

**This set of minutes was approved at the January 11, 2010 Town Council meeting**

**Durham Town Council  
Monday November 30, 2009  
Durham Town Hall - Council Chambers  
7:00 P.M.**

**BUDGET WORK SESSION MINUTES**

**MEMBERS PRESENT:** Chair Neil Niman; Councilor Karl Van Asselt; Councilor Jerry Needell; Councilor Julian Smith; Councilor Peter Stanhope; Councilor Doug Clark; Councilor Mike Sievert; Councilor Diana Carroll; Councilor Robin Mower

**MEMBERS ABSENT:** None

**OTHERS PRESENT:** Town Administrator Todd Selig; Business Manager Gail Jablonski; Public Works Director Mike Lynch; Police Chief Dave Kurz; Fire Chief Corey Landry

**I. Call to Order**

Chair Niman called the meeting to order at 7:02 PM. He said Administrator Selig would first discuss the items he had recommended eliminating from the Budget, and suggested that Councilors then develop a list of items they wanted to restore or cut, and they could then work their way through the list.

Councilor Carroll suggested that Councilors have the opportunity to ask questions before developing this list and it was agreed this would be done.

Administrator Selig noted that a special meeting was held at 6 pm that evening at the Police Department, to update the residents of Morgan Way on efforts underway to address the intersection problems. He said Chief Kurz and Mr. Lynch would be coming to the Council meeting when the meeting was over.

He said his perspective this year regarding the Budget was to take a hard line on spending. He said his goal was to create a Budget that wouldn't affect the tax rate and that represented a prudent allocation of expenses to keep the Town in as good a fiscal position as possible, at a time of declining revenues. He noted that page 9 listed the items he had recommended eliminating in order to keep the tax rate the same, and said they totaled \$1,326,000.

Administrator Selig then spoke in some detail on the proposed cuts for the various departments. He said he felt he had a strong personal obligation in this difficult economic environment to bring in a Budget with a zero percent tax rate increase. But he also said presenting the Budget in the way he had, with the cuts already taken out of the Budget,

forced the Council to grapple with whether they wanted to jettison these items. He said in this way it became more of the Council's Budget.

Councilor Carroll said it sounded like there was money in the Budget for furthering the work of B. Dennis Town Design.

Administrator Selig said there was \$30,000 for this work, as well as an additional \$15,000 that could potentially be allocated for the Master Plan update or other professional services the Planning Board requested.

Councilor Needell asked whether the Council would be discussing the choice between using the additional \$30,000 for master planning or development of a form-based code.

There was discussion that these funds hadn't been committed yet for a specific purpose.

Councilor Carroll noted that line items in the Budget dealing with gas and oil showed a reduction in what was proposed. She said this reflected prices coming down, and asked what the strategy was if these prices increased. She said such a strategy was needed to ensure that the Budget could stay within the guidelines. She suggested that the Town should have an idling policy as a possible strategy to stay in line with the amount of money available for gas, if this hadn't already been taken into consideration.

Administrator Selig said he had recommended these reductions, but said if it was found that there was an increase in prices, they would have to look elsewhere in the departments to offset this. He agreed that an idling policy was a fair idea, and said he believed the Police Department had addressed this last year.

Councilor Carroll noted that the Kaizen process was being used in many ways in Town. She then asked how the fund balance related to Durham's triple A rating, and if the Town was close to losing this rating.

Administrator Selig said the Town was in jeopardy of having the bond rating downgraded. He said when they had gone out to bond last year, the rating was strong, but they were cautioned by their consultant that the Town needed to keep the fund balance up.

He noted that the upcoming audit would indicate that they were over budget overall for 2009, which had therefore eaten up some fund balance. He said some fund balance had also been used to bring the tax rate in at 0% for the year. He said a way to beef it up would be to specifically budget monies for 2010 that would then not be spent. But he said the question was how to do this in the present economic environment.

Councilor Van Asselt noted that Administrator Selig had just spoken about making this the Council's budget, which left the door open to something that he would not subscribe to, which was nine people picking and choosing the Budget that had been developed by a professional Administrator who did a good job.

He said Administrator Selig knew where the Council wanted to go because of the Council

goals and work plan. He said he had either given the Council a Budget that could accomplish what it wanted to accomplish, or a Budget that said this was the best he could do to keep the tax rate at 0% and the Council needed to see what it wanted to do with it. He said Administrator Selig couldn't have it both ways, and asked which way he wanted it to be.

Administrator Selig said the challenge was that while the Council goals were excellent, they were quite broad, while the outside parameters set had ultimately resulted in the Budget that was brought forward. He said he felt the overarching goal, based on the Budget work session, and as a resident and professional serving the Town, was to bring in a 0% budget.

