



TOWN OF DURHAM
8 NEWMARKET ROAD
DURHAM, NH 03824
Tel: 603-868-5571
Fax: 603-868-1858
www.ci.durham.nh.us

October 31, 2022

The Durham Town Council
Durham, New Hampshire 03824

Re: **Administrator's Proposed 2023 Operational & Capital Budgets**
Administrator's Proposed 2023-2032 Capital Improvement Plan

Dear Honorable Members of the Council:

I am pleased to present for your review and consideration the Administrator's proposed 2023 Budget, which includes the General Fund, Water Fund, Sewer (Wastewater) Fund, Library Fund, Parking Fund, Depot Road Lot Fund, Churchill Rink Fund, and Downtown TIF Fund budgets, as well as the Administrator's proposed 2023-2032 Capital Improvement Plan incorporating the FY 2023 Capital Fund budget utilizing a ten-year time horizon.

The proposed budget allocates limited resources and supports funding for targeted initiatives consistent with Town Council goals, to the extent it has been possible to do so responsibly while still meeting the budgetary needs of departments in order to safely and reliably meet the basic needs of the Durham community based on historical levels of service delivery and evolving challenges/opportunities. In light of global financial challenges, U.S. inflation at 8.2% for the 12 months ended September 2022 (after rising 8.3% previously), the war in Ukraine, and skyrocketing energy/fuel prices, this is intended to be a steady state budget to ensure our operations are ready to accomplish needed tasks as efficiently and effectively as possible for a community of our size and demographics, taking into consideration the reality that Durham hosts UNH, the State of New Hampshire's flagship public university.

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 and the community, that requests are justified and reflect meaningful efforts on the part of our boards, committees, commissions, trustees, and departments, as well as our various external partners, 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 with the 2022-2023 Town Council goals thereby allowing the Council to focus its limited time on broader policy issues impacting the overall community.

Business Manager Gail Jablonski and I have worked with Assessor Jim Rice and our external contracted utility appraiser George Sansoucy concerning the projected future assessed valuation for Durham in 2023. As you know, 2023 is a full revaluation year for Durham, which will entail a redistribution of the local tax burden across assessment classifications consistent with recent trends in the real estate market, yet we have endeavored to craft the proposed budget assuming status quo assessments moving forward for ease of tax rate comparison. We're therefore projecting approximately \$25 million in utility increases to account for bringing utilities back to 100% of market value (adjusted from 72.5% in tax year 2022) and an additional \$6 million in assessed valuation from construction over the last year, consistent with increases seen in Durham between 2008-2012 when little new building was taking place. Without meaningful tax base growth generated from new construction, it is challenging to maintain a flat (or reduced) tax rate for Durham.

General Fund revenues (exclusive of \$775,000 transferred in last year from Undesignated Fund Balance to offset the cost of outstanding potential abatement appeals, which has been eliminated for 2023), are down by \$99,655 from what was projected for 2022, representing a negative impact to the Town's bottom line. Motor Vehicle Registrations, recycling revenues, and police special detail proceeds are down, offset to a degree by an increase in Parks & Recreation programming revenue.

Revenue projections continue to include an annual \$150,000 payment from UNH to compensate the community for the University's financial impact upon the Town in the area of policing services, plus certain actual roadway costs associated with the upkeep and maintenance/resurfacing of Main Street running through the UNH campus between Pettie Brook Lane and the Rt. 155A intersection. UNH also supports 50% of the Fire Department operational and capital budgets, 2/3 of the cost of joint water and wastewater capital projects, and a pro rata (rolling 36 mo. average) share of the shared water and wastewater operating budgets for Durham and UNH (currently at 52.40% UNH and 47.60% Durham [*a change from 55.7% UNH and 44.3% Durham in 2022*] for Water; and 51.10% UNH and 48.90% Durham for Wastewater [*a change from 54.4% UNH and 45.6% Durham in 2022*] for Wastewater).

Budgetary projections take into account not only declining revenue and limited growth in the tax base as outlined above, but also setting Overlay at \$75,000 to address potential tax abatement applications in 2023. No projected use of fund balance to offset non-abatement expenditures is planned.

