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October 31, 2023

The Durham Town Council
Durham, New Hampshire 03824

Re: **Administrator's Proposed 2024 Operational & Capital Budgets**
Administrator's Proposed 2024-2033 Capital Improvement Plan

Dear Honorable Members of the Council:

I am pleased to present for your review and consideration the Administrator's proposed 2024 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 2024-2033 Capital Improvement Plan incorporating the FY 2024 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 general U.S. inflationary pressures, increasing healthcare and energy costs, and increases in McGregor Memorial EMS service costs based upon critical staffing needs and calls for service, this is generally 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. Yet, we have been able to incorporate a handful of important and impactful initiatives for 2024 (see below), which I believe will serve the community well in the year's ahead.

The development of the proposed budget was part and parcel of a rigorous, yet inclusive process, as is the case in Durham every year. 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 and opportunities where possible, strategically pivot as needed within a complex and ever-changing world, and align spending with the 2023-2024 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, our external appraisers at Municipal Resources, Inc. (MRI), and our external contracted utility appraiser, George Sansoucy, concerning the final 2023 and projected 2024 assessed valuations for Durham. As you know, 2023 was a full (measure, list, and statistical update) revaluation year for Durham, which has entailed a redistribution of the local tax burden across assessment classifications consistent with recent trends in the real estate market, and we have endeavored to craft a budget utilizing best available updated 2023 valuation data (estimating Durham total assessed valuation of approx. \$1.85 billion) and a 2023 tax rate *projection* of \$5.75 per \$1,000 of assessed valuation on the municipal only portion of the full tax rate. This estimate is being made prior to the actual setting of the tax rate, which will not take place until early November, after the due date of this budget proposal. At this time, we're projecting an increase in the overall assessed valuation of Durham in 2024 of approximately 1%, an increase of \$19,917,133.

I note for the record once again this year that without meaningful future tax base growth generated from new construction, it is extraordinarily challenging to maintain a flat (or reduced) tax rate for Durham.

Projected non-tax General Fund revenues are up by \$865,955 (or 11.1%) in 2024, representing a positive impact to the Town's bottom line. Interest on investments, motor vehicle registrations, NH Meals and Room tax distribution, offsetting the cost of future abatements through unassigned fund balance versus the General Fund, payment in lieu of taxes proceeds, and increases in Parks & Recreation revenues comprise the lion's share of this revenue growth. Revenue projections continue to include an annual approx. \$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 Pettee 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 water and wastewater operating budgets for Durham and UNH (currently at 51.4% UNH and 48.6% Durham [*a change from 52.4% UNH and 47.6% Durham in 2023*] for Water; and 49.9% UNH and 50.1% Durham for Wastewater [*a change from 51.1% UNH and 48.9% Durham in 2023*] for Wastewater).

Budgetary projections not only take into account increased revenue and growth in the tax base as outlined above, but also setting Overlay at \$125,000 to cover potential abatements associated with the 2023 full revaluation and an additional \$360,000 associated with outstanding 2018 and 2019 Eversource abatement litigation in Superior Court. Once again, abatements are proposed to be funded through the use of unassigned fund balance versus 2024 General Fund tax dollars.

A primary driver within Durham's municipal budget are personnel-related costs that account for 61.9% of total spending as part of the proposed 2023 budget.

Fiscal Year 2024 Budgetary Proposal

This year's budget cycle has resulted in a proposed 2024 General Fund budget totaling \$19,315,015 -- a spending increase of \$1,058,766 or 5.8% compared to FY 2023. [Note: Spending

increases proposed by the Administrator for 2023 were 2.31% and 5.8% for 2024, respectively, totaling an increase over two years of 8.11% versus a combined 2023/24 CPI increase of 11.9% (U.S. CPI of 8.2% in 2023 and 3.7% in 2024).] Increases are due to required wages and benefits as a result of recently ratified collective bargaining contracts, a 3% COLA for non-union personnel, insurance increases, energy/fuel costs, steep increases in various supplies, materials, and construction services, and other miscellaneous requests that will be discussed as part of the upcoming budget process. As noted above, non-property tax revenues are projected to increase in FY 2024 by \$865,955, an increase of 11.1%.

In total, this year's budgetary proposal is projected to maintain the 2024 local municipal portion of the tax rate with a 0.00% increase -- the same level as proposed in 2023 at \$5.75 per thousand dollars of assessed valuation. For comparative purposes, 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 budget would therefore cost the average Durham property taxpayer with a home valued at \$450,000 an additional \$0.00 in taxes for 2024 for the municipal portion of the tax rate. This budget proposal is consistent with Town Council goals.

