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October 31, 2025

The Durham Town Council
Durham, New Hampshire 03824

Re: **Administrator's Proposed 2026 Operational & Capital Budgets**
Administrator's Proposed 2026-2035 Capital Improvement Plan

Dear Honorable Members of the Council:

I am pleased to present for your review and consideration the Administrator's proposed 2026 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 2026-2035 Capital Improvement Plan incorporating the FY 2026 Capital Fund budget utilizing a ten-year time horizon. The proposed budget allocates limited resources and supports funding for targeted initiatives. It is consistent with Town Council goals, to the extent that has been responsibly accomplished while still meeting the budgetary requirements of departments in order to safely and reliably meet the needs of the Durham community based on historical levels of service delivery and evolving challenges.

Due to public sector wage pressures driven by the post-pandemic environment, a high rate of inflation over the last three years, increasing healthcare and energy costs, and low growth in the tax base, this is intended to be a status quo budget to ensure Town operations remain ready to accomplish needed tasks as efficiently and effectively as possible for a community of our size, complexity, and demographics, taking into consideration the reality that Durham is host to 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. Staff within the various departments of the Town prepared and submitted thoughtful, responsible, and lean budgets. The Business Manager and I subsequently met with departments, evaluated, and modified as needed each budgetary line item 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 broad objectives of the town. Our effort was intended to eliminate unnecessary requests and waste 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 2025-2026 Town Council goals, thereby allowing the Council to focus its limited time on broad policy issues impacting the overall community.

Because 2025 statistical revaluation update for all Durham property valuations is still in progress at this time and we do not yet possess 2025 updated valuation data, and with minimal

new value through construction beyond home improvements anticipated to occur as of April 1, 2026, we're projecting only a modest increase in the overall assessed valuation in 2026 (using 2024 value data) of just 1/2% or around \$9.5 million. As such, I note for the record once again that without meaningful future tax base growth generated from new development and construction, significant TBD new efficiencies across operations, or a dramatic increase in non-property tax revenues, it simply will not be possible to hold the Durham tax rate in line with the rate of inflation without cutting services. That reality is unfortunately evidenced by this FY 2026 budget proposal.

Projected non-tax General Fund revenues are down by \$1.2 million or about 10% for 2026.

The Town Council opted to utilize \$442,000 of unassigned fund balance to smooth out the 2025 tax rate as part of the FY 2025 budget approval process. The FY 2026 proposed budget does not utilize unassigned fund balance for this purpose as such a practice is unsustainable over time. In addition, the Town utilized unassigned fund balance to pay for two major FY 2025 non-recurring projects: Restoration of the Bickford/Chesley House at Wagon Hill Farm (\$1,173,423) & Madbury Road Complete Streets contribution (\$1,000,000). Because these two projects are complete and the \$442,000 used to smooth out the 2025 rate is non-recurring, the cash reserve revenue used to fund them has been backed out of our fiscal forecast showing a corresponding FY 2026 revenue loss. Revenues have also been negatively impacted by weakening federal and state support. Revenues do include an additional projected \$84,000 by creating a new classification of downtown year-round parking passes (70 total) for downtown renters along Garrison Ext (15 spaces), Strafford Avenue (12 spaces), and 66 Main Street (43 spaces).

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 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 water and wastewater operating budgets for Durham and UNH, as outlined below:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>Town Water Share:</u>	39.4%	41.7%	41.6%	40.7%	41%	44.3%	47.6%	48.6%	46.8%	46.7%
<u>UNH Water Share:</u>	60.6%	58.3%	58.4%	59.3%	59%	55.7%	52.4%	51.4%	53.2%	53.3%
<u>Town Wastewater:</u>	40.6%	43%	42.8%	42%	42.3%	45.6%	48.9%	49.9%	48.1%	48%
<u>UNH Wastewater:</u>	59.4%	57%	57.2%	58%	57.7%	54.4%	51.1%	50.1%	51.9%	52%

Budgetary projections not only take into account revenue and very modest growth in the tax base as outlined above, but also setting Overlay at \$175,000 to cover potential abatements for 2026, an additional \$360,000 associated with outstanding 2018 and 2019 Eversource abatement litigation still in Superior Court, and \$1,105,000 associated with abatement appeals for 2023 & 2024 multi-unit rentals in Durham. Abatements will be funded through the use of unassigned fund balance. The Town contingency account has been increased from \$50,000 to \$100,000 (0.45% of the proposed FY 2026 budget) to address unforeseen issues that might arise over the course of the year, which is less than the \$125,000 historically allocated for this purpose.

A primary driver within Durham's municipal operation are personnel-related costs, which account for 62.7% of total spending as part of the proposed 2026 budget. **In total, fixed costs comprise 75.14% of the total FY 2026 proposed budget.**

Fiscal Year 2026 Budgetary Proposal

This year's budget cycle has resulted in a proposed 2026 General Fund budget totaling \$22,449,335, an overall spending decrease of \$282,566 or 1.24% compared to the FY 2025 approved budget of \$22,731,901. The projected decrease is due to the 10% revenue reduction described above. When the use of unassigned fund balance from 2025 is backed out, we show a real increase in proposed FY 2026 spending of approximately \$1.89 million or 9.2%.

