

**This set of minutes was approved at the Town Council meeting on July 21, 2008**

**DURHAM TOWN COUNCIL MEETING MINUTES  
MONDAY, JUNE 9, 2008  
WORK SESSION ON PROPOSED FY 2009 BUDGET  
DURHAM TOWN HALL – COUNCIL CHAMBERS  
7:00 PM**

**MEMBERS PRESENT:** Chair Neil Niman; Councilor Jerry Needell; Councilor Julian Smith; Councilor Henry Smith; Councilor Cathy Leach; Councilor Doug Clark

**MEMBERS ABSENT:** Councilor Karl Van Asselt; Councilor Peter Stanhope; Councilor Mike Sievert

**OTHERS PRESENT:** Town Administrator Todd Selig; Business Manager Gail Jablonski; Police Chief Dave Kurz; Public Works Director Mike Lynch; Fire Chief Peter O’Leary; Town Planner Jim Campbell; Code Administrator/Enforcement Officer Tom Johnson; Town Clerk/Tax Collector Lorrie Pitt; Durham Public Library Director Tom Madden

**I. Call to Order**

Chair Niman called the meeting to order at 7:00 PM.

**II. Approval of Agenda**

**III. Discussion relative to FY 2009 Budget preparation**

Administrator Selig explained that a Council goal for 2008 had been to hold a work session like this in regard to preparation of the FY 2009 Budget in order to provide early and specific direction to Town staff. He then provided a brief overview of factors relating to the Budget.

He first spoke about the fiscal forecast, in terms of how it was developed, and what its purpose was, and then spoke in detail about spending and revenue trends in Durham. He noted that the tax base was about \$850 million, and said it was projected to increase about 1% per year, over the next 10 years. He said there were a number of development projects proposed or in the works, which reflected the fact that the Town was trying to broaden the tax base.

Administrator Selig spoke about the fact that the fund balance was typically a critical area of Council discussion about the Budget. He explained how it functioned, in terms of helping to limit tax increases, offsetting large project specific expenditures, protecting the Town when there were unanticipated emergencies, providing greater control when issuing debt, etc. He said the fund balance amount for the approved 2008 Budget was approximately \$1.4 million, and said it was important to keep it somewhere between \$1 and 2 million. He said it concerned him when the fund balance dropped below \$1 million.

He reviewed the large capital improvement projects that were on the horizon, such as a new Fire station, Police Station renovations and expansion, Town office updates and expansion, a new Library, the desire to move ahead with land conservation funding, etc. He said all of these things had tax rate implications. He noted that there was no guarantee that these projects would be done in the year they were listed in the Capital Improvement Plan.

He then noted the noted the spreadsheets that had been put together to look more closely at Town expenditures.

Business Manager Gail Jablonski then went through these spreadsheets with the Council.

Administrator Selig said a question was how to engage the Council on the issues reflected in the spreadsheets, and how to have a thoughtful conversation on levels of services and assign dollars to things in Town that were valued. He noted as an example the community expectation that there would be a new Library, and the issue of how this would be weighed against the tax rate.

He spoke about successes Town departments had been having in providing services to residents, and he noted specifically the Police Department's success in addressing student housing impacts on the neighborhoods. He said some things had been put in place over time to achieve these successes, and said some questions were what the implications would be if there were reductions in staffing, and how the Council could weigh this.

He said an overall question was how to engage the Council on the financial tradeoffs involved in making value judgments concerning the Budget, and said he had struggled with this. He provided details on the variety of issues he had to weigh when bringing a Budget forward to the Council, and said a question was how to do this in a way that aligned well with what the Council wanted.

He said another question was what spending and tax rate targets the Council wanted. He said Town staff had worked hard overall several years to build a meaningful Budget without a lot of fluff. He said he was committed to being responsive to what the Council wanted, and was open to structuring the Budget process in a way that the Council thought would be most effective. He noted that Department heads were present to answer questions that Councilors might have.

Councilor Henry Smith noted that the tax rate increase had been reduced to 2% for 2008, and asked if it would be possible to hold the tax rate increase to no more than 2% for 2009.

Administrator Selig said they had tried to illustrate this in the fiscal forecast. He noted that by 2013, in order to keep the tax rate increase at 2%, there would be no fund balance left, and there would be a tax increase of 14.5%. He said this demonstrated what would happen if spending continued as it was, with the Town moving forward with projects in the CIP, and the tax base remaining similar to what it was now.