A primary driver within Durham's municipal budget are personnel-related costs that account for 63.41% of total spending as part of the proposed 2023 budget.

Fiscal Year 2023 Budgetary Proposal

This year's budget cycle has resulted in a proposed 2023 General Fund budget totaling \$18,106,249 -- a spending increase of \$408,884 or 2.31% compared to FY 2022. Increases are due to required wages and benefits as a result of collective bargaining contracts, a 2% COLA for non-union personnel, insurance increases, energy/fuel costs, skyrocketing

increases in various supplies and materials, and other miscellaneous requests that will be discussed as part of the upcoming process. ***Non-property tax revenues are projected to decline in FY 2023 by \$874,655, a decrease of 10.3%.*** As noted above, however, \$775,000 of the revenue decline was due to the resolution of outstanding abatement appeals in 2022.

In total, this year's budgetary proposal is projected to increase the 2023 local municipal portion of the tax rate by 3% from \$8.13 to \$8.37, an increase of 24 cents. The tax rate had remained at \$7.37 (formerly \$8.48 but adjusted due to 2018 statistical revaluation update) for 2015, 2016, 2017, and 2018. The proposed increase would cost the average Durham property taxpayer with a home valued at \$450,000 an additional \$108 in taxes for 2023.

The proposed ***Sewer (Wastewater) Fund budget reflects a 6.58% increase in user fees in 2023 (a rate of \$9.57 per hundred cubic feet).*** The total Sewer budget appropriation proposal is up 6.2% from \$2,968,000 to \$3,152,000 – an increase of \$184,000. Impacts within the Sewer Fund include current and future Major Components replacement/refurbishments and upgrades, personnel, energy, and supply costs, sludge disposal due to increased regulation around PFAS, as well as a gradual shift in our pro rata (rolling 36 mo. average) cost share of the joint wastewater and water operating budgets for Durham and UNH. The proposed ***Water Fund budget carries an anticipated 23.6% increase in user fees (a rate of \$10.42 per hundred cubic feet) for FY 2023.*** The total Water budget appropriation proposal is up 22.3% from \$1,247,500 to \$1,525,220 – an increase of \$277,720. The biggest impact in the Water Fund is a loss of \$21,630 in revenue annually due to the decommissioning of the Sprint/Nextel cellular node atop the Foss Farm tank, increase in operational pro rata share of water processing at the UNH Water Treatment Plant, personnel COLA increases, debt service, and energy and supply costs.

The twelve-month September 2021 to September 2022 Consumer Price Index (CPI-U) numbers are: U.S. City Index – 8.2%, Northeast – 7.2%, New England – 7.4%, and Boston-Cambridge-Newton, MA-NH – 8.1%.

Despite our efforts to do so, I do not believe it possible to responsibly bring the Council a proposed budget holding the local municipal tax rate constant (or reducing it) for 2023, while also meeting the many other Council goals and my responsibility under the Charter to ensure the departments (and the Town) are prudently operated. All things considered, potential avenues to accomplish the Town Council budgetary goal in this respect generally fall into one of several courses of action: ***one-time decisions*** (i.e., drawing down on a limited pot of undesignated fund balance, which we are endeavoring to supplement per Council policy), ***short-sighted*** (i.e., use of additional one-time state transportation dollars for one-time artificial budget relief), ***increasing risk*** (i.e., adjusting upward projected revenues beyond what might be prudent or under-estimating likely expenditures for 2023 given the current inflationary environment), have ***negative long-term fiscal implications*** (i.e., bonding the \$490,000 road program versus current policy of paying with cash), or result in the ***loss of services*** valued by the community (i.e., eliminating curbside trash/recycling collection altogether). This budget proposal avoids such temptations. A more prudent fiscal strategy

includes ensuring operational efficiencies and broadening the tax base over time through new desirable taxable development.