Departmental budgetary changes are due in large part to \$836,850 in personnel related increases -- including three of our four unions in which collective bargaining is ongoing for successor agreements to contracts that expire December 31, 2025 -- the Durham Professional Firefighters Association (DPFFA), Durham Professional Municipal Managers Association (DPMMA), and AFSCME (representing DPW staff). Debt service also shows a significant increase \$807,305 for past capital projects. And there is the loss of \$442,000 in unassigned fund balance used to smooth out the 2025 tax rate. The budget carries a 3% COLA for non-union personnel, a 16% health insurance increase, energy/fuel cost changes, increases in various supplies, materials, and construction services, and other miscellaneous requests that will be discussed as part of the upcoming budget process.

The twelve-month year-over-year, August to August change in **Consumer Price Index (CPI-U)** data follows for informational purposes:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>CPI-U Boston-Cambridge-Newton, MA-NH</u>	8.2%	2.6%	3.4%	3.2%

In total, this year's budgetary proposal is projected to increase the 2026 local municipal portion of the tax rate from the projected \$5.95 (using 2024 valuation data) by \$1.07 to \$7.02 per thousand dollars of assessed valuation (using 2024 valuation data), an increase of 18.02%. A \$1.07 increase in the local portion of the tax rate would increase the annual tax bill on a \$500,000 home by approximately \$535. For contextual purposes, you will find below a matrix showing the allocation of the town, local school, state school, county, and full tax rates for Durham from 2013 to the present.

Year	Equalization Ratio	Town Tax Rate per \$1000	Town % over prior yr	% of total	Local School Tax Rate per \$1000	% of total	State School Tax Rate per \$1000	% of total	County Tax Rate per \$1000	% of total	Total Tax Rate per \$1000
2013	97.90%	\$8.34	9.59%	27.42%	\$16.76	55.11%	\$2.45	8.05%	\$2.86	9.42%	\$30.41
2014	95.60%	\$8.34	0.00%	27.32%	\$16.80	55.04%	\$2.51	8.22%	\$2.87	9.42%	\$30.52
2015	93.40%	\$8.48	1.68%	29.00%	\$16.20	54.00%	\$2.38	7.97%	\$2.79	9.00%	\$29.85
2016	92.40%	\$8.48	0.00%	28.52%	\$16.17	54.38%	\$2.27	7.63%	\$2.81	9.47%	\$29.73
2017	88.00%	\$7.37	-13.09%	27.70%	\$14.75	55.45%	\$2.02	7.59%	\$2.46	9.26%	\$26.60
2018	97.60%	\$7.37	0.00%	27.50%	\$14.93	55.70%	\$2.01	7.50%	\$2.49	9.30%	\$26.80
2019	93.80%	\$7.60	3.12%	27.71%	\$15.32	55.85%	\$2.01	7.33%	\$2.50	9.11%	\$27.43
2020	86.40%	\$7.79	2.50%	28.09%	\$15.37	55.43%	\$2.00	7.21%	\$2.57	9.27%	\$27.73
2021	72.50%	\$7.86	0.90%	28.16%	\$15.28	54.75%	\$1.98	7.09%	\$2.79	10.00%	\$27.91
2022	61.50%	\$8.13	3.44%	28.00%	\$16.56	57.02%	\$1.53	5.27%	\$2.82	9.71%	\$29.04
2023	94.20%	\$5.75	-29.27%	28.08%	\$11.58	56.54%	\$1.39	6.79%	\$1.76	8.59%	\$20.48
2024	82.50%	\$5.75	0.00%	28.28%	\$11.52	56.67%	\$1.21	5.95%	\$1.85	9.10%	\$20.33
2025											

Once again, the proposed budget generally represents a status quo operational budget with the following exceptions:

- The Code/Zoning Officer position has been reduced in hours from full to part-time. (\$46,000 reduction)
- The Durham Community Access Television (DCAT) Coordinator position has been reduced in hours from full to part-time. (\$54,000 reduction)
- The part-time Land Stewardship Coordinator position has been increased to a 35 hr./wk. full time position as of April 1, 2026. (\$26,000 increase)
- A part-time 24 hr./wk. CALEA (Commission on Accreditation for Law Enforcement Agencies) Coordinator position has been added at the Police Department as of July 1, 2026. (\$17,000 increase)
- Solid waste curbside collection is recommended to be outsourced as of July 1, 2026. (\$70,000 increase per initial estimate. Currently under review.)

The proposed 2026-2035 Capital Improvement Plan incorporating the FY 2026 Capital Fund budget is self-explanatory and provided as part and parcel of this budget proposal. It is recommended that the Council pay special attention to projects listed therein in terms of both policy and cost implications, with particular attention to the 2028 budget year in our fiscal forecast.

The proposed **Water Fund budget** carries an anticipated 3% increase in user fees (a rate of \$11.25 per hundred cubic feet) for FY 2026.

The proposed **Sewer (Wastewater) Fund budget** reflects a 4% increase in user fees in FY 2026 (a rate of \$11.08 per hundred cubic feet).

Details associated with the budget can be found within this FY 2026 budget book, the 2026-2035 Capital Improvement Program document, or within a separate informational book being prepared by the Business Office that will offer high-level analysis concerning the proposal for Town Council and community information.

I look forward to talking more with the Council concerning the FY 2026 proposed budgets and the proposed 2026-2035 Capital Improvement Program.

Very truly yours,



Todd T. Selig
Administrator

Enclosures