

**2015 Exeter Town Budget Request
September 19, 2014**

To the Board of Selectmen and Budget Recommendations Committee,

Attached you will find the Town of Exeter preliminary budget request for Fiscal Year 2015. The fiscal year begins on January 1, 2015 and ends December 31, 2015. I would like to acknowledge the efforts of all Town Departments, and in particular, the Finance Department, for coordinating this initial budget request. This request should be seen as a starting point in the 2015 budget process, which will include a recommendation from the Budget Recommendations Committee, meetings with Town Departments, and ultimately a final recommendation from the Board of Selectmen to the voters.

Overview

The total general fund preliminary budget is \$17,709,431, an increase of 3.72%, or \$634,386, over the FY14 adopted budget. Of the additional \$634,386, a total of \$244,968, or 38.6%, is attributable to first year debt service due on the Great Dam removal bond (\$244,968). The FY15 preliminary budget also includes several department requests identified in the budget initiatives section of this document.

Town Net Taxable Valuation

The Town's most recent net taxable valuation, as determined by the 2014 MS1 report, is \$1,610,467,983. This is a .25% increase over the 2013 net taxable valuation of \$1,606,450,382.

FY15 General Fund Revenues

Town revenues are expected to remain stable in FY15. The town operates with limited revenue sources other than property taxes. The largest local revenue sources are motor vehicle registrations, which represent more than 44% of the total local revenue available to the Town. Income from departments (including 'blue bag' revenue), meals and rooms tax distributions, and highway aid are the other significant Town revenue categories. The Town continues to function without general revenue sharing, which was eliminated by the legislature during difficult budget times several years ago and resulted in a \$284,000 loss of annual revenue to the Town's general fund. Highway Aid will increase slightly in FY15 due to the passage of SB367. It is expected the Town will continue to use 95% of the EMS fund surplus annually to stabilize the Town tax rate. However, this surplus is being diminished by the ongoing ambulance replacement lease/purchase program, which is funded through the EMS fund.

Budget Overview

The operating budget is the financial work plan for all Town departments. It contains the means, methods, and funding for all Town operations throughout the year. The Town has several operating departments. The three largest functions within the Town budget continue to be Public Works (including Maintenance), Fire/EMS, and Police. These three functions alone make up 68.9% of the Town's general fund operating budget.

General Government

The Town's executive functions are administered by the Board of Selectmen and the Town Manager. In addition the Town Manager's Office provides administrative support to several citizen based committees including the Economic Development Commission, Arts Committee, Council on Aging, Budget Recommendations Committee, Transportation Committee, and Water/Sewer Advisory Committee. The Town Manager's Office posts meetings and agendas, coordinates minute taking of many town boards, issues permits for property use (parking, blocking off roads, facility use, etc.), purchases basic supplies for all Town Office departments, and provides backup and service to Human Resources and Welfare/Human Services.

Other administrative support (internal services) to Town Departments is provided through Human Resources, Information Technology, and Finance. Financial operations in addition to Finance (which primarily handles budget administration, payroll, accounts payable, and cash management), includes the Tax/Water/Sewer Collections Office, and the Assessing Office. The Tax/Water/Sewer Office is staffed by two full time personnel, who collect all property tax revenue and water/sewer revenue for the Town. Human Resources is staffed by one full time Director, and the IT Department is staffed by one full time Director. The IT Department uses interns each year for additional support, along with a modest service contract.

The Town Clerk's Office provides motor vehicle registration, vital records research, records retention, town meeting, and voting coordination and oversight for the community. The Town Clerk's Office also sells stickers related to the transfer station and solid waste program.

Land use, including regulation, code enforcement, and planning, is administered through the Planning and Building Office. This office also supports several volunteer boards, committees and commissions in their statutory missions including the Zoning Board of Adjustment, Planning Board, Conservation Commission, Historic District Commission, and Heritage Commission.

Public Safety

The Exeter Police Department provides service 24 hours per day, seven days a week. Fire and EMS services (to the paramedic level) are also provided 24/7 by four shifts of 6 Firefighter/EMT's per shift. The Police Department budget contains the Animal Control function and the Dispatch operations, which also run 24/7, 365 days per year. One dispatch position is funded through the EMS (ambulance) revolving fund and is not included in the general fund budget. The Town is staffed using full time and part time dispatchers. The Fire Department, in addition to providing EMS services to the paramedic level, provides the Town's health and emergency management functions. The public safety complex on Court Street, built in 1979, is the location of the Town's current Emergency Operations Center (EOC). Emergency Management is an active function in Exeter due to the makeup of the community (rural and urban areas) and the impacts felt during major events. The Town's health department provides support to several activities including mosquito control, regional health planning, and sanitary code enforcement.

