



TOWN OF DURHAM  
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October 30, 2015

The Durham Town Council  
Durham, New Hampshire 03824

Re: **Administrator's Proposed 2016 Operational & Capital Budgets**  
**Administrator's Proposed 2016-2025 Capital Improvement Plan**

Dear Honorable Members of the Council:

I am pleased to present the Administrator's proposed 2016 Budget, which includes the General Fund, Water Fund, Sewer Fund, Library Fund, Parking Fund, Depot Road Lot Fund, Churchill Rink Fund, Stone Quarry TIF Fund, and Downtown TIF Fund budgets, as well as the Administrator's proposed 2016-2025 Capital Improvement Plan incorporating the FY 2016 Capital Fund budget utilizing a ten-year time horizon for your review and consideration. The proposed budget allocates limited resources, supports funding for targeted initiatives, and is intended to generally sustain and in some very limited circumstances enhance the current level of municipal services available to residents and taxpayers of Durham. In general, I consider this a very frugal budget.

The development of the proposed budget was part and parcel of a rigorous, yet inclusive process. The Business Manager and I have evaluated (and modified as needed) each budgetary line item utilized by the municipality in an effort to assure ourselves, and thereby the Council, that requests are justified and reflect meaningful efforts on the part of our boards, committees, commissions, trustees, and departments to accomplish the broader goals and objectives articulated by the Town Council and the community as a whole. Our effort was intended to eliminate unnecessary requests altogether, identify and take advantage of new efficiencies where possible, and align spending to the extent possible with the 2015-2016 Town Council goals thereby allowing the Council to focus its limited time on broader policy issues impacting the overall community.

### **Developing a Budget within an Environment of Limited Resources**

Much progress has been made in our collective efforts to make Durham a better place in which to live, work, and play over the last several years. We have worked hard to spend the taxpayers' money wisely and have provided the maximum number of desired services possible within the limits of the Town budget. Every effort continues to be made to stabilize the cost of the various services the municipality provides. Like many other communities throughout the state, the tax rate is significant and places a particularly heavy burden on the property taxpayer, particularly those on a fixed income.

I note again what I have made plain in prior budget transmittals -- unless additional means of financing the requirements of local government can be found, this burden will continue to increase, particularly amidst a general environment of downshifted costs from the state, additional Federal regulations, and limited revenue streams available to New Hampshire municipalities.

It is in this context of limited resources that the Town of Durham has been engaged in the process of budget development for the 2016 Fiscal Year (January 1st – December 31st). The Durham Town Council established the following budget goal as part of its annual goal setting process, and this year's budget proposal is consistent with that goal: ***“Task the administrator with developing an operating budget that holds the municipal tax rate at \$8.48 given the assumptions there is no change in the downtown TIF allocations and the anticipated 2016 tax valuation is \$986 million. ...”***

A primary driver within Durham's municipal budget is personnel-related costs that account for 62.6% of total spending as part of the proposed 2016 budget. In furtherance of the Town's efforts to mitigate employee benefit costs, this budget proposal envisions increasing the non-union personnel co-pay toward monthly medical insurance premiums from 10% to 15% over the next two years – to 12.5% in 2016 and 15% in 2017. Unionized personnel are already in the process of transitioning (or have already transitioned) to a 15% co-pay or more on insurance. Our DPMMA middle manager unit, for example, will have moved to a 20% co-pay on insurance by July 1, 2018.

A 2% increase has been budgeted for non-union, non-library personnel in 2016, contingent upon successful performance evaluations. A 3% increase has been budgeted for library personnel. As noted twelve months ago, over the next several years we hope to make strides in compensating our library employees more competitively. Two of four collective bargaining agreements remain outstanding for 2016: DPFFA representing Durham's firefighters and AFSCME representing public works personnel.