The proposed **Water Fund budget** carries an anticipated 1.9% increase in user fees (a rate of \$10.61 per hundred cubic feet) for FY 2024. The total Water budget appropriation proposal is up 1.3% from \$1,525,220 to \$1,545,482 – an increase of \$20,262. Impacts in the Water Fund include increases in operational pro rata share of water processing at the UNH Water Treatment Plant, personnel COLA increases, and energy and supply costs.

The proposed **Sewer (Wastewater) Fund budget** reflects a 7.69% increase in user fees in 2024 (a rate of \$10.31 per hundred cubic feet). The total Sewer budget appropriation proposal is up 6.1% from \$3,152,000 to \$3,344,030 – an increase of \$192,030. 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, debt service, 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 twelve-month September 2021 to September 2022 **Consumer Price Index (CPI-U)** numbers we evaluated last year at this time were: U.S. City Index – 8.2%, Northeast – 7.2%, New England – 7.4%, and Boston-Cambridge-Newton, MA-NH – 8.1%. Fast forward to today and the twelve-month September 2022 to September 2023 Consumer Price Index (CPI-U) numbers include: U.S. City Index – 3.7%, Northeast – 3%, New England – 2.5%, and Boston-Cambridge-Newton, MA-NH – 2.6%.

Some budget highlights include the following:

1. The FY 2024 budget includes \$1,937,600 (offset with \$723,681 in external grant funding) to replace the Town's two existing refuse/recycling collection trucks with two EV collection vehicles and the purchase of standardized fixed size toter bins, enabling Durham to forge ahead in 2024/25 with ***a new volume-based collection system intended to further incentivize the Town's recycling and sustainability goals*** through the use of new standardized toter bins that will be required for MSW and recycling curbside collection.

2. The proposed budget allocates \$350,000 for **improvement measures at the Raymond A. LaRoche Transfer Station and Recycling Center** intended to optimize traffic flow, increase public safety and user convenience along the saw-tooth wall through the incorporation of protective barriers, improved signage, and elevated MSW and recycling disposal locations. The proposal also integrates ground-mounted MSW and single stream recycling stationary compactors with standard detachable roll-off containers that will significantly streamline waste handling and reduce long-term costs of operation.
3. The proposed budget includes a significant planned policy change for 2024 that will move forward at long last with aligning Durham's MSW and recycling practices with its sustainability goals by **permanently discontinuing the annual spring bulky waste collection cleanup**. This will free up 4-6 weeks of valuable DPW staff time every springtime to address an ever-expanding list of expectations/responsibilities for the department. The Town will open the Transfer Station for two or three days during an identified period of time for residents to transport their own bulky waste materials to the facility for disposal at no cost – during this finite identified time.
4. An additional \$1,500 is allocated to the **Integrated Waste Management Advisory Committee** to assist with educating the public concerning the previously described array of solid waste and recycling changes for Durham.
5. \$2,500 is allocated to support the **Revolution 1774 event co-sponsored by the Historic District Commission/Heritage Commission** and scheduled for 6/15/24 to celebrate the 250th anniversary of Day II of the raid on Fort William and Mary in Newcastle, NH, including General Sullivan and others from Durham and Newmarket, which occurred on December 14 and 15, 1774. Funds to be utilized on public property and for publicly facing elements of the planning/celebration.
6. The **Health Agencies and Hospitals budget** will remain essentially unchanged for 2024 at \$12,300. The Town has generally adopted a policy of not accepting new requests for donation and holding existing contributions more or less at the status quo.
7. The **Direct Assistance/Welfare Budget** has been increased by \$10,000 to a total of \$40,000 to address increased caseloads supported by the Town's general assistance policies that are based upon documented need.
8. **Debt service payments** for 2024 based upon previously approved capital projects will increase by \$166,610 to \$1,370,010.
9. The **Information Technology/MIS budget** supports aspects of Town operations in a behind the scenes capacity. An increase of around \$57,000 is attributed to a variety of factors including increasing licensing levels moving from Office365 G3 to Microsoft365 G5 (adding in defender, phone, and logging capabilities), implementing a cloud-based Identity and Access Management System with shims for existing services, building additional external controls, and links for HR purposes, establishing new and improved paths to backup on-premises and for cloud data, and scalable event monitoring capability to provide detailed log analysis and retrieval. This year's budget increases are flagged as critical to the security and resilience of the Town's IT infrastructure, and as an added benefit provide the potential for future cost reductions in the area of telephone service costs.
10. The **Durham Community Access Television (DCAT) budget** carries an increase of around \$42,350 due to a planned full upgrade to the Town's back end Castus system, which is the platform utilized to operate our broadcasting capabilities. The current system is at end of life and is limited in terms of storage capacity and equipment reliability, making it

essential for replacement in 2024 to ensure seamless broadcasting. In pursuit of our goals to be a welcoming community, the new system will at long last allow for livestream closed captioning (CC) broadcasting of all Durham public meetings as well as the potential to translate CC to one or more alternative languages. The system will also enable Durham to post our DCAT broadcast on a wide variety of social media engines utilized more and more by citizens. The most common disability accommodation request we receive is from individuals with hearing impairments who struggle to hear/understand local public meetings. This enhancement therefore directly addresses this deficiency and represents a meaningful step forward in transparency for a large subsection of the Durham community.

