

**2017 Exeter Town Budget Request
September 21, 2016**

To the Board of Selectmen and Budget Recommendations Committee,

Attached you will find the Town of Exeter preliminary budget request for Fiscal Year 2017. The fiscal year addressed in this budget begins on January 1, 2017 and ends December 31, 2017. I would like to acknowledge the efforts of all Town Departments, and in particular, the Finance Department, for their assistance in preparing this preliminary budget.

This request should be seen as a starting point in the 2017 budget process and deliberations, which will include a review and recommendation from the Budget Recommendations Committee during the months of October and November, transmitted to the Selectboard in late November. The Selectboard will ultimately issue a final budget recommendation to the voters to discuss at the 2017 deliberative session, and then a vote on the final budget will be part of the town election in March of 2017.

Recent Budget Trends

Town operating budgets have remained stable in recent years. Through the combined efforts of the town manager, town departments, budget recommendations committee, and selectboard, town budgets have seen small or moderate increases, while several initiatives and capital improvements have been prioritized and funded. This trend has been part of an overall budget strategy of prioritizing capital expenditures, using lease/purchases for heavy duty equipment such as fire engines, vector trucks, and dump trucks, and keeping the operating budget within parameters acceptable to achieve a stable tax rate. As the town's population remains steady at approximately 14,500 people, the costs of supporting local government services are largely reflected in inflationary trends (costs of materials, vehicles/equipment have seen significant increases over time), maintenance, replacement, and upkeep of aging infrastructure, and ongoing funding of wages and benefits. Due to the fact the town will continue to rely on the property tax as the primary source of revenue to fund town services, these challenges will persist. However, as the town's major facilities continue to age (e.g. Public Safety Building, Library, Recreation Park, and Public Works garage), the town will need to address needed updates in these areas. However, taking everything into account, the town has also made significant strides in recent years, making infrastructure improvements that will continue to benefit the residents and continue to make Exeter a very desirable place to live. This bodes well for the future of the town.

FY17 General Fund

The total FY17 general fund preliminary budget request, exclusive of warrant articles, is \$18,206,775, an increase of 3.35%, or \$589,647, over the FY16 approved budget of \$17,617,127*. The three year budget trend is highlighted below, with recent annual increases.

*Budget note: this number includes the two collective bargaining contracts approved at the 2016 town election via warrant articles, as well as the approved light duty vehicle lease/purchases, which have been added to the base budget for comparison purposes.

| Fiscal Year | Approved Budget | YOY Increase (%) | Town Share Tax Rate |
|-------------|-----------------|------------------|---------------------|
| 2013 | \$16,505,130 | N/A | \$7.81/1,000 |
| 2014 | \$17,081,870 | 3.49% | \$7.77/1,000 |
| 2015 | \$17,225,406 | .84% | \$7.38/1,000 |
| 2016 | \$17,617,127 | 2.27% | \$7.39/1,000* |

*Estimate

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

| Function | FY15 Adopted | FY16 Adopted | FY17 Preliminary | % '17/'16 |
|----------------------------|-------------------|-------------------|-------------------|--------------|
| General Government | 934,927 | 993,292 | 1,010,879 | 1.8% |
| Finance | 585,002 | 594,862 | 641,646 | 7.9% |
| Planning & Building | 487,931 | 505,346 | 529,900 | 4.9% |
| Economic Development | 125,862 | 136,911 | 139,329 | 1.8% |
| Police/Communications | 3,647,487 | 3,795,920 | 3,749,424 | -1.2% |
| Fire/EMS/EM/Health | 3,659,673 | 3,741,167 | 3,877,632 | 3.6% |
| Public Works – Gen Fund | 3,561,557 | 3,674,638 | 3,879,060 | 5.6% |
| Maintenance - Garage | 1,062,222 | 1,060,916 | 1,104,791 | 4.1% |
| Welfare/Human Services | 86,436 | 64,666 | 37,778 | -41.6% |
| Parks/Recreation | 458,806 | 486,862 | 488,113 | .3% |
| Other Culture/Recreation | 45,300 | 45,451 | 45,451 | 0% |
| Public Library | 898,407 | 927,413 | 988,840 | 6.6% |
| Debt Service/Capital | 1,276,655 | 1,174,817 | 1,116,209 | -5.0% |
| Benefits/Taxes/Fixed Costs | <u>395,141</u> | <u>414,864</u> | <u>597,721</u> | <u>44.1%</u> |
| Total General Fund | 17,225,406 | 17,617,127 | 18,206,775 | 3.35% |

Note: FY16 Approved budget includes \$17,576,735 budget article plus 2 collective bargaining agreements and light duty lease/purchase of vehicles.