### **Focusing Efforts to Improve Basic Fiscal Performance**

The Town of Durham continues to be economically and prudently operated. It functions as a purveyor of public services, and staff is working hard to implement business practices to control costs and maintain the municipality's fiscal position. During the Great Recession we worked to hold operational expenses flat as a short-term strategy to limit the impact of the U.S. macroeconomic situation on Durham taxpayers. But this was not in and of itself a sufficiently broad or sustainable approach to address Durham's long-term needs. Faced with an escalating full (town, local school, state school, and county) tax rate in recent years, additional strategies were implemented with the goal of creating a more agile municipal entity poised to seize upon business, grant, and regulatory opportunities that are consistent with our community values and Council goals.

Examples of recent initiatives include:

1. ***Economic development and smart growth activities*** intended to broaden the tax base to mitigate anticipated future cost increases across the municipal operation in areas that are specifically targeted for development or redevelopment;
2. ***Making strategic investments to ensure Durham's long-term sustainability and resiliency*** such as bringing the Spruce Hole well on line in 2015, moving forward with an innovative integrated wastewater/stormwater strategy to address water quality deficiencies within the Great Bay Estuary, moving to renewable energy sources where viable (solar), improving bicycle and pedestrian safety/connectivity;
3. ***Rethinking the manner in which services are delivered by departments*** in an effort to improve efficiencies and mitigate cost centers over the long-term;
4. ***Working with UNH to find win/win partnership opportunities*** intended to broaden the tax base, better link the campus to the broader community, make Durham/UNH more desirable for residents/students/faculty-staff/businesses/visitors alike, and ensure fair compensation from UNH for its fiscal impact upon the Town;
5. ***Controlling escalating health care benefit costs*** by changing health insurance providers, exploring new health care plan options for the mutual benefit of employees/employer, and discussing additional employee contributions toward health insurance co-pay levels;
6. ***Coping with increasing utility costs*** and working creatively to offset them in the future through wholesale power purchase agreements (a 640 kW DC solar array at the Packers Falls Gravel Pit) and investment in green technology;
7. ***Maintaining a strong balance sheet and highly competitive AA2 bond rating status*** by working to stabilize and in the long-term increase the unassigned fund balance within the General Fund, maintaining a strong Overlay account, realistic revenue/expenditure projections, and maintaining a contingency fund equal to approximately 1% of the total budget to cover unforeseen, unanticipated circumstances. For example, all proceeds from the sale of the former Town Office at 15 Newmarket Road (\$650,000) in 2015 were returned to unassigned fund balance.

### **Fiscal Year 2016 Budgetary Proposal**

This year's budget cycle has resulted in a proposed 2016 General Fund budget totaling \$14,054,442 -- a spending increase of \$268,975 or 1.95% compared to FY 2015. Non-property tax revenues are expected to *decrease* in FY 2016 by \$57,908 or (1.0%) to \$5,804,528 as a result of less building permit revenue as active downtown development from 2015 trails off. ***In total, this year's budgetary proposal is projected to keep the 2016 local municipal portion of the tax rate unchanged at \$8.48.***

Revenue projections do continue to include an annual \$245,973.00 payment from UNH to Durham, which began in 2009 to compensate the community for the University's financial

impact upon the Town in areas such as roadways, traffic, and policing services. At this time, UNH also supports 50% of the Fire Department operational and capital budgets, 2/3 of the cost of joint water projects, and 2/3 of the cost of the municipal wastewater system. Budgetary projections take into account this additional revenue, growth in the tax base as a result of economic development efforts, setting Overlay at \$125,000 to address potential abatement requests, no use of fund balance, and recommended expenditures.

The proposed Sewer (Wastewater) Fund budget reflects a 6.68% increase in user fees in 2016 (a rate of \$7.29 per hundred cubic feet), while the proposed Water Fund budget carries an anticipated 10.9% increase in user fees (a rate of \$5.35 per hundred cubic feet) for FY 2016.

The twelve-month September 2014 to September 2015 Consumer Price Index (CPI-U) numbers are: U.S. City Index – 0%, Northeast Urban – (0.1%) and Boston-Brocton-Nashua-MA-NH-ME-CT – 0.3%.