He said what he had brought forward would meet in the best way possible the goals the Council had set and the goals most residents had, while keeping the tax rate at a 0% increase. He also said while he wanted to bring forward a Budget that worked, the Council had every right to modify the document up or down. He also said it was important for the Council to look at the fiscal forecast.

Councilor Mower said given what Administrator Selig had said, as well as Councilor Van Asselt's concerns, she would like to know where the biggest vulnerabilities were in terms of what had been deferred. She also asked Administrator Selig what he would consider adding back in first if the list were prioritized.

Administrator Selig said the biggest vulnerability financially was the Road Program. He said if there was a bad winter, they might have to pay more than they otherwise would. But he also said asphalt prices might come down next year, and said he thought it was a good bet to hold off. But he acknowledged that this was a gamble.

He said that regarding a prioritization of items, this was reflected in the junior engineer position created for the DPW, and the Police Department position that was not funded. He explained that things were going by the wayside now at the DPW, and said additional resources were needed for the department, at least for the next year.

Councilor Clark said he disagreed with Councilor Van Asselt regarding who made the decision on what was in the Budget. He also said this was an exceptional year because of the economy, and the fact that a large percentage of residents had seen a decrease in pay. He said the responsible thing to do was therefore to do everything they could to hold the line on the Budget.

He noted that the proposed Budget had represented a 15% increase over last year, which he argued was unsustainable. He said he was happy to see things like the idea of a capital reserve fund for the Fire Department, which represented an investment rather than an expense, and said it was the kind of thing the Council had been looking for to create sustainability over the long-term. But he asked if the \$10.3 million Budget represented a restructuring toward things that could be considered a re-investment, so they wouldn't be looking at 15% increases every year.

Administrator Selig said the Council goals were in fact discussed with department heads

as part of the Budget process, and said they had done a good job of aligning their proposals with these goals. He provided details on this, noting among other things that there were some reallocations within the departments, and some small initiatives that hopefully would become larger. He also said there were several CIP items eliminated that would have represented good investments to meet Council goals, but which he felt the Town couldn't afford right now.

Councilor Needell said he was always concerned about the idea of focusing on a 0% increase in the tax rate, and noted that the only way they got there last year was by raiding the fund balance. He said he hadn't agreed with this approach. He also said the Budget had represented a reduction in spending last year.

He said using fund balance couldn't happen again, given the level it was at now, and said he didn't want to set people up for a false promise the Council couldn't deliver on. He asked if they could therefore put the tax rate number aside, and focus on spending and revenues. He asked if anyone else shared this concern, and noted that the Council had specifically set up the Budget last year not to use fund balance, but then ended up using it.

Administrator Selig spoke about the fact that the State had eliminated \$200,000 in funding for the Town, which resulted in the need to use fund balance. There was discussion that a reduction in State funding for the Town could happen again.

Chair Niman said Councils had been falsely eliminating fund balance since he had been a Councilor. He also said he was uncomfortable adding funds to it when a future Council could then raid it, which seemed to be the pattern. He said the 0% increase in the tax rate was an important symbol, and also said it was unclear why the fund balance number had gotten that low. He said he didn't think that by supporting the proposed Budget, they were making the promise that there would be a 0% tax rate increase, but said they were making a good faith effort to keep the tax rate in line with a 0% increase.

He said he agreed there could be no more raiding of the fund balance, and also said he expected that the State would continue to reduce revenues to the Town because he didn't know how the State could balance its books once the federal stimulus money ran out. He agreed that the Council would either have to figure out how to cut more spending, or the tax rate would have to increase. But he said he would be reluctant to abandon the 0% tax rate increase that evening, and would rather hold the line for now.

Chair Niman noted that the Town's biggest taxpayer was currently suing the Town over its assessment, and said if it got the number it was asking for, \$50,000 in tax revenues would disappear. There was discussion.

Councilor Needell said that was the kind of thing that the unreserved fund balance was for.

Councilor Sievert said he agreed somewhat with what Councilor Van Asselt had said. He also asked for details on the \$70,000 per year in savings that would result if there was a capital reserve fund for the Fire Department.

Business Manager Gail Jablonski provided details on this, and said \$70,000 was the average savings per year over time if the Town didn't have to bond for capital projects for the Fire Department.

Administrator Selig said funding this capital reserve fund in 2010 would mean \$295,000 in new spending in order to start the program, which would have had a tax rate implication he didn't want to see right now.

Councilor Carroll said 50% of this would be paid for by UNH, so the Town would only be paying \$150,000 to start this process, which would begin a sustainable capital replacement program.

There was discussion that the funding could perhaps start the following year instead. Administrator Selig noted that if the funding started in 2010, the Town wouldn't have to do anymore debt service, but if they did it in 2011, there would need to be some bonding done. He said there had been discussion about the capital reserve fund approach in the past, but said more traditionally the Town had bonded projects. He spoke about concerns raised in the past about putting money aside each year in a capital reserve fund. He also noted that this same approach could be used for all the departments, and said the thought had been to start with the Fire Department.

