nov 20th, the public hearing on the operating budget and the capital budget would be held. He said the deliberation process would take place in the weeks following that, and must be completed by December 31st.

Administrator Selig said the proposed General Fund budget totaled \$10,405,694, which was 6.19% over fiscal year 2006. He said this increase was projected to raise the 2007 Town portion of the local tax rate from \$6.59 to \$7.11 per thousand dollars of assessed valuation, which was an increase of \$0.52, or 7.9%.

Administrator Selig said the proposed Water Fund budget reflected a 7.7% increase in user fees in 2007 (\$2.95 per [hundred] cubic foot). He said the Sewer Fund budget showed a 6.63% increase in user fees (\$5.06 per hundred cubic feet).

Administrator Selig next gave a Powerpoint presentation on the different operating budgets and the increases in each of them. He provided the following summary of the operating budgets:

- General government - increase of 4.7%.
- Public Safety - 5% increase
- Public Works Department - 1.4% decrease
- Sanitation - decrease of 2.5%
- Health and Welfare - 5.9% increase
- Culture and Recreation – 5.3% increase (includes Parks and Recreation, and Library)

Administrator Selig noted that the decreases reflected the fact that some functions had been pulled out of these departments and put in the MIS portion of the budget.

He also explained that the Budget reflected the fact that there was a significant increase in debt service. He said there was a 64.9% increase in this, for three reasons:

- The bonding of capital projects from 2003, 2004, 2005 and 2006. He said this debt had just been issued, so now was picked up in the fiscal forecast
- \$1.6 million in bonding for open space/conservation land
- An error in the previous past fiscal forecast, where the cost of interest for the TAN issued each year had not been carried forward. He said this would now be forecast out to future years

Administrator Selig also discussed the current flatness of revenues coming into the Town, and said a reason for this was that there was a \$140,000 difference between projected and actual revenues from UNH, for children of graduate students attending the University and living in tax exempt University housing, and who attended the Oyster River Cooperative School District.

He explained that last year, it had been projected that there would be approximately 40 of these students, but there were actually only about 20. He noted that this was because of housing changes at UNH that had resulted in more graduate students living off campus. He said this, combined with the increase in debt service, accounted for the increase in the tax rate projections.

Administrator Selig said he was proposing that \$314,000 in unreserved fund balance be used in order to reduce the tax rate. He said the impact of that would result in a tax rate of \$7.11 per thousand dollars of assessed value, for a total increase of 7.9%.

He said at the present time, the Town had \$1,256,000 in fund balance, and said by using \$314,000, this would drop the fund balance at the end of this year to \$942,000. He said if zero fund balance was used, the fiscal impact would be a tax rate increase of 13.7%. He provided details on the fact that by increasing the tax rate in this way this year, this would substantially lower the out year increases in the tax rate. But he said he thought the 13.7% tax rate increase was too much, so was recommending the use of the \$314,000 in fund balance.

He said the concern remained however that there would be a 7.9% increase in 2007, and the same increase in 2008, which would drop the fund balance to \$752,000, and then down to \$727,000 by 2009. He said he felt this was a critically low level for the fund balance.

Administrator Selig said there was a projected increase of 1% in the tax base for 2007 (going from \$806 million to \$817 million), noting that the increase in 2006 had been 1.8%, and that it had been 2% for the last three years. He said Town Assessor Rob Dix had said he had not seen that there would be a lot of construction in 2007.

Administrator Selig noted there had been a number of requests for initiatives this year:

- expenditure of remaining conservation bond
- Mill Pond Center
- ORLI improvements – road, water and sewer infrastructure improvements
- Library
- Fire Station Replacement
- Town Hall facility

He said the 7.11% tax rate didn't include any of these. He then demonstrated with the spreadsheet the impacts that these projects would have on the tax rate. He said it was important to keep these things in mind when considering the out years.

Administrator Selig said it was a difficult budget year, given the drop in revenues plus increases in debt service, which included interest costs above what was projected. He said he had been forced to make some difficult decisions, and noted that some people were not happy with them, and would like to see some things added to the budget. He said it was likely that the reasons why these things were not added would be one of the focuses of discussion.