New development in Durham increased the Town's tax base from \$916,456,045 in 2014 to \$964,931,959 in 2015, an increase of \$48.5 million or 5.2%. Historically, our tax base has grown by around 1% per year. We project that the tax base will grow by an additional \$37.6 million to \$1,002,580,718 in 2016, an increase of 3.9%.

The downtown Tax Increment Finance (TIF) district is estimated to capture \$127.9 million in new value by 2016 as a result of new construction value created there since its establishment on April 1, 2013. At present, the district retains 7% of the tax dollars generated from this captured value for purposes established by the Council within the downtown TIF, and 93% of captured value is released to the General Fund and is incorporated into the estimated valuation numbers noted in the preceding paragraph. When the TIF district is eventually retired, all captured value will be released to the General Fund. The primary purpose for captured downtown TIF monies is to help fund the creation of additional parking to support Durham's downtown core, the businesses located there, and the ability of full time residents to easily access goods and services in town.

***A listing of highlights from the proposed FY 2016 budgets follows:***

*General Government*

1. An increase in the non-union personnel co-pay toward monthly insurance premiums from 10% to 15% over the next two years – 12.5% in 2016 and 15% in 2017. Unionized personnel are also in the process of transitioning (or have already transitioned) to a 15% or 20% co-pay on insurance.
2. A 2% increase has been budgeted for non-union, non-library personnel in 2016, contingent upon successful performance evaluations.
3. Two of four collective bargaining agreements remain outstanding for 2016: DPFFA representing Durham's firefighters and AFSCME representing public works personnel.

4. In FY 2001, the Town had 85.6 full-time equivalent (FTE) employees. Despite the implementation of new programs and initiatives since that time, we were successful over the years in identifying strategies to increase efficiencies and trim our workforce. Staffing had decreased to 82.8 employees by 2009. However, additional programmatic demands over time had necessitated adding additional personnel. The FY 2016 budget includes 89.2 FTE's, down two positions from 91.2 in both 2014 and 2015. The two positions eliminated in this budget were the Assistant Engineer and the Assistant Building Inspector.
5. For many years, the Town had provided a \$20,000 payment to the University to support the operation of the UNH Outdoor Pool. The subsidy was provided in the form of a \$45 voucher for Durham youth and seniors off the list price of an annual pool pass. When the pool was closed in 2014, Durham eliminated this allocation from its budget. In 2016, the pool is scheduled to reopen and at present we do not know whether UNH will ask Durham to continue to provide a voucher or some other allocation toward the annual ongoing operational cost of the pool. Note, the entire +/- \$5 million cost of pool construction is being borne by UNH. At this time, there is no money included as part of the proposed FY 2016 budget for this purpose.
6. The Contingency account this year is funded at \$250,000, an increase of \$150,000 over the usual annual allocation. It is comprised as follows: \$100,000 to protect against unanticipated/unforeseen general operational expenditure requirements and as a way to sustainably increase unassigned fund balance over time. (If not expended, this appropriation lapses and monies are transferred to fund balance.) An additional \$150,000 from the 2016 road program (which had been earmarked for the resurfacing of Mill Road) has been moved to this line as well in the event it is needed in the defense of the Town as part of the Colonial Durham Associates v. Town of Durham case presently in Superior Court. If the funds are not needed, they will be transferred out to allow for Mill Road repaving.
7. The Town had aggregated the cost of cell phones from all departments into the Emergency Management budget years ago to address communications shortcomings. For 2016, the Administrator has decentralized this cost and allocated it out to the various departments so that staff will need to balance the cost of cell phone use with other competing priorities within each operational function.
8. In 2015, \$15,000 had been added to the Administrator's budget by the Council to move forward targeted bicycle improvements. Numerous improvements were implemented in 2015 to include additional "share the road" signs, new bike lanes, additional street print, etc. For 2016, these funds have been eliminated due to budget constraints.
9. The Town increased staffing in the Building Department by 1 FTE Assistant Code Officer two years ago in order to stay on top of a construction boom while also remaining able to stay vigilant per Council goals concerning the impact of student

housing within Durham's traditional neighborhoods. With construction now trailing off, we plan to drop back to a single inspector in the department thereby reducing staffing by 1 FTE (\$81,060) for 2016.