Councilor Sievert asked if the Council would be looking at this approach for each of the departments. He also received clarification that the \$295,000 would only be used to pay for capital items for the Fire Department.

Councilor Stanhope said he agreed with Councilor Van Asselt, noting his experience in another town where the budget was micromanaged based on personal preference and without professional administration, which led to more problems than solutions. But he said he was sure Councilors all had something in the Budget they would like to change. He said if he was in the position to have the knowledge Administrator Selig had, he would look at funding the police officer position by looking at other spending that was in the Budget.

He said he thought next year's revenue situation would be more severe than this year, and said with that in mind, the Council had to accept the fact that absent a willingness to burden the residents with a substantial tax increase, which made the Town less attractive in terms of having a stable tax base, there would be some degree of pain for the Council in looking at spending next year.

Councilor Stanhope said if this was looked at purely as a business model and they thought there would be revenues in the out years, there could be investment in a capital reserve fund for the Fire Department, the Road Program, and a 19<sup>th</sup> police officer. He said it would cost about \$92,000 a year to service a line of credit for these expenditures over 10 years. He then said the Council could rethink the need to fund reserves and other things that were critical, but asked what they had hired Administrator Selig to do.

Councilor Mower said she wasn't aware that there was a fund balance policy, which

would stipulate under what circumstances it could be used. She then provided some details on how such a policy might work.

Ms. Jablonski said there was a draft of a fund balance policy.

Chair Niman said unless such a policy was included in the Town Charter, it could keep changing. There was discussion on the advantages and disadvantages of having such a policy.

Administrator Selig spoke about the ways in which fund balance was used, and also explained factors considered in determining the Town's bond rating. He also spoke in general terms about the development of capital reserve funds.

There was discussion between Councilor Sievert and Councilor Needell regarding the idea of using the fund balance, with Councilor Needell noting that the problem came in when it became critically low so couldn't be used any more.

Councilor Van Asselt said if there was concern that there should be more money in the fund balance that was a policy decision. He also said the Council could recommend another \$600,000 for the Budget, say what this would do to the tax rate, put \$300,000 of it into the fund balance, and then ask Administrator Selig to put the other \$300,000 where he thought it should go to meet the concerns of the Council and the community.

He said the Council and the people of the Town could then consider whether a \$200/year increase in taxes for a \$300,000 home was worth the protection of the Town's bond rating, etc. He said he didn't think this was an irresponsible position for the Council to take, and said it still avoided micromanaging the Budget.

Councilor Mower said that was the approach she was thinking of.

Councilor Needell said the fiscal forecast showed a 15% increase in the Budget next year, and asked what the Council could do now to prevent that from happening. He noted that he was more concerned about that than about discussing \$600,000 in this year's Budget, and asked what these numbers in the fiscal forecast were saying.

Administrator Selig said over time there had been about a 4% increase in spending annually. He said by holding the line now on increases, and reducing spending, they were squeezing the balloon, and said eventually it would burst. He said the 15% increase next year showed where there would be a lot of pressure. He noted that this number was based on an estimate of what the Budget was expected to be a year from now.

Councilor Needell asked if this was in part based on the proposed 20% budget this year or somewhere in between.

Administrator Selig said it was based on the Budget proposal coming forward this year as well as on expected expenditures and revenues coming forth next year. He also noted that it built in costs for CIP items for 2011. Ms. Jablonski provided details on this.

Administrator Selig said nothing was fixed in stone with the CIP, but said it did reflect the pressure they would be under next year. He said keeping a 0% increase in the tax rate, when things would cost more, was not sustainable over the long-term.

Councilor Needell said he was hoping to hear that there were things in this year's Budget that would bring down next year's Budget.

Administrator Selig said it depended on where the money was put, and he provided details on this. He noted that the revenue projections were conservative and were best estimates, and said if there was a shortage of revenue from the State in 2010, there would need to be an adjustment in the tax rate at that time.

Councilor Needell said the Council had been invested with a tremendous amount of authority, and it in turn vested responsibility on the Town Administrator. He said this was a tough balance to strike, and said what role the Council played was something they each had to wrestle with.

He said when the goals were formed, the Council had tried to reach consensus, but said this was not always unanimous. He also said when the Budget was formed, based on the Council goals, it wasn't certain that all Councilors would agree with the way it was structured. He said he therefore didn't have a problem with individual Councilors bringing up Budget items, and said it was then up to the Council as a whole to decide on them.

He said he agreed that the Council could tell Administrator Selig to spend more money and let him decide how best to do it, and said he liked the idea. But he said if he brought up items for discussion, it wasn't because he didn't understand what Councilor Van Asselt had said, and was because he thought the Council should have to rethink what the impacts of decisions on the Budget would be.