Public Works

The Public Works functions of Administration/Engineering, Highway, Maintenance, Solid Waste, Snow Removal, and Street Lights are all part of the general fund budget. The Town's solid waste contract is included in the Solid Waste budget and is one of the largest general fund contract expenses at \$660,000 per year. The budget, which includes the Townwide recycling program, is partially offset by blue bag sales. DPW also supports a full water and sewer department, which manages the public water supply and distribution systems, and the Town's wastewater treatment and collection system.

Welfare/Human Services

The Town administers a welfare system as required by state law, RSA 165. The Department has a part time Welfare Director, and is indirectly supported by the Executive Assistant position and the Human Resources Director. The Executive Assistant also coordinates the human service grant application process, by which several agencies each year submit directly to the Town government for funding. These requests are reviewed annually by the Budget Recommendations Committee.

Parks/Recreation

The Town's Parks/Recreation Department, located at 32 Court Street, provides a full range of recreation programs. The Department also manages its properties and maintains the Town's parks. Periodically the Department provides cemetery support when needed, and is active at overseeing the Senior Center and its activities. In recent years, the Parks/Recreation Department has made extensive use of their revolving fund to support programs and services, while their portion of the general fund budget has decreased. Currently the Parks/Recreation revolving fund budget is greater than \$400,000 per year and completely offset by fees for programs and events.

Public Library

The Exeter Public Library is open year round, and is located on Chestnut Street. The Public Library serves the general public and has a series of educational and reading programs for all ages. The library serves as a cornerstone of the community in its location at Founders Park. The library budget includes all expenses related to maintenance and upkeep of the Library under the Library Trustees, called "public services." These expenses are not included in the Town's Maintenance Budget.

FY2015 Budget Notes

Wages. Open collective bargaining agreements (Police Association). The current Police Agreement expired December 31, 2013. The Town will be going through a fact finding process with the Police Association in Fall of 2014. Any settlements with this unit would need to be funded through a separate warrant article on the 2015 Town Warrant above the base budget request. Other wages have been included in the 2014 budget as follows: non-union COLA, 1.6%, Fire COLA, 1.0%. Under the new Fire contract, each eligible firefighter receives a 2.23% step increase in July 2015. For non union employees, each eligible employee has been scheduled for a 2.23% step increase in July 2015. The non union COLA is subject to approval by the Board of Selectmen and reflects an average of the most recent annual area CPI month over month and the most recent annual CPI.

Benefits.

Health Insurance. Health insurance rates will be delivered to the Town in October, 2014 for 2015. For the purposes of this preliminary budget a 10.0% increase in health insurance premiums is planned for 2015, reflecting trends in health costs. General Fund Budget Increase: \$128,538.

Retirement costs. Increases in retirement assessments continue to impact budgets, however they are impacting the FY15 budget less than in previous years. These impacts have resulted in a \$44,410 increase in retirement costs in the FY15 budget, mainly in the public safety area. Retirement costs are “fixed” assessments through the New Hampshire Retirement System and are not part of local bargaining agreements. Public safety employees are not part of social security (uniformed personnel). Retirement rates as a percentage of payroll are: Group I employees, 10.77/11.17% (does not include social security, additional 6.2%), Group II employees, Fire 27.74/29.16%, Police 25.30/26.38%. The splits in each figure are the projected amounts after July, 2015 when the state sets new rates for retirement assessment.

General Expenses. There are general expense increases in the budget related to items described under the initiatives section of this submittal.

(The table below shows the year over year budget increases/decreases for each program area over the most recent three year period:

<u>Function</u>	<u>FY13 Budget</u>	<u>FY14 Budget</u>	<u>FY15 Request</u>	<u>% '15/'14</u>
General Government	866,351	930,436	966,852	3.9%
Finance	586,148	595,956	583,316	-2.1%
Planning & Building	467,543	484,927	494,925	2.1%
Economic Development	1,500	69,149	134,027	93.8%
Police	3,541,810	3,646,020	3,742,851	2.7%
Fire	3,637,603	3,696,775	3,807,002	3.0%
Public Works – Gen Fund	3,340,780	3,554,799	3,675,454	3.4%
Maintenance	1,009,992	942,666	1,039,458	10.27%
Welfare/Human Services	92,615	86,855	89,686	3.3%
Parks/Recreation	446,659	448,673	474,632	5.8%
Other Culture/Recreation	36,300	36,300	36,300	0.0%
Public Library	894,822	910,837	922,976	1.3%
Debt/Capital	1,201,258	1,311,292	1,355,297	3.36%
Benefits/Taxes/Fixed Costs	<u>352,660</u>	<u>360,361</u>	<u>386,656</u>	<u>7.3%</u>
Total General Fund	16,619,718	17,075,046	17,709,431	3.72%

2015 Budget Initiatives

Several requests are therefore contained in the 2015 budget for review and recommendation. These include:

General Government

- A replacement sign for the Town Offices (\$3,000, BOS budget). This sign would replace the old sign out in front of the Town Offices with an updated sign including the adopted Town Seal.
- Additional recording secretary funds (\$1,030, Town Manager budget).
- Reclassification expenses (\$1,500, Human Resources budget).
- Additional assistance – IT Department (\$10,100 increase in temporary wages).
- Various IT initiatives (see narrative).
- Transportation – It is unknown at this point what fiscal impact elimination of Route 7 might have on the FY15 budget. The appropriation request is \$26,919 as of this writing (general fund only).