10. With the level of activity presently experienced by the Town, the Administrator has considered the benefits of recommending the addition of an Assistant Town Administrator position. However, due to funding constraints this position is NOT included as part of the proposed 2016 budget.
11. \$30,000 for continued Master Plan update work (Future Land Use Chapter) was cut from the Planning Department budget due to budget constraints leaving this effort unfunded for 2016. This decision is a result of budget constraints but also in recognition of the fact that our various boards are all but burnt out in dealing with Master Plan work. In addition, the Administrator would like the community to have a chance to thoughtfully evaluate how new development in downtown Durham impacts our quality of life over the next 12 months before taking further steps in the area of visioning.
12. \$17,000 for the purchase of new downtown holiday wreaths was cut by the Administrator due to budget constraints.
13. \$42,300 was cut by the Administrator for the development of a PM traffic model and the update of our existing AM traffic model for the downtown core. The full cost of this effort would have been around \$84,000 with UNH paying half. While recommended by the Planning Board, funding constraints led to this cut.
14. \$15,000 for July 4<sup>th</sup> fireworks was cut by the Administrator due to budget constraints.
15. IT had requested an additional \$95,578 for 1 FTE to provide improved support for Town operations. Due to budget constraints, this was not funded and instead an additional \$50,000 was allocated to contract out additional support for this function. Expanding the contract will provide more consistent service to internal departments by tracking and improving resolution times through a new service level agreement that provides additional structure around perceived departmental expectations. By applying new remote tools and enhanced documentation in a targeted fashion we free up IT management to work on larger strategic IT goals and projects within the organization, such as software acquisition, fiber deployment, master planning, and infrastructure changes. In no way are we equating this enhanced agreement to adding a 2nd staff position. Our current external contractor's staff lack internal organizational knowledge to make unilateral decisions. Additionally, they remain incapable of offering same-day onsite service or round the clock helpdesk service.
16. The DCAT department will be moved under IT in 2016 allowing for greater coordination and focus of Town resources.

17. The Town has employed the services of a part-time Economic Development Director for 1.5 years and the program has proven very successful. Costs for this function are 100% offset through our UDAG grant account, which must be utilized only for economic development purposes. This budget anticipates continued part-time ED services for 2016.

*Social Service Agencies*

18. \$21,750 has been included to provide ongoing support for area social service agencies serving Durham residents in need of assistance. This is \$11,616 less than requested.
19. \$20,000 been budgeted within the Welfare Budget to provide public assistance to eligible Durham residents. This level is up \$5,000 over 2015.

*Police Department*

20. A \$125,000 Federal COPS Grant was awarded to the Town in 2014 to partially offset the cost of hiring a 20<sup>th</sup> police officer to be utilized as a Problem Oriented Policing ("POP") officer. The POP officer program has been very successful and we plan to continue to utilize the position after the grant ends in 2016.
21. Ongoing replacement of two of the department's 8-cylinder Crown Victoria Police Interceptor vehicles with more fuel-efficient 6-cylinder vehicles is budgeted in 2016 at a cost of \$64,000. (For planning purposes we annually target two police vehicles for replacement allowing our six front-line marked cruisers to be rotated every three years. Police vehicles are driven under the most strenuous conditions, 24 hours daily. Vehicles are then downshifted to command and detective personnel, and then ultimately transferred for Town Office and Public Works Department use with mileage generally within the 130,000 to 200,000 level. The more efficient vehicles are effectively driving down fuel consumption and cost at the department.)
22. \$45,000 was budgeted in 2015 to support the cost of a Police Department building needs analysis/design for an addition to the facility. Durham Architect Bill Schoonmaker is currently finalizing a design proposal, which we anticipate receiving shortly. The cost for the addition will likely be +/- \$1 million. Because the Administrator did not have a formal design in time for this budget submittal, the project is currently scheduled for a 2017 construction date, however, the Council may choose to move forward sooner if the ultimate design and cost makes good fiscal sense for the community.
23. \$3,500 has been included to replace the 6 patrol vehicle radar units used by the department, 2 annually.
24. Operationally, the DPD will be sending its vehicles to Dover Public Works for routine repairs, rather than to Durham Public Works. This will allow Durham DPW

to focus more attention on backlogged maintenance needs of the Town equipment, which has been steadily falling behind in terms of repairs.