Councilor Van Asselt agreed that Councilor Needell had every right to do that. But he said if one assumed that staff was already doing the absolute best it could with Town administration and management, the Council couldn't then not give Administrator Selig additional money to operate with. He said there were cost increases built into all of this, and to say otherwise was to not be responsible.

Chair Niman asked Councilors to start discussing individual Budget items they could make a list of.

Councilor Needell said he would like to discuss further the funding of the 19<sup>th</sup> police officer. He also said he would like to discuss the Road Program and the funding of the junior engineer position, and would be willing to discuss the idea of capital funding for some items in the Police and Fire Department budgets. He said he also had questions about some other items in the Budget.

Chair Niman asked if there were other items Councilor Needell hadn't listed.

Councilor Mower asked for discussion on the cut in funding for the culvert program.

Councilor Clark said he would like to make sure they would continue with the strategic planning process.

Councilor Stanhope said Councilor Needell's list was similar to his own, and asked him if he had any numbers in mind.

Councilor Needell said he wanted to discuss the items one at a time, and noted that he wasn't interested in finding a way to fit them in and change other things that were already in the Budget. He said most of the things on his list represented increases in the Budget.

Councilor Mower said she didn't see that what the Council might come up with would be an overruling of what Administrator Selig had come forward with, and she provided details on this.

Councilor Clark asked if they should just address 2010, and Chair Niman said yes.

Councilor Smith said he wouldn't add anything to the list at this point, but said if Councilors started adding in all kinds of things, he would have his own item to add. Chair Niman said he would leave a place for this on the list, and Councilor Smith said he had just one item.

In response to a question from Councilor Mower regarding the proposed \$36,000 increase in the MIS budget, Administrator Selig said this reflected an increase in a number of maintenance contracts to support various software programs the Town used, such as the assessing database. He said it was also for the replacement of some computers. He explained that these things had been deferred for awhile, which meant that MIS staff had been spending a lot of time on maintenance activities.

Councilor Mower said this therefore shouldn't be on the list being put together.

Councilor Carroll said the hazardous waste drop-off schedule should be on the list for discussion.

Administrator Selig noted some possible sources of revenue for 2010, included taking revenues from the Depot Road parking lot and putting it into the General Fund, noting that these funds had previously been allocated for improvements to the Depot Road site. He also said the municipal transfer tax from registration could be tapped for General Fund expenses rather than being set aside for future bike paths, etc. He said the Council would be asked at a later date to approve these things.

Chair Niman asked if any Councilors would want to propose increasing the fund balance amount, and Councilor Smith said they should discuss this idea.

#### Police Department - 19<sup>th</sup> police officer

Councilor Needell said he was frustrated that this position wasn't funded this year because it was cut from the Budget last year and there was an impact. He said they were



definitely hearing from Chief Kurz that this cut and other budget pressures were having a significant impact on the department, at a time when there was also a lot of pressure from the community to do more.

He said while there was a \$200,000 line item from the University to fund increasing policing, they weren't doing anything that would take that money and give it to the Police Department to fund policing services. He said he assumed the additional police officer was the number one thing the department was asking for, and said it was a real mistake not to restore that position.

Administrator Selig said during a prior Council Budget session, there was discussion about whether the \$200,000 the University was giving to the Town had resulted in a reduction in staffing for the UNH police department. He said he had received confirmation that there was no such reduction, and was also told that the University had just hired two additional officers and had also authorized additional overtime funds.

He explained that the \$200,000 payment was calculated based on overtime hours during the first and last weeks of the academic year, staffing, handling of prosecuted services, etc. He also said while policing services was the driving reason for this amount, it would also include other items. In addition, he said the Town had rarely taken revenues and given them to a particular department.

Councilor Needell said the Town had made an argument to justify receiving this money, but would not be using any of the money to achieve the goal on which the argument was made.

Administrator Selig said in a variety of areas, the Town incurred costs from the presence of the University. He noted that when they received an increase in funds to support Fire Department costs, this went into the General Fund, and said the same was true with water and sewer fees. He said he didn't believe it was disingenuous to cut back on police officers during a difficult time, when it wasn't the number of police officers that was being used to calculate the payment from the University. He noted that he wished it was, because the Town would then get more money.

Administrator Selig said the efforts of the Police Department had recently been substantial in order to meet the needs of the Town. He said based on economics and the changing dynamics of home prices and possible income from student rentals, there had been a dramatic increase in calls for service. He said the department and Code Enforcement had struggled with this, and said they could use additional support. He noted that there had been discussion previously about tying spending to results, and said the survey results from UNH concerning Town policing services would be interesting.