11. More community members are using the **Durham Public Library (DPL)** as they navigate their post-pandemic work environments. Attendance is up as well for programs serving both children and adults. Use of technology and print and digital resources are steady. To support the DPL's efforts, additional funds are proposed for the procurement and replacement of books and to meet the costs of maintaining DPL's digital and technological resources. In addition, a staffing reorganization at the DPL has combined the job responsibilities of two positions formerly known as the Library Technologist and the head of Adult Services into an Assistant Director position. Including the technology responsibilities into the full-time position improves prospects for employee retention and addresses a critical staffing area. All in all, these increases total around \$50,000. Note the Library Trustees supplement the budget allocation by contributing \$20,000 annually from outside fund raising.
12. **Parks & Recreation (P&R)** has been instrumental in the development of new community events and activities that bring people together downtown, on our trails, and to our various recreational facilities and park spaces. Summer camps and afterschool programs have been expanded to help meet the demand in registrations. The addition of a full-time Assistant Director position in 2022 has been an important asset, allowing P&R to grow and develop programs and offer new community events like the Durham Day Dash 5k. Overall, the P&R budget is up \$44,362 or 11.55% over FY 2023 due largely to part-time wage increases for staff involved with summer camp programs necessary to stay competitive with other area departments and recreation agencies, as well as with the private market such as McDonalds. Contracted Services is up. Due to a steady increased demand in participation for these programs and camps, registrations are up, as will be additional offsetting revenues totaling around \$30,000. Professional/Staff Development is needed for select staff to receive additional training.
13. A fourth full-time staff position, Staff Accountant, is proposed within the **Business Office** starting 7/1/24 (the individual has begun working with us in a part-time temporary capacity) in order to keep up with daily workload and for longer-term succession planning given the likelihood of upcoming retirements over the course of the next 4-5 years. The cost for salary/benefits is roughly \$50,000 for 2024.
14. The FY 2024 proposed budget includes approximately \$18,000 in funding to continue to partner with the **UNH Sustainability Fellowship Office** to bring on a Graduate Student for the spring (\$4,500)/summer (\$9,000)/fall (\$4,500) 2024 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.

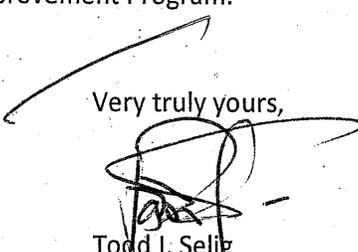
15. \$3,500 is once again included in 2024 to support the planting of 6-10 shade trees as part of our **Tree City efforts**. Durham is the longest running Tree City municipality in NH.
16. \$32,000 once again included within the Conservation Commission budget to support the part-time/contract **Land Stewardship Coordinator position**. In addition, \$15,000 is included for survey work on town-owned lands to determine boundary points, \$4,500 for field mowing, \$2,500 for trail mowing, and \$2,000 to address trails and invasives management.
17. **McGregor Memorial EMS** support for 2024 is up by more than \$100,000 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. Staff from Durham and McGregor have met and cost increases are justified given modern ambulance transport constraints.
18. \$30,000 was included in FY 2023 to support the Parks & Recreation Committee/Department undertaking **a strategic and master plan around Jackson's Landing and Woodridge Park** for 2023. That review is ongoing and will inform future efforts at these two important parks for FY 2025.
19. \$75,000 has been included at the **Durham Police Department** to cover the cost of one replacement police vehicle (hybrid) in 2024. (Note, two were originally budgeted but one was cut for cost savings.) This purchase will complete the transition of our entire cruiser fleet to hybrid vehicles. Such vehicles are ultimately downshifted to DPW and the Town Hall for use as staffing cars.
20. **Phase I of the Madbury Road roadway Complete Streets** (\$2,286,000) and water/sewer/stormwater project along this central corridor is funded for FY 2024 extending from Main Street to Garrison for roadway work and farther for water line replacement (\$1,980,000). This investment 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 (and four separate finite phases), the project cost, undertaken as multiple separate and distinct projects, and allocated across different funds as appropriate, is around \$13 million.
21. \$259,000 is allocated to replace one of DPW's six **35,000 LB GVW front line dump trucks** (a 2013 Peterbilt) per our normal replacement schedule. These vehicles assume a crucial role in DPW's Snow and Ice Control Program.
22. \$45,000 is budgeted to support DPW's continued efforts to increase cost efficiency and employ improved sustainable practices in the Town's snow fighting program through the use of treated salt and **Organic Based Performance Enhanced Liquids** in our winter maintenance operations through the use of salt brine application and associated storage tank apparatus.
23. \$150,000 is allocated to move forward with the replacement of the apparatus bay overhead doors at the **Fire Department**, which have reached end of life.
24. \$91,000 is allocated for the **rehabilitation and replacement of existing sidewalks** including curb ramps as crucial components of the Town's multi-modal transportation network. Targeted sidewalk sections include: the Northern side of Dover Road from Young Drive to Bayview Road, the Southern side of Bagdad Road from #57-#66, and the Northern side of Bagdad Road from Strout Lane to 57 Bagdad Road. The existing asphalt sidewalks will be replaced, granite curbing reset, and ADA compliant ramps installed.