He said reducing personnel levels might or might not mean a reduction in the level of service, but he said if there were a significant reduction in personnel, this would impact levels of service. He said that in a time where there was an economic downturn, it was acceptable to show a 0% increase in the tax rate, but said it was important to realize that this would mean there would be less fund balance available the following year. He also said that by keeping the tax rate artificially low, it got that much harder to offset increases in spending over time.

He said there were other ways to address the long range tax rate, such as working to increase the tax base. He noted that taking this approach raised a number of questions that would have to be considered, in terms of quality of life, possible increased costs for the Town.

Regarding the issue of levels of service, Administrator Selig described the process where levels of service decreased over time, and the complaints by the public to Town departments built over time, to the point where the Town Council heard about them. He said this was a challenge for department heads.

Councilor Needell said a first option was to play with the numbers and use fund balance to offset spending increases that would result in a tax increase. He said a second, more fundamental option was to change the level of services in specific areas. He said a third option was to forecast a revenue source that the Town was willing to bet on. He said these options boiled down to the question of whether there was something in the budget the Council really wanted to go after, regarding services, or something it really wanted to count on in the future, in terms of revenues. He said the first option, of using fund balance to moderate things, could come later.

Chair Niman said the Council needed more information in order to discuss those points. He said he liked the spreadsheets Gail had pulled together, to show specifically what the Town spent in particular areas. He said he had spoken with Chief Kurz and had asked if it would be possible to come up with numbers, like the dollar value of neighborhood policing, which would enable the Council to understand the tradeoffs better, and make better decisions.

Chief Kurz said yes; anything was quantifiable, but he explained that in policing, it was difficult to quantify what didn't happen. He said the Town got what it paid for, and he provided examples of this. He said they were at the point where they could statistically point to the fact that since their program had been implemented, calls for service were down 69%. He said the Department would do whatever the Council wanted, but he said there would be implications from this. He provided details on this.

Chair Niman said it was hard for Councilors to say what they wanted, when they didn't have detailed information on Town departments and the kinds of services they provided. He said he was trying to get a better handle on this.

Councilor Needell said he was guessing that the Police Department focused much of its efforts on the population of students living in and around town. He said reducing the size of the Budget would concentrate those efforts downtown, where there was the most problematic behavior. He said another option was for the Council was to change the focus of the Department, and to back off of enforcement.

Chief Kurz provided further details on how Durham was different from other NH towns because of the student population, and he described how the problems with the students were being addressed.

Chair Niman said what he was worried about was that the fiscal forecast was not valid anymore, given that the cost of everything was going up. He said if this situation lasted, it would wreak havoc on the Town's finances, and would make it very challenging to keep the tax rate down. He said he was therefore going into this Budget season in a more forward-thinking mode. He said this was why

he wanted better information, so that if it were the will of the Council to cut the Budget, it would not be cutting it stupidly.

Chief Kurz said if there were some cuts to the Police Department, he believed the impacts would be gradual. He said they would do the best they could with the resources available, including grants, etc. He said the relatively high number of calls that police officers got in Durham made things somewhat problematic. But he said the Council should tell the Department what it wanted, and it would make it happen.

Councilor Leach said perhaps there could be an overall goal, to all department heads, to look at the things the Town could do without. She said that otherwise, it would be hard for nine Councilors to look through every line of the Budget to look for cuts.

There was discussion about this with Administrator Selig. He noted among other things that he was looking for more general goals, rather than specific recommendations.

In response to a question from Councilor Clark, there was discussion on what process the Council had used in the past to weigh in, as part of the Budget process. Councilor Clark suggested that it might be valuable to make this more of a formal process, to see if the Council could categorize the areas in the Budget, and weigh priorities. He said the next step would then be to look at the existing level of service for each area and see where the Council wanted to budget less, or more, or the same for these services.

Administrator Selig said this would be helpful

Councilor Leach said this was a good idea, but said she wasn't sure it was doable, from a logistical perspective. She asked for details on how something like this would happen.

Administrator Selig said it was a challenge, but said department heads would like to provide input to the Council as part of such a process.

Councilor Clark said a question was how the Council could make value judgments as part of a collaborative process.