But he said he was not convinced that adding the 19<sup>th</sup> officer would improve things dramatically for residents impacted by student housing. He said it would make things easier for the department, and would decrease response times, but said it wouldn't solve all of the problems. He said it would take the addition of several police officers to accomplish that.

Councilor Clark said he thought these problems were more a result of changing dynamics and not from not having the 19<sup>th</sup> officer. But he said with these problems, and not having the 19<sup>th</sup> officer, the department was spending more time on the problems and less time on providing other services for the Town. He asked if hiring the 19<sup>th</sup> officer reflected a savings in overtime costs.

Chief Kurz said it wouldn't reflect a savings, because the overtime was specifically designed to operate around the busier times of UNH, at the beginning and the end of the school year. He said with no 19<sup>th</sup> officer, there were 3 officers on the road, not 4. He also said without the replacement officer yet for Ed Leveque who had recently retired, they were down 50%. He said he couldn't fill the shifts right now.

He said he had been surprised how significant that 19<sup>th</sup> officer had been to the department in filling holes. He said there was a dike that was always leaking, and said right now there were several pretty significant leaks. He said one more officer wouldn't make all the difference because they were now in a catch up position. He said he was getting complaints from citizens routinely about what the department wasn't doing.

Councilor Smith said he wasn't concerned that the \$200,000 wouldn't go right into the Police Department budget. But he said if the Town didn't have it, it would be \$200,000 less to spend on things outside of the department.

He then noted that in Chief Kurz's cover letter regarding the Budget, there was a reference to the idea of delivering police services to all citizens. He said he didn't think these services should be deliverance to all citizens, and stated that there were some citizens who didn't want those services delivered.

Councilor Smith said in the last few months, there had been many reports of roving bands of students. He said if students were becoming more obnoxious and noticeable in the neighborhoods, the solution was not throwing more officers on the street and throwing more students in jail. He said the major change would have to come from the University, in terms of advising and mentoring students.

He said the student handbook for students living off campus was very weak, and also said drinking had gotten pushed out into the neighborhoods because it wasn't allowed on campus. He noted that he had voted against accepting only \$200,000 per year from the University, and said if UNH didn't want to give the Town more money, it should give it more help by doing something to make students more aware that they had to grow up.

Councilor Sievert asked if the additional officers from the University would have an impact on the Chief's concerns.

Administrator Selig said he suspected they would not. He said over time, the University had increased its vigilance on campus to eliminate alcohol abuse on campus, which had pushed it off campus. He said it had showed up on campus again, and the University was now ramping up to address this.

Councilor Carroll said in the past she had been critical that the State had taken Medicaid

money and had then used it for its General Fund instead of using it for health services. She said she had also been critical when the State had taken stimulus funds to balance the Budget rather than using it for stimulus related programs. She said it would be awkward to take the \$200,000 and put it into the General fund, and said she would like to see some of it used to fund another police officer.

She noted previous discussion that some of the kinds of behavior they were seeing now hadn't happened before in Durham, although it might be happening elsewhere because of the general culture. She said there had been some violent crimes in Town, and noted that she had read the police report on one, and was horrified by it. She said she didn't think hiring one more officer would take care of all the issues, but would address many of them. She noted it would take a while to hire this officer if the Council approved it so it would be awhile before they saw some result. She said it was time to do this.

There was discussion on whether the Council would be making motions concerning these items it was discussing, and if so, whether these motions would be made now or later. Councilors agreed to continue discussing them now and make the motions later.

Councilor Clark said of all the things cut, the 19<sup>th</sup> police officer was the one that made him the most uncomfortable. But he said his understanding was that the \$200,000 was just a reimbursement for money spent by the Town over the years. He was told that was correct.

Chair Niman said he didn't want to micromanage the policing situation. But he said he had seen some movement in the direction Councilor Clark had previously recommended, with some changes in the Fire Department and the DPW. He said he didn't want to tell Chief Kurz how to run his department, but said he wondered if there was a different way to handle some situations other than by hiring an additional police officer. He noted that UNH had officers as well as security people, who were less expensive.

He said at some point, he assumed there would be recommendations from the Rental Housing Commission and he'd then have a better understanding of what some of the problems were. But he said one problem was illegally parked cars, and said perhaps they could get better service hiring someone to do parking tickets. He asked if there were other concerns like this that could perhaps be addressed in a different way. He said rather than hiring the 19<sup>th</sup> officer, he would like to look at other ways to provide services residents wanted in a more productive and economical fashion.

Councilor Mower said she thought that was an approach the Council should encourage Administrator Selig and department heads to look at, and she noted as an example that some aspects of code enforcement might not require as much expertise.