He noted that the Town had experienced significant flooding in 2006, which had seriously impacted Durham Point Road especially. He said work on this road had been anticipated to occur several years out, but because it needed to be done sooner, he had determined that the Town couldn't afford the improvements to half of Durham Point Road as well as the road repairs scheduled as part of the regular road program. He said the entire regular program had therefore been pushed one year out. He noted that the Town's cost for the work on the rest of Durham Point Road some years out would be in the \$300,000 range, as compared to the \$500,000 that had previously been forecast.

He noted that he had gotten some emails from people who were frustrated with the proposed budget concerning the roads program.

Administrator Selig said economic development was an important focus of the budget, and noted that he had budgeted \$30,000 for economic development work to be done by the Mill Plaza group, in order to try to increase the tax base in a structured way. He also said that \$10,000 had been budgeted to hire a consultant to work with the Planning Board on ongoing improvements to the Master Plan, to make it more of a living document.

He also noted a Planning Board budget recommendation of \$100,000 for a transportation study, which would look at issues such as current traffic bottlenecks and the impacts of the University's construction and new development on traffic patterns in Durham. He also said a goal was also to address issues like the northern and southern connectors definitively.

Administrator Selig noted that the technology budgets from individual Town departments had been consolidated within the MIS budget. He provided details on this.

He said the Fire Department was trying to better isolate some of its costs concerning vehicle maintenance and emergency medical services, and said both of these categories had been broken out to better track actual expenditures. He said his hoped was that it could be determined over the next year whether the maintenance work at the Fire Department could be done better at the Public Works Department. He said this idea had been considered for some time.

Administrator Selig noted that there was a reduction in the contingency line in the budget. He said the goal over time was to increase the amount in this line item, to \$100,00, but he said that given the dynamics of the budget this year, this had been dropped to \$50,000, an amount that would still allow the Town to address some issues. He noted that these funds were there as a safeguard, and if not spent, were returned annually to the general fund.

He explained that the Town had slowly been reducing its legal fund budget over time, and said he was very pleased that this year it had been reduced from \$75,000 to \$50,000. He said the Town had been proactive in terms of contacting the Town attorney before making legal decisions in order to get good advice, so the Town was less likely to be sued in the long term, and if sued, would be more likely to prevail. He noted that this budget had been well over \$100,000 for some time in the past.

Administrator Selig said the remaining \$900,000 of the conservation bond was not reflected in the Budget. He noted that there might perhaps be projects that came forward in 2007, but said this was not reflected in the Budget forecast.

He said the Budget forecast also did not reflect the request of \$239,842 for the ORYA. He noted that \$139,842 had been requested for administrative expenses, and \$100,000 for maintenance improvements associated with the Churchill Rink. He said the proposed Budget showed a 3% increase, for \$30,500, which reflected the status quo. He said he strongly recommended that the Council have a good discussion on the issue of recreation, and what the Town hoped to provide. He said Durham historically provided passive recreational opportunities, and he said the ORYA request reflected a major change for the Town: to support active recreation.

Administrator Selig said the Budget was not reflective of any support for the Mill Pond Center for the Arts. He said there should be discussion on this issue. He said the CIP did show the potential impact of moving ahead in 2008 with the Mill Pond Center Board's proposal.

Administrator Selig ended his presentation by stating that although every dollar spent on the Town side of the budget was very important, it was important to remember that the total tax rate included 67.8% for school appropriations, which drove the majority of the increase in the tax rate. He said the Town represented 24.2% of the tax rate pie.

Councilor Van Asselt asked if there had been any breakdown of fixed costs vs. non-fixed costs. Administrator Selig said he had not broken things down that way. He discussed employee costs for salaries, insurance, retirement, and workers comp, stating that these costs had gone up a total of 4%

in 2006. He noted that these costs for fire department employees were broken out separately because of the University agreement.

He explained that insurance costs for the Town had decreased, even with a projected increase of 15% in health insurance costs, because of the move to higher co-pays of 10-20%, and incentives to decline the insurance the Town offered, which were provided to employees with spouses who had insurance.

He noted that there had been a substantial increase in costs for the retirement system, especially for police officers and fire fighters, which was beyond the Town's control. He also said there was an increase in workers compensation costs.