Councilor Needell said the roll of the Town Administrator in Durham was a strong one, regarding the Budget and expending money, and he said he thought this was appropriate. He said he thought it was important for the Council and the Town Administrator to work together to make slow changes. Regarding the issue of how to go forward, he said he was not sure that meeting with department heads was a productive use of time.

He said for some of the items on the spreadsheet, it was worth considering the idea of targeting some areas that needed to be changed. He asked, as an example, whether it was bad to have a Budget that was dominated by police and fire expenditures. He said if the Council wasn't willing to restructure this, it would only dance around the issue, and it would be hard to make significant changes.

Councilor Leach noted that Administrator Selig had said the Council could meet with department heads when he met with them, and she said each Councilor could decide whether to participate in

this process. She said she didn't feel that there was Council meeting time available for this kind of thing.

Chair Niman gave as an example of a possible question about the level of services, that the Public Works Department threw too much stuff on the roads in the winter to keep them safe. He said he didn't know how to restructure the Budget process to get at those kinds of things, and said a question was how to get to the point where he and other Councilors could help Administrator Selig make the judgments on level of service.

Administrator Selig described the approach he had taken over time, in going through the Budget process, and noted that the Town Administrator had to evolve with the Council over time, in order to remain in favor with the Council. He said at a certain point, if the philosophies were especially divergent, there was a parting of the ways. He said his hope was that he could stay in sync with what the Council wanted, and that there would be a stable environment for the Town.

Councilor Leach asked if perhaps the Council could do what Councilor Clark had described. She said each of them had examples of things related to levels of service, and said perhaps they could put an hour aside at upcoming meetings, to see if there was common ground on some of these things. She said this could be done in a specific way, or a broader way, and said the Council goals should dictate some of this.

Administrator Selig said another possibility would be to bring in a Budget that was on the low, low side, along with a list of things the Council could choose to put back in.

There was discussion about this approach.

Councilor Henry Smith referred back to Councilor Needell's question about the issue of how much money was spent on the Town's Fire Department and Police Department, and he said a question was how much the Council valued public safety.

Administrator Selig noted that the issue of shift staffing at the Fire Department had been discussed by Councils from 2001-2005, and said after being voted down every year, he had decided not to bring that idea forward again. He said this was an example of where the Council had given guidance on an area of the Budget.

There was discussion about how long it had been since the issue had been brought up, with Councilor Leach stating that she didn't think it would be a bad idea to bring issues like this up again.

Administrator Selig spoke about the approach suggested by resident Jerry Gottsacker, to see if there were things in Town that could be done differently and more efficiently, yet with the same impact and the same level of staffing.

Chair Niman asked Councilors what they thought about the low end budget Administrator Selig had suggested.

Councilor Henry Smith asked if by a low end Budget, Administrator Selig meant a 0% increase in the tax rate.

Administrator Selig said there were several different drivers involved. He said the Council could say it wanted a 0% increase in the tax rate, and also wanted to see the fund balance stay above \$1.2 million. He said he would then bring back a Budget that would meet those criteria, but some things would have to drop off the Budget in order to meet them. He said there were a number of other approaches that could be taken as well.

Councilor Needell said he would rather leave the fund balance out of the picture, in taking an initial look at the Budget. He said he was trying to understand if there was interest in reducing spending in some areas, and said that later, the Council could look at whether it wanted to artificially change the tax rate with fund balance. He said the question was whether the Council wanted to fundamentally change how much the Town was spending on certain things.

Councilor Clark said he assumed that the Council would want to explore both options, holding the fund balance at a natural level, and holding down expenses. He said the cost of living was going up in households, so the Council needed to look at a number of ways to not contribute to the pain. He said they needed to ask what the possibilities were for keeping spending as it was.

Councilor Leach said would also like to look at what a 0% tax rate increase would look like. She said Councilor Van Asselt and Chair Niman had also indicated that they would like to see this. She also noted that while there was nothing they could do about the salaries and benefits numbers, it would be worthwhile to show in the spreadsheets the actual cost of “Other Expenditures”, for each of the line items in the spreadsheet, with some additional supporting information. She also asked if numbers on Durham’s actual expenditure for the Fire Department could be provided

Councilor Needell asked if it was really true that the Council couldn’t do anything about the salary and benefits numbers. There was discussion about this, and that the Council was not contractually bound to keep a specific staffing number. Councilor Needell noted that he was not advocating this, but said his point was that the Council could impact large changes in the Budget.