Planning and Building

- The Planning and Building Department is in need of further automation of its processes. They have requested funds for an automated permit management tool in the FY15 budget (requested increase: \$20,500).

Historic District Commission

- Increased funds for grant matching (\$1,000).

Economic Development

- The FY15 budget reflects full year funding of the Economic Development Director position plus an expense budget (\$64,878).

Public Safety – Police

- Increased dry cleaning contract cost (\$800).
- Increased prosecutor contract (\$4,296).
- Increase in mobile communications (\$14,660) – these costs are in lieu of a cruiser replacement request (ie only 1 cruiser replacement is in the FY15 budget).
- Fuel increase (\$6,552) reflecting current fuel market.

Public Safety - Fire

- Fire Department NFPA Physicals Initiative (\$16, 199). These more advanced physicals would include various screenings to meet NFPA 1582 standards.
- Fire Department overtime (\$12,971 requested increase).
- Increased emergency management expenses (\$2,630 increase)

Public Works

- DPW Administration/Engineering EPA Stormwater Mandates (\$50,000 increase). These are additional expenses related to the MS4 permit from the EPA.
- DPW Highway Street Marking increase (\$5,000) due to vendor costs.
- DPW Highway Fuel increase (\$10,000) based on usage trends and market rates.
- DPW Paving Increase (\$25,000) – 3.0% increase to keep pace with inflation.
- DPW Solid Waste Contract Increase (\$10,000) for collection of rubbish.
DPW Recycle Bin Increase (\$5,600) to be offset by revenues from bin sales.

DPW - Maintenance

- DPW Maintenance FT wage increase (\$24,701) to reflect full year funding of custodian approved as FT in the FY14 budget.
- DPW Maintenance Projects List (\$10,000) general increase. This reflects the proposed budget for maintenance projects at various town buildings in FY15.
- DPW Maintenance Garage Budget – Request for increase in hours for the part-time vehicle maintenance/laborer has been included in this request (position increase cost - \$27,025 based on 8 months at full-time eligibility).
- DPW Utility Budgets for Town Buildings – Electricity and Natural Gas increases to reflect market rates and usage rates in town buildings.

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Welfare/Human Services

- Welfare Direct Relief (\$1,500) requested increase.

Parks/Recreation

- Parks/Recreation Software Agreement (\$6,900) – expense relocated from revolving fund to keep revolving fund solvent.
- Parks/Recreation Water/Sewer Bills (\$5,200) – expense relocated from revolving fund to keep revolving fund solvent (pool filling/emptying).

Other/Vehicles & Equipment

- General vehicles budget (\$230,920 leases, \$127,016 vehicles/equipment) – The Town has been budgeting vehicles and specialty equipment in a consolidated line item for several years. The list of replacements is vetted annually by the Budget Recommendations Committee and Selectmen. Vehicle replacements scheduled for 2015 include 1 police patrol cruiser (\$37,698 equipped), replacement of the utility pick up truck in the Fire Department (\$36,468), replacement of two large salt/sand machines for DPW (\$31,350), and replacement of the 2002 Plumbing/HVAC Van in DPW (\$21,500). These requests total \$127,016. There are three active Fire Department leases for vehicles/equipment including Engine 2, Engine 3, and the Ladder Truck. These three leases total \$227,920. In addition, the new police patrol motorcycle is \$3,000 making the total vehicle lease budget \$230,920 for FY15. Water/Sewer vehicles and equipment are budgeted separately in those enterprise funds.

Debt Service

- The Debt Service budget is up 30.6%, or 222,468, from FY14. This is due mainly to Great Dam removal bond, which the Town will begin paying down in FY15 (\$244,968).

Benefits/Taxes

- The Benefits and Taxes budget includes funds for town-wide expenses including the health insurance buyout program, unemployment, worker's compensation, and property/liability insurance. Primex is the current carrier for the Town's insurance other than health insurance, which is obtained through the Health Trust. This budget has been increased by \$29,512 to account for an increase in employee buyouts. If an employee is eligible but does not take health insurance through the Town, he/she is granted 30% of the Town's savings as a benefit.