He provided details on the increases in the Fire Department Budget. He then noted that the largest increase in the Budget came from debt service, and said this was what was driving this particular Budget proposal.

Councilor Van Asselt said if one included salaries, utility cost, debt service, and the basic operation of town government, probably 85% of this represented fixed costs. There was discussion about this.

Councilor Van Asselt noted that there had been previous discussion by the Council that a large portion of the Budget was something it couldn't do much about, if it wanted to continue to provide services.

Administrator Selig elaborated on the error concerning the TAN cost at the request of Councilor Needell.

Councilor Morong noted there were funds in the contingency line item last year, and asked if it was used.

Administrator Selig said about \$30,000 of the \$70,000 was used.

Councilor Morong asked why not use all of the contingency funds for Durham Point Road, if not this year than at least next year, given that this had been a catastrophic event.

Administrator Selig explained why he thought using contingency fund money for Durham Point Road repairs didn't make sense. He provided additional details on his approach in preparing the Budget.

There was detailed discussion with Councilor Morong about whether the regular roads program should be funded better in 2007.

Administrator Selig said he felt the renovations to Durham Point Road needed to be addressed now, and provided details on this. But he said the money for the regular roads program simply wasn't there this year, and noted that he had the same message concerning other programs. Councilor Peter Smith said he assumed the roads that had been on the schedule for 2007 had been looked at in terms of their condition, and that this had been communicated. He asked if the judgment

was that regardless of the more global picture, if action was not taken concerning these roads, this would create safety problems.

Public Works Director Mike Lynch said the roads had been inspected carefully, and said they would further deteriorate, noting they were already substantially deteriorated at present. He provided details on this.

Councilor Peter Smith asked if the roads for which work had been planned for 2007 could hold up for another year.

Mr. Lynch provided details as to the fact that they were passable, but he said their condition would be suspect.

Councilor Leach asked for further details on why the repairs to Durham Point Road were needed more immediately.

Administrator Selig said in approaching the Budget process, he was looking at the overall needs of the community. He said Durham Point Road was a heavily traveled road, and said he believed it was in worse condition than other roads on the list. He said to him it had a higher priority because of safety concerns, and because it impacted more people.

He said that for 2007, the other roads were passable, but he said if there were safety issues, the Public Works Department would address them when they occurred. He said the main issue was the long-term costs of waiting an additional year to do the work on the roads, and provided details on this. He said he didn't have a dollar amount on this, and there was discussion with Mr. Lynch on this.

Councilor Leach asked if perhaps only part of the repairs to Durham Point Road could be done.

Mr. Lynch said the repairs that were planned actually only involved part of the road.

Councilor Needell asked whether with this proposed shift in the roads program, there would be a shift from doing overlays to having to actually reclaim many of these roads. There was discussion about this.

Chair Niman said the Town had paid for the roads program out of the General fund, but said that another conceivable option was to bond it, if the goal was to not put off the work in the program. He asked what kinds of dollars would be involved if this were done just for 2007.

Administrator Selig said the roads program had been bonded in 2001, when he first came to work in Durham, and said there was major flak about this at that time. He said the reason for doing the bonding was that the Town was facing a tax increase at the time. He said that based on that experience, he didn't want to use the bonding approach now. He provided additional details on why his decision this year was to not fund the regular roads program.

Chair Niman said he understood the desire to not raise the tax rate any further, but said he would like to see the bond calculation.

There was discussion as to the role of the Public Works Department in the repairs to Durham Point Road and other roads in Town.

Councilor Morong asked why the remaining amount of the funding that was usually used for the roads program could not be used for at least some of the road repairs scheduled for 2007. He said it sounded like it was stealing money from the road program.

Administrator Selig explained the reasons for this.

Councilor Van Asselt said when the Town bonded, it had to pay interest. He also said the tax base would increase by only 1% if they were lucky in 2007. He said that even with success in broadening the tax base, the Town wouldn't feel the impacts of this until around 2010, and in the meantime, the Budget would still be going up by 8-9%.