25. \$72,000 is allocated to install **Rectangular Rapid Flashing Beacons (RRFB) devices at four Durham crosswalk locations** (Newmarket Road in front of the Town Hall, Church Hill by the Community Church of Durham, Dover Road at Bayview Road, and Mill Road by Hetzel Hall) upon the recommendation of a collaborative UNH/Durham pedestrian safety analysis conducted in 2023. DPW will meet with the Historic District Commission to discuss the Church Hill and Newmarket Road proposed locations prior to any construction in order to mitigate potential impacts to the district.
26. \$864,250 is included to address **drainage system rehabilitation, undersized culverts, substandard non-complaint outfalls, and deteriorating drainage structures** to ensure Durham is sustainably managing its stormwater infrastructure in the face of climate change and increasingly severe precipitation events. The Town is responsible for managing 70 culverts, 30 drainage manholes, 525 catch basins, 10 miles of drain lines, 4 bioretention areas, and 5 rain gardens. These funds will be combined with a Congressionally Directed Funding allocation of \$2,040,000 plus additional external funds received including a \$250,000 ARPA allocation to address deficiencies at a variety of locations including a large culvert on Ross Road, three culverts along Bennett Road, and large culverts along Madbury and Edgewood Roads.
27. While \$500,000 is allocated to support the **2024 Road Program** (compared to \$490,000 in 2023) in FY 2024, a total of \$564,300 was requested by DPW to address Dennison Road (between Woodman Road and Bagdad Road), Worthen Road, Britton Lane, and Spruce Wood Lane. The reduction was made solely to achieve a 0% tax rate increase or better. The Council will want to discuss with staff the potential implications of this reduction.
28. The Budget for the Supervisors of the Checklist has been increased by roughly \$14,000 in anticipate of **four elections in 2024** – Presidential Primary, Town Election, State Primary, General Election.
29. The budget does NOT include \$12,000 to fund the acquisition of two **modern replacement voting machines** for the 2024 election cycle. We prefer to wait to see how the new machines recently approved by NH perform in the field and are hopeful the state may provide direct funding for such machines replacements in future years.
30. The **legal budget** for FY 2024 has been REDUCED by \$5,000 to \$80,000 based upon the cost effectiveness and success of our legal representation over the last several years.
31. The budget did NOT include the purchase of **a second police department hybrid cruiser** versus the two scheduled for 2024. The additional vehicle had a cost of \$75,000.
32. The budget does NOT include \$15,000 to install **a second two-handle EV charging station next to the existing array within the Pettee Brook metered lot**. Although fully consistent with Council goals, I was unable to fund the investment while maintaining a 0% tax rate increase.
33. The budget does NOT include funding for a **part-time 16 hrs/wk Economic Development Director position**. This had been unfunded in 2023 as well. We would utilize contracted service funds if bringing on board professional assistance was deemed beneficial in 2024 for specific initiatives.
34. The budget does NOT include an 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. We believe current funding within the reserve to be adequate for the time being.

The FY 2024 budget is largely business as usual yet includes some thoughtful tactical investments to ensure the operation remains solid yet agile in the face of a changing world and consistent with Town Council goals. Details associated with the budget can be found within this FY 2024 budget book, the 2024-2033 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 2024 proposed budgets and the proposed 2024-2033 Capital Improvement Program.

Very truly yours,



Todd I. Selig
Administrator

Enclosures