25. In reviewing the Police Department and Parking Fund budgets, it became apparent that around \$9,118 in costs allocated to the Parking Fund should instead be charged to DPD. The Parking Enforcement Officer devotes a portion of her time to evidence management at the police facility. This has been corrected.

#### *Fire Department*

26. In accord with our Kaizen efforts, the Fire Department, in conjunction with representatives from the Town and UNH, was able to develop an innovative long-term funding solution to address the department's 25-year capital item replacement program by calculating a yearly contribution to the Fire Equipment Replacement Capital Reserve Fund. This annual contribution eliminates the need to bond department-wide capital items (exclusive of a new station or new fire trucks) thereby eliminating approximately \$80,000 in annual debt service cost, enhancing predictability in our funding stream, and eliminating the peaks and valleys associated with the long-term capital needs of the department – a win/win arrangement for both Durham and UNH (which supports 50% of the cost of the department). \$40,000 is proposed in 2016, which will adequately meet the program's needs.
27. See CIP Program for detailed description of items included as part of the Fire Department's 2016 Capital Fund Budget including: Aerial Ladder Repair (\$60,000) and a replacement of the Chief's vehicle (\$45,000) (an Explorer).
28. The Fire Department has discussed the need to add an additional staff position to focus on training/safety but this position is NOT included for 2016.
29. \$3,750 has been added to the Fire budget for additional Legal services. This is a contract negotiation cycle and additional funds were necessary.

#### *Public Works*

30. While \$542,000 was originally requested by Public Works, the road program is proposed by the Administrator to be funded through the operating budget at \$344,000 for FY 2016. *(Note, \$150,000 of this sum for Mill Road repaving is being carried within the Town's Contingency account as described above if necessary to defend the Town as part of the Colonial Durham Associates v. Town of Durham suit filed by the owner of the Mill Plaza.)* Targeted roadways include a 1" overlay for the asphalt portion of Cedar Point Road (\$12,033), Watson Road (\$29,824), and Mill Road (including targeted reclamation). Four roads recommended by Public Works were postponed by one year by the Administrator for cost savings reasons: Old Landing Road (\$26,385), Simons Lane (\$46,971), Strout Lane (\$11,409), and Spinney Lane (\$15,669).

31. \$173,745 was budgeted in 2013 (to be funded 100% through grant funds if they could be found) in the past to replace the Town's 351 Cobra Head Style inefficient high-pressure sodium and metal halide municipal streetlights with energy efficient L.E.D. street lighting. Despite our efforts, no grant monies have been found to date. For 2016, \$4,200 is included in the operating budget to address the replacement of 12 lights per year with L.E.D. as existing older fixtures fail.
32. \$81,500 has been included for Mill Road sidewalk improvements.
33. \$325,000 is included for culvert and outfall improvements at the Littlehale Pond on Bagdad Road near Emerson Road.
34. \$132,000 is included to address neighborhood drainage issues at McGrath Road & Thompson Lane.
35. \$142,000 is included for the replacement of a 35,000 lb. GVW Public Works dump truck with flow body, side wing, and front plow. Truck #31 is a 2004 Ford Sterling with 2,918 hours and 60,453 miles. It is a front line piece of snow fighting apparatus.
36. \$368,250 is allocated for a Wagon Hill Farm shoreline erosion mitigation project. Funding is as follows: \$170,000 tentatively from the Eversource Seacoast Reliability Project as wetland mitigation, \$115,350 from WHF – L. Brown Trust Fund, and \$82,900 from bonding. The shoreline at the property is failing and erosion control measures should be undertaken in the next few years.
37. \$21,200 for Town Hall air handlers replacing 1980's equipment that is not performing adequately to meet the building's needs.
38. \$86,475 for improvements to Old Landing Park to include: stone wall masonry repairs (\$38,500), wooden dock replacement and other repairs (\$22,045), replacing railing along shoreline/parking area (\$3,030), rehabilitation of lawn area (\$10,900), possible demolition of unused sewer pump house (\$12,000). Note, discussion will need to occur with the Heritage Commission prior to any final decisions concerning demolition of the sewer pump house.
39. \$18,020 to replace a 2005 one-half ton pickup truck (Ford Ranger) used by the Building and Grounds Division with 90,441 miles. Durham will take advantage of State of NH bid pricing.
40. The Town in practice dropped from two engineers within DPW to one in 2015. This reduction in staffing is now formally reflected as part of the proposed FY 2016 budget.
41. With new Federal stormwater requirements in the offing as part of the Town's pending MS-4 permit, it is anticipated there may be a need in the future for an