He said that making the operating budget reflect what the Town currently had for a tax base increase involved significantly more cuts, either in services, or in terms of making major organizational changes in town government. He said there was no reason for them to kid themselves that the tax bills would get any better in the next few years, unless cuts were made.

Administrator Selig said that was correct, and was what the projections were showing. He said for every one percent added to the tax base, it was \$8,000,000, and allowed the Town to add an additional \$65,000 in expenses. He said a lot had to be added to the tax base to cover a \$600,000 increase in the Budget.

Councilor Needell said the Town took in about \$230,000 from the State for roads, and said it did concern him that this wasn't spent on the roads. He provided details on this, and asked Administrator Selig if he shared the discomfort about this.

Administrator Selig said ideally the funds should be spent only on the roads, but he said he didn't think the Town could afford that this year.

There was discussion about page 8 of the Budget, and that the items in the Table (Salaries, Insurance, Retirement and Workers compensation) related to unionized employees, and not to Fire Department employees. Administrator Selig provided details on this.

Chair Niman said there were 81 Town employees, and said he didn't see why the Budget increase for all the employees except the Fire Department employees was \$180,000, but the Budget increase for Fire Department employees was \$230,000.

Administrator Selig said he would provide a breakdown of this for Chair Niman.

Councilor Van Asselt noted that 86% of the Budget increase was due to debt service.

There was discussion about the Land Use Change Tax funds, 100% of which currently went into a conservation fund administered by the Conservation Commission.

Councilor Leach asked if this arrangement could be changed, and Administrator Selig said it could. There was discussion of the issue of the decrease in students that Administrator Selig had referred to.

Councilor Morong said if it wasn't for Forest Park and the debt service, they wouldn't be seeing a tax increase at all.

Councilor Van Asselt said the operating budget had decreased by 2%, not including the debt service.

Councilor Needell asked if the budgets for the past few years had been lighter because the Town hadn't been paying for the projects that were now being bonded, and whether perhaps the Town had been setting itself up by pushing these off. He asked whether perhaps the projects should have been bonded as they were being done.

There was discussion about this.

Councilor Carroll said she was concerned about the money being spent on interest, and asked if there was a way around this.

Chair Niman said he had enjoyed reading Administrator Selig's cover letter, and said his favorite potential source of the "enhanced efficiencies" concept spoken of in this letter was the Communication center.

He said perhaps the Town could save \$250,000 if dispatch services were moved to the County, and asked what it would take to move this along, including motivating department heads to look at the idea seriously.

He said this was a lot of money, which could either be turned back to the taxpayers, or could be used to fund the roads program, increase recreational spending, or something else. He asked what needed to be done in order to fully investigate this idea, so that the Council could make a decision on it.

Administrator Selig said the County dispatch center had just opened, and he said time was needed in order to see if it was able to take on the additional workload that Durham would bring to it. He said he had spent a significant amount of time looking at this issue, and said he would like to look at it again, but said it was a real challenge. He said the University dispatch center provided excellent services, but said there were many issues involved with this topic. He provided some details on this.

He said there was not a lot of buy in for the idea from the Durham Fire Department, but said Chief O'Leary was open to looking at the issue. He said the Police Department had also expressed its concerns about the idea. He said in the end, it would come down to making a choice. He noted the level of service the Fire and Police Departments expected of dispatchers, and said the County traditionally had not had a state of the art facility. He said inroads would also need to be made with the County, and he provided additional details on the various issues involved.

He said the current dispatch center was excellent, but cost the Town a good deal of money. He said the Town currently paid \$260,000 toward the University dispatch center, and said the proposed Budget called for \$290,000. He said there would be about \$200,000 in savings if the Town transitioned to the County dispatch center.

Councilor Morong asked how the County felt about the idea of having Durham, or Durham and the University, be part of its dispatch center. He also asked what it would cost just for a Town of Durham's size to move there. He suggested that this could become a negotiating point with the University.

Administrator Selig said there had not been the will on the part of the County sheriff's department to do the research needed in order to sell the Town on making a transition. He provided details on this.

Councilor Morong asked if this was because of the University, and said it sounded like the Town had an albatross around its neck.

Administrator Selig explained that the University's buildings were hard-wired into the current dispatch center, which allowed the Fire Department to be better able to respond.