Councilor Clark asked if the Town would consider revisiting the idea of a hybrid volunteer and professional Fire Department. He said he wanted the best level of service for the Town, and said he assumed that was the goal of a volunteer department as well.

Administrator Selig said the Fire Department could summarize how staffing related to what it was able to accomplish, and said the Council could then discuss what was reasonable for the Town of Durham to attain.

Chair Niman spoke about the issue of duplication of service, and said if this didn’t really provide a greater level of service, there were adjustments that could be made in staffing that could potentially lead to cost savings.

Councilor Clark suggested that there could be better coordination in order to avoid redundancies.

Chair Niman said he thought that the economy would force the Council to make some hard decisions that it had never had to make before. Regarding salaries, he suggested that the easy way would be to adjust overtime, and said information on this could be provided to the Council.

Ms. Jablonski said Town Department heads would like to see what Councilors' thoughts were on what should be cut from the Budget. She said they could then show the Council what that would mean in terms of services. She said this approach would be appreciated.

Councilor Leach said an issue was how the Council could get to that point, explaining that they needed to have some details in order to be able to decide those kinds of things.

Chair Niman suggested that Department heads could perhaps come up with five possible choices of what could be cut.

Chief Kurz said right now, the Police Department was providing services based on what it knew the Council had wanted. He said the approach Ms. Jablonski had described was the right one.

Chair Niman said if the Police Department didn't respond to a call from a resident, it got complaints, but he said people called him to say that taxes were too high. He said they were in the same boat. He also said it would be easy for him to say something like wanting a 0% increase in spending for the Police Department, but he questioned whether that would be the best way to handle this.

Chief Kurz said that in some ways, it would be the best way.

Councilor Leach said the Council didn't have the level of knowledge of Town departments that the department heads had. She said she liked the approach where Councilors would indicate the things they were thinking about in terms of cuts, and the Departments could then say how this would impact the levels of service they provided. She said in other words, perhaps the Council could throw out their own ideas for cost savings, and then the Departments could respond with their own ideas and suggestions.

Ms. Jablonski suggested again that the Council should provide Town staff with some direction in this area.

Councilor Henry Smith said the Town hired Administrator Selig to communicate with Department heads on these things.

There was discussion on how the process could work.

Administrator Selig said the challenge was that department heads struggled with what to bring forward because they didn't know what the Council wanted, and the Council struggled with directing where cuts should be made and what level of service to provide because they didn't know enough.

Councilor Leach said Councilors were trying to be sensitive about not micromanaging the departments.

Administrator Selig noted the specific interests of Councilors who came in to speak with him on particular issues, and said where this ultimately got fleshed out was in giving him some parameters to work with. He said he would then show what this meant, and what the choices were. He provided further details on how this process could work.

Councilor Leach said that process sounded much like what had been done in the past. She said a part they could make more formal would be to say to Councilors to get their ideas to Administrator Selig, so that he, Ms. Jablonski and other Department heads would have more to go on in developing the Budget.

Councilor Needell said a lot of what was being discussed shouldn't necessarily be done in one year. He also said there were some short-term things that it would be relatively easy to put off this year. He said there was also the question of whether there was anything the Council would be willing to say it wanted to spend more money on this year.

Administrator Selig said that concerning the idea of spending more money in the Budget in a particular area, a question was whether the Town should purchase some electric cars, which would cost more upfront, but would meet Carbon Coalition goals. He said some guidance from the Council on this would be helpful.

Councilor Julian Smith asked Administrator Selig which of the calls from residents took up more of his time: complaints about services or complaints about high taxes.

Administrator Selig said he got far more complaint calls regarding levels of service.

Councilor Julian Smith provided some examples of excessive calls for service that he had observed. He said Durham had a really high level of service, and said a lot of people liked it that way.

Chief Kurz said the Police Department never refused to respond to a call, and Councilor Smith said perhaps residents needed to be educated about whether they really needed this very high level of service. But he said it would be hard to cut back on this.

There was discussion on the high level of detail provided in the spreadsheets of the Budget.

Administrator Selig said it was important that residents feel there was nothing hidden in the Budget, and said the document therefore reflected this. It was also noted that Town staff needed to be able to see this level of detail.

There was discussion about whether the Council needed to see quite this level of detail, and that in some ways it wasn't as useful as the kinds of spreadsheets the Council had been provided with for this meeting. There was discussion on what the Council needed and didn't need in terms of Budget information in order to make good decisions.