Councilor Clark said he had run departments of several companies, and said he had never been asked to come up with a dream budget and then have his boss come in and cut it. He said he was told there were goals and targets, and that he needed to find creative ways to do his job based on them. He said he didn't think the current approach was getting them to the most efficient way to a good structural solution to long-term problems. He said Chair Niman had suggested one way to think about what that kind of charge might

do.

Councilor Mower asked Administrator Selig if he thought what Councilor Clark had described was an accurate reflection of the Budget approach he had taken.

Administrator Selig said the process utilized had involved a great deal of conversation on economic realities. He said the Town had intelligent department heads who tried to get at Council goals as well as the needs of the Town as they saw them. He explained that the first round of Budget cuts had involved department heads indicating where they would choose to make cuts, and prioritizing them.

He said this had been quite successful in terms of allowing him to understand what their perceived needs were in light of what the Council goals were. He spoke further about how approaches to creating the Budget with department heads had evolved over the years he had worked in Durham. He said this year they had tried to approach things the way Councilor Clark had described.

The Council stood in recess from 9:07 to 9:17 pm

#### Public Works Department - Roads Program

Councilor Needell said he fully appreciated the concept that revenue wasn't targeted. But he said the cuts to the Road Program was a case of being penny wise and dollar foolish, and noted that this was the third time the program had been significantly reduced. He said that at the previous Budget meeting, the DPW director had indicated that the program had been undermined to the point that it had to be restructured from scratch every year. He said the concern was that a lot more money would need to be spent down the road.

He agreed that spending \$500,000 this year would be too much, but said he didn't think \$129,000 was enough. He said the Town got \$230,000 from the State, and said he realized they didn't have to spend this on roads. But he said he thought it was a reasonable measure of the minimum amount that could be put into the Road Program. He said that was the target he would like to set, although he would love to spend more.

Councilor Stanhope said he agreed with Councilor Needell and suspected some roads should be addressed now. But he said he was equally uncomfortable with a plan that said a road would be done whether this was needed or not. He said he didn't know which roads were critical and would therefore require that more money be spent on them in the future because they had been cut from the program now. He also said he didn't know how much of an increase would be appropriate. He asked if the \$230,000 amount could be tied to specific roads.

Councilor Sievert said he agreed they couldn't keep putting off work on the roads. But he said they had charged Mr. Lynch and Administrator Selig with the decision and they had reviewed the roads in detail. He said that was the best the Council could do, and said this was a place to save money at this point.

Councilor Clark said he understood they needed to do everything possible to keep the

Budget tight. He said given the fact that the price of oil was relatively down and the price of asphalt was up, this seemed to be a good year to take a year off where possible, and hope other towns did the same so the price of asphalt would come down and the Town could do its roads next year at a price they could live with.

Councilor Mower asked if this was a place where they might consider creating a designated capital reserve fund, in order to start building up money for paying for roads in the future.

There was discussion that a capital reserve fund would be to replace bonding, with Councilor Needell stating that there theoretically had been a designation of \$500,000 per year for the Road Program, but this hadn't worked.

Chair Niman said his brother-in-law was a paving contractor in upstate NY, and said over Thanksgiving they had discussed the extent to which contractors were busy and asphalt prices were inflated because of the federal stimulus fund dollars, and that once these were gone contractors would be hungrier for business.

He said if that was true, perhaps the smarter course might be to do bonding for the roads at 2% when asphalt prices came down and contractors were hungrier. He said in such a situation, the money that would be saved would more than offset the interest cost. He proposed that the Council consider a strategy like that.

Councilor Mower said she would be willing to entertain that idea, but said whatever the exact method was determined to be, a question was whether they would agree they shouldn't put it off entirely from this year's tax bill.

Chair Niman said he agreed the roads needed to be fixed, but said he was hoping there was a cheaper way to do this. He also noted that the Town did spend more than \$129,000 on the roads when things like potholes were fixed. He then said he had realized it was a bad year when resident John Kraus didn't come to the Budget hearing and ask why the Council wasn't spending whatever needed to be spent to fix the roads. He said this clearly reflected that the Council needed to create a strategy to do things in a different way.

Administrator Selig said given the issue of the price of asphalt, if the Road Program funding was increased, he recommended putting this into a reserve account. He said if the price of asphalt dropped in 2010 they could jump on the opportunity, and if not, they could wait.

It was noted that Administrator Selig had been out of the room when Chair Niman had suggested that another alternative might be to bond.

#### Public Work Department - Junior engineer position

Councilor Needell said he had included this on the list as a possible reduction in the Budget. He said he understood that the Town Engineer was overburdened, but said a question was why he was overburdened, and what needed to be changed to address this, whether in the way the department worked, the projects that were pushed at him, etc. He

noted that Mr. Cedarholm was on nine committees, and said perhaps this was too much. He said Administrator Selig had noted that maybe the junior engineer position would be a long-term position, and maybe it wouldn't be. But he said he thought adding staff was a long-term commitment. He said he wasn't sure hiring a junior engineer was the right approach. He said if the Town needed consulting services, it could fund them with this amount of money, and the Town would get the targeted services it needed. He said he was not convinced there was a need for an additional permanent staff member to augment existing staff, and said he would prefer that they figure out how to change the work situation.