Councilor Morong said that was their need, not the Town's, and was another example of the way in which the University increased Durham's tax rate.

There was discussion on this, and further discussion about the idea of transitioning to the County dispatch center.

Police Chief Kurz said he and his staff were motivated to look into this idea, and also said the County needed to do certain things in order for the Town to go there, but had so far failed to resolve those issues. He said it was a moving target, but said the Durham Police Department would like nothing better than being part of a regional dispatch center. He said he wasn't sure the County wanted this, since this would double their workload.

Councilor Peter Smith said there was a significant amount of money that could be saved if this transition were made. He said there were two separate problems to resolve. The first was to see if the County could take the Town on, under the appropriate circumstances. He recommended that a deadline should be set for getting some answers on this, perhaps a month or so. He said if this first issue was resolved positively, the next issue was the University, and said everything he had heard was that there had been foot dragging by the University on this issue.

Councilor Smith also said he was still waiting to see how much Durham could save with a consolidated police department, which would go hand and hand with the dispatch concept. He said if the issues with the County could be resolved, he didn't see why the Town should turn its back on the savings that would be involved, even if the University didn't want to make those adjustments. He said this matter should be resolved soon.

Police Chief Dave Kurz said the department had a comprehensive plan on the cost of making the transition, but again said there was a moving target to accomplish this. He said it was still doable, but said there were still issues that needed to be resolved.

Councilor Peter Smith asked if these things could be resolved in the next few months.

Chief Kurz said the Town couldn't do this without the University part, and noted that there were some technical challenges involved with this.

The Council next turned its attention to the Capital Improvements Program.

MIS manager Luke Vincent provided an overview of the wireless municipal network that was proposed, and its advantages to the Town. He said instead of individual departments having to pay separate monthly charges for the Internet, this was being combined into a wireless network.

Administrator Selig provided additional details on this, in terms of enhanced services and cost savings to the Town.

Councilor Needell noted there would be a 10-15 year payback for this system, but said that the technology could become obsolete in a few years. He asked how much of the \$106,000 that was proposed was for technology that would have to be replaced in a few years.

Mr. Vincent provided details on this.

Town Planner Jim Campbell next provided details on the \$100,000 transportation study proposed for 2007, and said its goal was to find ways to address congestion downtown, as well as to look at other things that could be done to address traffic and transportation issues, both in the short term and the longer term. He said the northern connector and southern connector concepts would be looked at as part of this study, and said hopefully some definitive answers concerning them and other issues would come out of the study.

Councilor Peter Smith said he was concerned as to whether the report that came out of this study would lead to explicit action items in the next century. He said he didn't want the Town to spend \$100,000 on such a study if implementing its recommendations was beyond the control of the Town because they involved the University. He said he wished there were some way a transportation study could be conducted in a way so that recommendations could be made that could be acted on, or that at least could get onto the State's calendar.

Mr. Campbell said that was his intent with this proposed study. He noted that the Town had applied for State transportation grant money but had been denied, and said sources had told him that the State wouldn't give the Town grant money until it had the full cooperation of the University.

Councilor Morong noted that the University was not paying for any of this plan, although it was responsible for much of the traffic going through Town.

Mr. Campbell said it had been requested that the University fund some of this, for that reason, and said he didn't rule it out that this could happen.

Councilor Morong said he was more likely to agree to funding this if the Town got cooperation from the University.

Councilor Carroll noted that the RFP for the \$100,000 study was currently being developed, with the \$30,000 approved the previous year.

Councilor Needell said regardless of whether the Town got the cooperation of the University, the traffic would still be there. He said he thought that part of the justification for the study was looking at University plans that would have impacts on Town roads. He said this study would help the Town understand what those impacts would be, and would hopefully show whether the northern and southern connectors could be helpful in addressing traffic issues. He said the study would give the Town the tools it needed to speak with the University regarding their plans, and to make its case. He said the Town could either be proactive, or instead could wait and see what happened concerning traffic issues.

Mr. Campbell said Durham would be having disagreements with the University regarding its impacts on traffic. He noted that the University had said the loop road in its plans would not impact Town roads, and said he found this hard to believe. He said this study, including the traffic modeling that would be done, would help the Town look at this.