additional staff position to address these requirements. However, this position is NOT included as part of the proposed FY 2016 budget.

42. With the existing demands on the department, staff are struggling to keep up with work. One area that has fallen behind is in the area of vegetation management along public roadways. In addition, the Town is increasingly looking to DPW to address expanded needs within our various parks and tracts of open space land. We believe there would be a real benefit to the addition of a staff position focusing jointly on these two areas. However, due to budget constraints, this position has NOT been included as part of the proposed FY 2016 budget.
43. \$15,000 has been added to the traffic control budget to more effectively and regularly repaint roadway lines, bicycle markings, crosswalks, etc. on an annual basis. This is a result of Council goals focusing on bicycle and pedestrian friendliness.
44. \$4,275 was included for a replacement mower at DPW.
45. \$22,500 to purchase three replacement roll off containers for the LaRoche Transfer Station & Recycling Center.

#### *Library*

46. A 3% increase has been budgeted for library personnel. In the next several years we hope to make progress in making our library wages more competitive.
47. A note that the Town only funds half the cost of collection acquisitions at the library – the other half is raised by the Friends of the Library and the Library Trustees. Long-term, the Town should consider how to fully fund such acquisitions.

#### *Water Fund*

48. It is recommended that ratepayers review the long-term CIP and fiscal forecast for the Water Fund within this budget document to take account of projected rate increases dependent upon anticipated project implementation timeframes. *(See note #52 below as well concerning staffing needs in the department.)*
49. Funding sources for joint capital projects within the Water Fund have historically been shared 2/3 UNH, and 1/3 Durham. Note, however, that Durham and UNH cost sharing agreements are up for renegotiation in 2016.

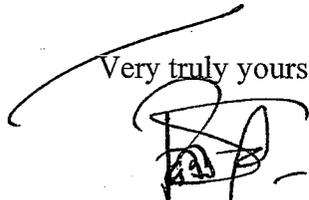
#### *Sewer Fund*

50. It is recommended that ratepayers review the long-term CIP and fiscal forecast for the Sewer Fund within this budget document to take account of projected/recommended projects and associated rate increases dependent upon anticipated project implementation.

51. For 2016, sewer projects included in the Capital Fund budget include: Wastewater Facilities Plan improvements (\$425,000), Old Bagdad Road sewer improvements (\$200,000), Collection system upgrades (\$30,000), WWTP Major Components Contingency (\$50,000), and Engineering for the 18" Force Main Replacement (\$50,000). Funding sources for most items in this fund have historically been shared 2/3 UNH, and 1/3 Durham. Note, however, that Durham and UNH cost sharing agreements are up for renegotiation in 2016.
  
52. With additional Federal and state demands on the Town's water/wastewater systems, additional connections to the system, and the need for quarterly water/wastewater billing per the state, DPW anticipates there may be a need to add an additional position to be split between the water/wastewater budgets. However, due to budget constraints, this position has NOT been included as part of the proposed FY 2016 budget.

I look forward to talking more with the Council and the community concerning the FY 2016 proposed budgets and the proposed 2016-2025 Capital Improvement Program.

Very truly yours,



Todd I. Selig  
Administrator

Enclosures