Administrator Selig said he didn't look at adding a full time position as being permanent, especially with this position. He noted that it was likely that a junior engineer would want to move on after a few years, and said he would have no problem reassessing the situation when that happened. He also said that while he would much prefer bringing on a seasoned person, they were trying to be more cost effective. He said DPW thought the tasks could be segregated enough to make this work, and said he was therefore not concerned about bringing on a junior engineer.

He explained that there were now additional regulatory requirements for the Town, including the new federal stormwater regulations. He also said based upon the regional interest in preserving watersheds as well as interest in the regional outfall concept, there were a host of new committees, some of which he felt were unnecessary. He said they were often a great distraction, but said if the Town wasn't represented on them, they could act at cross purposes from the Town.

Administrator Selig said there were more than 40 projects the DPW was currently working on, along with a very demanding community that scrutinized them. He said an example of this was the recent unanticipated scrutiny of replacing the Wiswall Bridge. He provided details on this and how it was the kind of thing that took up the Town Engineer's time.

Councilor Sievert said the Engineering department needed to say no, which would free up some of their time. He then said he didn't agree with hiring a junior engineer because from his own experience it took a lot of time to train such an employee, and didn't work. He said these employees didn't come close to knowing what they needed to know about things like stormwater regulations, etc.

He said if the Council did go forward with an additional position, perhaps someone could be hired who had more experience but who was out of work right now. He noted that a lot of people in the field were out of work right now. He said expertise was needed for things such as the redevelopment of the downtown.

Administrator Selig said even if there was contracting out of work, the challenge was that there still needed to be someone in-house overseeing things, which was difficult to juggle along with other projects. He said this was why a junior engineer could be useful. He also noted that the DPW had talked about hiring someone with more experience who had been laid off.

Councilor Mower said her understanding was that a key responsibility of the junior engineer would be to monitor outfalls. She said the person could also handle a lot of the routine permit work and basic research underlying the development of regulations, and said she didn't know that the intent was to have this person ramp up to more complex work that required more expertise. She also said the intent was to have some of the cost for this person captured by developers and other things.

She said her understanding was that the Town could be fined by EPA if the stormwater requirements weren't met, noting that Plaistow had recently been fined \$40,000. She also said Durham's transfer station was out of compliance. In addition, she said site plan development for municipal projects and wetland permitting were currently contracted out, and said perhaps these could be done in-house as well. She said while her preference would be to have more than one fully qualified engineer, there wasn't money in the Budget for this.

Councilor Van Asselt said if they dealt with the Council goal of broadening the tax base beyond the single family home owner, they wouldn't be having some of the discussion right now about the Budget because the tax base would be broader. He said Administrator Selig had decided that to broaden the tax base, he needed more Town engineering in order to move projects along. He asked why the Council was questioning what he said he needed to do in order to achieve what the Council said it wanted.

Chair Niman said it wasn't clear this was being questioned, and said the issue was just being raised for discussion. Councilor Van Asselt said he respected the right to raise the issue for discussion.

Councilor Needell said fees should be imposed on developers regardless of whether the engineering position was created, and said these two issues should be separated.

Chair Niman said he thought the idea of putting dollars away for capital items, the concept of a Fire Department capital reserve fund, and the issue of fund balance could be tied together. He then asked whether Councilors thought money should be squirreled away for these things, and if so, how.

Councilor Mower said she believed they should squirrel some money away, but said she thought Administrator Selig should recommend the best way to do this.

Administrator Selig said the first thing he would put money away for was a Fire Department capital reserve program, and said what was proposed was a good program.

Councilor Smith asked where to get the money for this.

Administrator Selig said if the Council added \$900,000 back into the Budget, he would recommend putting away \$300,000 for the Fire Department capital reserve fund; \$300,000 into the contingency line to be preserved for fund balance; and \$200,000 into a capital reserve fund for the Roads Program, to be spent in 2010 or 2011. He also said a fourth priority could be to add \$70,000 for a police officer and \$30,000 to provide more resources for the Planning Department to really get going with updating the Master Plan.

Councilor Van Asselt said this would cost a resident with a house worth approximately \$300,000 about \$310/year, according to Ms. Jablonski's figures.

There was discussion that if the amount squirreled away didn't include the additional police officer and additional resources for the Planning Department, the \$310/year amount would be somewhat less.

Councilor Carroll said the Durham share of the Fire Department capital reserve fund was \$150,000, and there was discussion that the impact on tax bills would be based on that amount, not \$300,000.