Councilor Needell said the Town didn't have a lot of leverage with the University on this, but said the more information there was, the more leverage there would be. He said otherwise, the Town would have to sit back and watch these impacts occur.

Administrator Selig next spoke about funding for the further work of the Jackson's Landing Committee. He noted that the grant application that had been submitted for this work had not been approved, and said that perhaps more conservation funds could be used for this work. He said he thought it was a worthwhile project.

Councilor Peter Smith said the Conservation Commission had discussed this at its recent meeting, and wasn't expecting to get the state funding, because the project didn't meet the parameters the State had in mind.

Administrator Selig provided details on the proposed cruiser replacement for the Police Department. He said only one replacement was proposed for this year, and he noted the Town paid for the new vehicles outright, rather than bonding them. He also explained why he didn't think other Police Department projects for 2007 should be funded.

Chief Kurz provided details on the projects being postponed until 2008: a special response vehicle, a records management system, and telephone system changes. He spoke specifically about the improvements needed for the records management system, and noted that if the Town transitioned to the County dispatch system, it would need to switch to a different records management system.

Councilor Needell asked if it made sense to tie the records system changes that were needed to the dispatch center issues.

Chief Kurz provided details on this, and said if the Town was going to make this transition, the first thing he would do would change the records management system.

Administrator Selig said \$80,000 was appropriated for this transition, and said he had retained in the CIP the ability to expend those funds if the Town moved ahead with this. He said this was one of the reasons he had postponed the \$70,000 request for the records management system.

There was discussion that if these funds were used, this would not impact the fiscal forecast.

Fire Chief O'Leary provided details on the request for replacement of three vehicles for the Fire Department, including an SUV that would be more functional for him to use in emergency situations.

Administrator Selig provided additional details on these vehicle replacement plans.

There was discussion about the replacement schedule for Fire Department vehicles.

Councilor Peter Smith asked what was happening around the country to make these kinds of vehicles more fuel efficient, and less damaging to the environment.

Chief O'Leary said on the front end, these vehicles were more expensive to purchase.

Chief Kurz said a Crown Victoria got 23-27 mpg, but was after all a high performance vehicle, and also experienced a lot of idling time.

Administrator Selig noted that the Public Works Department was starting to experiment with biodiesel vehicles.

Administrator Selig noted that he had pushed out in time the purchase of a new dump truck for the Public Works Department, but that Mr. Lynch had convinced him to move it back up to 2007.

Concerning the Wiswall Bridge replacement, Administrator Selig said he believed the State would move up the funding for this, given the Bailey bridge that was in place and other factors.

Councilor Needell asked if the \$115,000 needed to be spent the first year, or if the costs upfront might be less, for things like a vision of what people wanted for the bridge, so that this cost could perhaps be moved out a year.

Administrator Selig said his thought was that this initial kind of work would be done ahead of time, before engaging the services of an engineering firm, but that the scope of work would be built into the services the firm would provide to insure it was a very inclusive process. He said the hope was that the funding would be moved up, and the Town would be able to move ahead sooner rather than later on this project.

There was additional discussion on other Public Works projects listed for 2007 in the CIP:

- Repair of Oyster River Dam
- Durham Point Road reclamation
- Incinerator decommission – Councilor Van Asselt asked if this had to be done in 2007, and Mr. Lynch said the Town had already made a commitment to the State to do this.
- Jet vac truck replacement
- Dover Road pump station rehabilitation
- Inflow/infiltration study – It was noted that the University is partnering with the Town, and is paying for 2/3 of it. Work has already begun on it
- West end sewer capacity investigation - Administrator Selig noted that this was an economic development issue, and said the study would determine exactly what the problems were with the College Brook interceptor, and what the cost would be to fix them. He said it was important to address this so that development could take place out in the Mast Road area of Town.
- Sewer Collection system upgrades

Chair Niman asked if a forecast had ever been done of sewer rates, going out 10 years.

Administrator Selig noted that page 82 of the CIP addressed this. He noted that the sewer fund was running at a deficit. He also said both water and sewer usage had been over-projected, which had artificially inflated revenues.