Councilor Leach suggested that Council members should send Administrator Selig questions about areas of the Budget they felt should be looked at. She said the question was what should happen after that.

Councilor Needell said he was hoping that the Council as a body would provide this kind of input, as part of the Budget process. He said his frustration was that the Council didn't do that very often enough as part of the process, and said this kind of input spoke so much louder than individual input.

Councilor Leach said perhaps they could start with the recommendation that she, Councilor Van Asselt, Councilor Clark, Chair Niman and probably Councilor Stanhope would like to see a 0%



increase in the tax rate in the 2009 Budget. She noted that Councilor Henry Smith had said he would like to see a 2% increase.

Councilor Clark said he would be interested in looking at a contrast between the status quo and a Budget with a 0% tax increase. He said he thought the Council could have a worthwhile conversation based on this. He said he thought Councilors should also look individually at where money was being spent, should think about priorities and levels of service item by item, and then should come back and make some recommendations.

Councilor Leach agreed, and said she would be interested in looking at the implications of a Budget with a 0% increase in the tax rate.

Councilor Needell said he would rather look at what it would take to not increase the level of spending next year, and said the tax rate issue would settle out as part of this.

Administrator Selig noted that if a 0% increase budget was brought forward, and ultimately became the default budget, this would mean substantial changes in the way things were done in Durham.

There was discussion on this issue.

Councilor Clark asked if the Council could see a hypothetical Budget with no increase in the tax rate.

Administrator Selig provided details on the fact that this would be a challenge to accomplish given the level of staffing. He noted the time involved in getting the various kinds of information that were needed in order to develop the Budget. He said what he was thinking was that the proposed Budget would represent a 0% increase in spending, and said there could be a menu of things provided with it, which could be added back in. He noted there were certain fixed costs that would increase, and said this would mean there would be changes in the way certain things were done. He said there would be some people who would not be happy with these changes.

Chair Niman said he didn't feel Administrator Selig was being constructive. He said he to see didn't want to hear scary scenarios, he wanted some choices, and would then think about the consequences of making those choices.

Administrator Selig agreed it was all about choices and consequences, and said he just wanted to be sure that the Council understood that if what he brought forward was part of the formal Budget proposal, there were certain implications from this. He said he would be more than happy to bring it forward.

Councilor Leach said the Council needed to see some of the possible models for a Budget between June and Nov 1<sup>st</sup>, so it could make some decisions, and so that by November, the Budget would have been tweaked to a good extent.

Administrator Selig said it might be helpful to target a date in September to bring forward some hypothetical ways to approach the Budget, and have a work session on this. He said they would also have a better sense of the economy, and the pulse of the community by that time.

Councilor Leach noted that a lot of things could happen in Town between June and November, and said as part of the Budget process, they needed to be able to adjust to that.

Councilor Needell said that regarding the idea of a Budget without spending increases, he was thinking of this as a hypothetical thing that perhaps would be interesting to look at. But he said he would not want Administrator Selig to bring forth such a Budget on November 1<sup>st</sup>. He said this would represent draconian cuts in services, and noted that if the Council couldn't come to agreement on it, it would become the default Budget. He said he would rather force the Council to make those cuts. He also noted that he wasn't recommending a fundamental change in the Budget process.

It was agreed that a hypothetical 0% Budget increase would be developed, and that there would be a special meeting about this in September.

Councilor Clark said the Council also needed to have a bigger discussion on the long term projections in the fiscal forecast, and to make sure the 14% increase in the tax rate didn't happen over time. He said this kind of discussion would inform how hard they would need to work to get economic development or other investments, to make sure they didn't see that 14% increase. He said that kind of increase was what would turn the Town upside down.

Councilor Julian Smith said he would prefer that if there were Budget projections in September, Administrator Selig would tell the Council how bad it was going to be, given fixed costs, etc. He said he wasn't going to look for him to give the Council hard choices that they weren't going to want to make. He said they had gone that route before.

Administrator Selig said there could be tremendous value in illustrating the implications of a 0% Budget increase. He said this would then cause a lot of conversation, which would be very productive as they approached the formal Budget submittal. He said it would avoid the process they were up against every year in November and December.

The meeting ADJOURNED at 8:57 PM.

Victoria Parmele, Minutes taker