Some budget highlights include the following:

1. The Fire Inspector position remains unfunded for 2023 (it was not funded in 2021 or 2022). This results in the continued pause of Housing Standards Ordinance inspections.
2. The Deputy Fire Marshal position at the Fire Department has been upgraded to a Deputy Chief for Safety/Training/Prevention with a start date of 3/1/23. It has not been possible to find a suitable, qualified candidate for Deputy Fire Marshal in 2022.
3. The FY 2023 proposed budget includes approximately \$15,000 in funding to continue to partner with the UNH Sustainability Fellowship Office to bring on a Graduate Student for the spring/summer/fall 2023 semesters to continue/drive forward our sustainability efforts in Durham in support of the Energy Committee and Council goals, as well as our commitment to the Global Covenant of Mayors for Climate Action and Energy initiative.
4. Funding once again included for a full-time DPW Projects Engineer Position commencing 3/1/23 to keep up with workload, monitor compliance with numerous Federal/state permits, and to help the department become more proactive in its efforts, potentially saving capital project monies and increasing efficiencies over the long-term. (Note, this was funded for a full year in 2022 but the department was unable to find a suitable candidate.)
5. The part-time 16 hrs/wk Economic Development Director position remains unfunded. We would utilize contracted service funds if bringing on board professional assistance is deemed beneficial in 2023 for specific initiatives.
6. \$3,500 is once again included in 2022 to support the planting of 6-10 shade trees as part of our Tree City efforts.
7. \$4,160 included for playground chips and swing set mats at Jackson's Landing & Woodridge Park.
8. \$5,824 included within the Library Budget to increase hours for the Library Technologist position from 20 to 24 hr/wk. A full-time technologist position is warranted/requested but not included.
9. \$32,000 once again included to support the part-time/contract Land Stewardship Coordinator position.
10. \$25,000 has been included once again in 2023 as a DPW CIP item to offset the cost of unanticipated facility needs/repairs/failures over the coming years. Not having monies budgeted in reserve for such purposes has proven a challenge for the department. This model closely parallels the reserve account we have established for \$50,000 within the Sewer Fund for major component replacements/failures.
11. The annual \$100,000 contribution (funded 50/50) between Durham/UNH to replenish our Fire Equipment Capital Reserve Fund intended to cover the cost of expensive equipment items at the DFD in a predictable, sustainable manner over time to avoid peaks and valleys in our funding reserve has been included for 2023.

12. McGregor Memorial EMS support is up \$6,950 for a total request of \$46,950 to reflect the cost of operations and a reallocation of costs across the four served communities (Durham, UNH, Madbury, and Lee) on a three-year rolling average basis.
13. \$30,000 is included to support the Parks & Recreation Committee/Department undertaking a strategic and master plan around Jackson's Landing and Woodridge Park for 2023.
14. The Oyster River Youth Association requested an appropriation of \$40,305 in funding for 2023. Because the Council had previously opted to phase out ORYA funding over several years, this request was *not* included in the proposed budget. Reinstatement of such funding would need to be by Council initiative.
15. \$73,000 has been included to cover the cost of one replacement police vehicle (hybrid) in 2023. This would represent our 6th hybrid vehicle within the fleet. Over time, we plan to transition our entire police patrol and command fleet to hybrid, and in turn our downshifted DPW and Town Hall staffing cars.
16. \$490,000 is included for roadway resurfacing/reclaiming, as appropriate, in 2023 with cash to appropriate treatments for the following roadways: Emerson Road, sections of Durham Point Road, DPW facility repaving, & misc. other areas as needed.
17. The future Madbury Road roadway, complete streets, and water/sewer/stormwater project along this central corridor represents a significant, multi-million-dollar phased capital undertaking for the Town in the coming years. It is recommended that Councilors and the community review this project closely in the attached CIP plan. Over four years, the project cost, undertaken as multiple separate and distinct projects, and allocated across different funds as appropriate, is around \$13 million.

To reiterate, the FY 2023 budget is a basic budget proposal intending to ensure municipal operations remain in conformance with Town Council goals while also meeting the ongoing daily needs of the community. There are few innovations/enhancements, yet those that are noted are believed to be important for the community. Details associated with the budget can be found within this FY 2023 budget book, the 2023-2032 Capital Improvement Program document, or within a separate informational booklet being prepared by the Business Office that will offer some high-level analysis concerning the proposal for Town Council and community information.

I look forward to talking more with the Council concerning the FY 2023 proposed budgets and the proposed 2023-2032 Capital Improvement Program.

Very truly yours,


Todd I. Selig
Administrator

Enclosures