There was discussion that the Town currently had a double A bond rating, and was one of three municipalities in the state with that rating. Chair Niman considered what it would mean in terms of borrowing costs if the Town had a single A rating.

Councilor Needell noted that because Durham had a Town Council, it could send out a tax bill if it needed to, so the Town would not default on its obligations if the fund balance was very low, although the tax payers would be really upset. He said this capability shouldn't be treated cavalierly, but should be considered in terms of what the appropriate fund balance should be.

He said he thought the fund balance was too low and should be in the \$1.5 million range, and provided details on why he thought this. But he said he didn't feel the Council needed to panic and start pumping money into the fund balance, and instead should let money build up over time. He said they had to stop raiding it in order for this to happen, and said it would be hard to use fund balance next year. He said he was comfortable leaving it alone right now and planning to grow it.

Councilor Stanhope asked what the investment yield was on fund balance, and Ms. Jablonski said it was 1%, noting that it had gotten up to 4% in the good years. Councilor Stanhope recommended borrowing \$900,000 at 2% on a long-term base, and said he assumed they would cycle back to 3-4% in a few years, which would pay the interest, and they would actually make a profit. He provided details on this, and said they would be able to maintain the Town's bond rating.

Councilor Van Asselt said Councilor Needell had made a valid point in terms of the appropriate fund balance for Durham, given the Town's ability to raise money if it needed to do so. He suggested that next year, Administrator Selig and Ms. Jablonski should explain what they thought the fund balance should be based on certain criteria, but not based on what other towns did. He said he didn't think an infusion of \$300,000 into the fund balance right now made sense, but said there could be a goal of building the fund balance up over time and identifying what amount the Town realistically should have.

Councilor Mower questioned the impact on the Town's ability to borrow, after borrowing \$1 million at 2%.

Administrator Selig noted that there was a statutory prohibition against a municipality



making money on borrowing money. He also said borrowing was typically tied to a specific project. He then said he hadn't seen many municipalities in New Hampshire borrow money to build up their fund balance.

Councilor Stanhope suggested that the Town could borrow money to pay for something that had been budgeted, and said some money in the Budget could also be used for the fund balance.

Councilor Mower asked whether, if money was borrowed for the Roads Program, this would affect the ability to borrow for another project. She said this was something that needed to be considered.

Administrator Selig said the Town had the ability to borrow \$15-20 million.

Councilor Clark said he was glad Administrator Selig had just provided this list. He then asked if the Council would have to commit to the full \$295,000 for the Fire Department capital reserve fund if it chose to put money into such a fund, and also asked if the University would be on board with committing to half of what the Council came up with.

Administrator Selig said the University was on board, explaining that with the Kaizen approach, the Town had been successful in helping them see the wisdom of the capital reserve fund approach. He also said there had been discussion with the University about doing this in a partial manner.

Councilor Clark said the Council had symbolically kept things flat last year, and asked whether perhaps they should symbolically make some investments this year in a modest way, as long as they really were investments and helped the Town save money in the long-term.

Councilor Needell asked if \$300,000 was the minimum amount that could be put into the Fire Department capital reserve fund to eliminate all debt service in the future, or if it could be less than this.

Fire Chief Landry said if they didn't do the \$295,000 this year, there would be two spike years where it would creep up. He said the idea was to avoid this, but said \$200,000, with the intention that it would be \$295,000 next year and from then on, could work.

Chair Niman reviewed the list of possible changes to the Budget the Council had put together that evening. He said he hoped they could complete going through this list at the next meeting, and would then make motions concerning them if people wanted to do so. He said he would then ask Councilors to speak briefly on the motions. He said if Councilors had specific proposals, they should come up with a specific number. He said this included coming up with a fund balance proposal that was specific as to how much it should be, and where it should come from.

There was discussion that the Budget could be adopted at any point now. Councilor Van Asselt asked if there would need to be another public hearing if there was a change to the Budget, and Administrator Selig said that would be up to the Council.

Chair Niman said another process question was to see what was scheduled for the December 21<sup>st</sup> Council meeting. He said they might decide to skip the special Council meeting on December 14<sup>th</sup> and wrap things up on the 21<sup>st</sup>.

Councilor Smith noted that some New Business items at the December 7<sup>th</sup> meeting could perhaps be bumped to the December 21<sup>st</sup> meeting, and Chair Niman said perhaps they could get the Budget done at the December 7<sup>th</sup> meeting if that were done.

Councilor Mower noted that one item on the December 7<sup>th</sup> agenda had a time constraint, and Chair Niman said they therefore wouldn't bump it.

Administrator Selig thanked Chief Kurz, Mr. Lynch, Chief Landry, and Ms. Jablonski for their contributions to the meeting.

Adjournment at 10:06 pm

Victoria Parmele, Minutes taker