There was discussion as to whether there was any state and federal aid for water and sewer for any of the needed improvements. Administrator Selig said the Town had brought in significant funding from the State for improvements to the wastewater system, and said that to the extent additional funding was available, the Town would try to capture this.

Councilor Van Asselt said he was simply observing that when one looked on page 8 of the CIP, only \$250,000 of the total cost of \$3 million for capital projects in 2007 would come from State and federal funding sources.

He also noted that page 8 indicated that the University would fund about \$1 million of the total \$3 million amount for these projects, and he asked if there was any joint issuing of bonds for projects like this.

Administrator Selig said what often would happen was that the Town would bond the full amount, and the University would then reimburse the Town for its share of principal and interest.

Councilor Van Asselt asked if the University could perhaps get a better interest rate than the Town could, and there was discussion on this.

Administrator Selig provided details on the expected Water Fund budgets over the next several years, as outlined on page 74 of the CIP.

Chair Niman asked whether, with these large capital projects, the Town ran the risk of impacting its bonding capacity, or would have to pay higher interest rates because it was issuing so much debt.

Administrator Selig said the Town monitored its bonding capacity, and was still well within that. He said information on this could be provided to Councilors.

Councilor Van Asselt said the proposed 2007 Budget represented a 2% in operating costs, not including debt service, and said the CIP shoed a cost of \$197,000 for capital projects in 2007, not including water and sewer projects. But he said what was missing was a third document on a tax base increase program.

He asked at what point the Town would decide it needed to aggressively figure out a way to increase the tax base. He said there were five projects that in 5 years could generate about \$1.5 in taxes, and he said if development of Mill Plaza ever happened, another \$1 million in taxes could be generated.

Councilor Van Asselt also said that if the Town could ever talk seriously about a payment in lieu of taxes from the University, which was the biggest contributor to the Town's infrastructure costs but didn't pay any taxes, then the Councilor could talk about these kinds of budgets, but with \$2-3 million a year in tax revenues.

He said this third document about how the tax base was going to be increased was needed, if people were going to be able to afford to live in Durham, and to have existing and perhaps expanded services. He said the lack of this document was a huge hole during the Budget process. He said it was the Council that would have to do this, and the community that would have to support this.

Administrator Selig said it came down to whether the community was willing to support this. He provided details on this, noting how people tended to look at how projects impacted them personally, and forgot that there was a broader impact to them. He said that was the discussion he hoped the Council would have.

Councilor Peter Smith said the third possibility for increasing the tax base that Councilor Van Asselt had discussed, the idea of payment in lieu of taxes, was unfortunately beyond the control of the Town, and was extraordinarily unlikely to change. He said if they wanted to attack that, they would need to get involved in a very sophisticated State-wide operation. He said he didn't think he would be around to see this change happen.

Councilor Van Asselt said he appreciated the fact Councilor Smith had looked at this issue longer than he had. But he noted that payment in lieu of taxes was paid by various institutions, including higher education institutions, and he referred to a recent editorial in the Boston Globe on this issue. He said no one could deny that the Town wanted to have a first rate University, and that the University needed to have a first rate community to host it. He said if that was the framework within which they worked, the infrastructure cost the Town bore needed to be shared by the State of New Hampshire. He said no matter what it took, when 70% of the land in Town was owed by the State, this had to be addressed.

Councilor Peter Smith said he simply wanted to point out the reality that this involved some incredibly deep cultural features of the State. He provided details on this, and said not only was there nothing in the law concerning this issue and never had been; there never had been anything

concerning it in the culture of the State. He said they shouldn't give up on this, and said there might be ways where the Town could get somewhere, for example, having one police department.

Councilor Van Asselt said he still felt it was not a waste of time to pursue this idea.

Councilor Julian Smith said he hoped that during the discussions on the Budget, the Council would also spend some time looking at the 2008 proposed budget, because there were some much bigger items there.

IV. Adjournment

Councilor Morong MOVED to adjourn the meeting. The motion was SECONDED by Councilor Leach, and PASSED unanimously 8-0.

The meeting ADJOURNED at 10:02 PM.

Victoria Parmele, Minutes taker