Warrant Articles Requested Appropriations

In addition to the above, four non-bond issue warrant articles are itemized for discussion. The total amount of these warrant articles is \$406,050. These include:

Human Service Agency Funding: \$122,995. This total includes requests above the 2014 approved budget of \$109,595. Additional requests that have been received are Richie McFarland (additional \$2,100 request), New Generation Shelter (additional \$8,000 request), New Heights (additional \$1,300 request), NHSPCA (renewed request, not funded in 2014, of \$1,500), and Court Appointed Special Advocates (CASA, new request, \$500). These total increases of \$13,400 bring the total human service agency requests to \$122,995, a 12.2% increase over the FY14 requests of \$109,595.

Street Sweeper Lease/Purchase: \$245,575, first year appropriation \$56,482. The Department of Public Works recommends a replacement of the Town's 2005 Tennant Street Sweeper with a new TYMCO 600 Comdex Regenerative Air System sweeper. The current sweeper is used extensively each year and has experienced greater than normal maintenance costs over its life cycle. This is a large ticket item and should be considered as a lease/purchase similar to the replacement of the sewer vector truck, and fire ladder truck, in 2013. The projected first year payment including interest is projected at \$56,482 using a 5-year lease/purchase timeframe at 3.0% interest. These assumptions are for budgeting purposes only as the Town typically seeks financing after approval under different lease/purchase options (level payments, etc.) to minimize interest costs.

Fire Department Alarm Truck Lease/Purchase: \$93,796, first year appropriation \$21,573. The Fire Department is seeking replacement of their 1993 alarm truck. The cost estimate for replacement is \$93,796. This is also large ticket item, and if placed in the budget would be a significant one time impact on the vehicles/equipment budget. The projected first year payment including interest is projected at \$21,573 using a 5-year lease/purchase timeframe at 3.0% interest. These assumptions are for budgeting purposes only as the Town typically seeks financing after approval under different lease/purchase options (level payments, etc.) to minimize interest costs. A shorter term lease or 3 years may be favorable for this piece of equipment, which will last well beyond the lease/purchase cycle.

Town Hall Egress Staircase (\$80,000) – This project is described in detail on page A2 of the FY15-FY20 capital improvement program. It would correct existing code issues in the Town Hall regarding access and egress.

Town Office Wiring Replacement (\$75,000) – This project is described in detail on page A3 of the FY15-FY20 capital improvement program. It would address code issues within the Town Office by replacing wiring dating back to the 1930's.

Library Renovation Capital Reserve Fund (\$50,000) – This project is described on page L1 of the FY15-FY20 capital improvement program.

Total General Fund Appropriations. The total general fund appropriations for FY15 are \$18,115,481. This is a 4.42% increase, or \$767,526, over total general fund appropriations for FY14, which were approved at \$17,347,955 at the March, 2014 election. The total general fund appropriations compare all proposed budget items and general fund warrant articles, year over year.

Bond Issues – General Fund

Sidewalks: \$1,180,000. This request is found on page D1 of the 2015-2020 Capital Improvement Program. The FY15 request of \$580,000 would fund concrete sidewalks for the Water Street and Front Street areas in the central downtown. The one-time tax impact of this project is 36 cents per 1,000 of assessed valuation, and is broken down as follows: \$485,000 concrete walkways, \$90,000 stormwater treatment costs, and \$5,000 bond and legal costs. The estimates also include curb and tree improvements. Due to the cost of the program including the initial project, a review of the six year cost of \$1,180,000 is recommended for potential bonding as laid out in the capital improvement program. This would replace a large onetime cash request to be funded by taxation.

Deferrals

The FY15 budget request, as per the norm, does not include all requests made through the Town Capital Improvement Program. Noted deferrals include the Continental Drive Fire Substation/Station, Communications Improvements, Boiler Replacement at the Public Safety Complex, Pickpocket Dam Breach Analysis, and the Linden/Court Street Culvert Repairs. During the budget process the Department of Public Works will provide updates on the Linden and Court Street culvert project to see if that particular project is ready to be put forward in 2015. The Fire Station/Substation is identified in the capital improvement program for discussion. As the Board is aware, funding all projects in one year, even if identified in the capital improvement program, would be an uphill challenge.

Other

1. Although the Welcome Center/Baggage Building is not itemized in the warrant articles, it is still regarded as a priority community project. Cost is TBD at the time of this writing.
2. A warrant article will be added for the Kingston Road bike paths project if the grant award materializes. The total project amount is \$750,000 without any tax impact. Therefore if realized the project will add to the gross appropriations for FY15.

As always, these requests are meant to create a framework for a meaningful budget deliberation throughout the budget season. I would again like to recognize the town departments for their efforts on this FY15 general fund budget submittal.

Respectfully submitted,

Russell Dean
Town Manager