FY17 General Fund Budget Overview

The FY17 general fund preliminary budget reflects the requests of the various town departments. The three largest departments making up the general fund budget continue to be Fire/EMS (\$3,877,632, 3.6% increase over FY16), Police/Communications (\$3,749,424, -1.2% decrease), and Public Works (\$4,983,851, 5.24% increase over FY16) including a Maintenance requested budget of \$1,104,791. These three functions make up 69.3% of the FY17 budget request and exceed 70% when capital requests are included as part of these three functions.

General Government

Board of Selectmen – The board of selectmen are the town’s elected governing body. The role of the selectmen is to manage the prudential affairs of the town. The board appoints the town manager, recommends the final operating budget to town meeting, and performs other statutory functions vested in the board.

Town Manager - The Town's executive and administrative functions are exercised through the Town Manager. The Town Manager's Office provides primary day to day oversight of town property, finances, and personnel. The Town Manager's Office also provides administrative and clerical support to several town boards and committees including the Budget Recommendations Committee, Economic Development Commission, Arts Committee, Swasey Parkway Trustees, Transportation Committee, and Water/Sewer Advisory Committee. The Town Manager's Office posts meetings and agendas, coordinates minute taking of many town boards, issues various permits required for town property use, (parking, blocking off roads, town hall and town office facility use, etc.), purchases basic supplies for all general government departments, and provides periodic backup to Human Resources. In addition, the Executive Assistant in the Town Manager's Office has been performing in the role of Human Services Administrator since mid-2015, processing welfare applications and overseeing applications for assistance, along with referring clients to outside human service agencies, and coordinating assistance with those agencies. The Town Manager's Office has 2.0 FTEs plus part-time wages for recording secretaries for the Board of Selectmen and the Budget Recommendations Committee.

Human Resources, Legal, Information Technology - Other support to Town Departments is provided through Human Resources (1.0 FTE), Legal (contracted services), and Information Technology (1.5 FTE). Human Resources is staffed by one full time Administrator whose primary duties include advertising all town positions, administering the Town's personnel policies and compensation, and general oversight of all employee benefits. Legal services are procured through the Mitchell Municipal Group who acts as general counsel to the Town. In addition, the Town utilizes several specialty attorneys depending upon the issue (environmental, labor, etc.). The IT Department is staffed by 1.5 FTE, a full time IT Coordinator, and a part-time IT Assistant. The FY17 budget requests the part-time position be increased to full-time, with costs to be shared by the IT budget, and the EXTV budget (another major function of the IT Department is oversight of EXTV and support to the water/sewer utility).

Transportation – The town's COAST assessment is funded partially by the general fund and partially by the fee-based transportation fund. This assessment allows the COAST bus to function on day to day routes in Exeter 4 days per week.

Town Moderator – The town moderator is an elected position charged with elections oversight and town meeting oversight. The moderator acts as the arbiter at town meeting over actions contemplated by the legislative body.

Trustees of Trust Funds - The Trustees of Trust Funds are an elected three member board that oversees all town and school trust funds created under RSA 31 and capital reserve funds created via RSA 35. The Chair of the Trustees is paid a nominal stipend of \$828 each year. This stipend is part of the general government budget.

Town Clerk/Elections - The Town Clerk's Office has 4.0 FTEs and services include registering motor vehicles, ORVs, and boats, performing vital records research, dog licensing, records retention, town meeting coordination and ballot preparation, and elections oversight (working with the Checklist Supervisors and the Town Moderator). The Town Clerk's Office also sells stickers to residents for the

transfer station, including bulky stickers, electronics stickers, as part of the town's solid waste program. As of 2016, the Town Clerk's Office now sells fishing and hunting licenses. The Town Clerk's Office also collects the transportation local option fee and remits said fee to the Finance Department for use by the town. In 2016 the Town Clerk's office has modified their hours and are now open Tuesday nights until 7:00 p.m. to better assist customers.

Finance, Accounting, Treasurer, Tax Collection, Assessing

The Finance Department is located in the lower level of the Town Hall, has 3.0 FTEs, and performs the primary duties of day to day budget administration and fund accounting, payroll processing, accounts payable, audit, financial reporting, general ledger management, and cash management. Financial functions also include the Tax/Water/Sewer Collections Office (2.0 FTE), and the Assessing Office (1.0 FTE, plus contract services). The Town Treasurer is an elected position responsible for cash management of all town accounts except trust funds under RSA 41:29. The Town's contract tax assessor is MRI, who in 2017 will be in the third year of a contract that runs through 2020. The Tax/Water/Sewer Office is located in the Town Offices at 10 Front Street, and collects all property tax revenue and water/sewer revenue for the Town, including property taxes for the local school district and SAU16. In addition, the tax/water/sewer office administers all property tax deeding and lien issues, coordinates bankruptcy filings, creates payment plans for residents with delinquent water and sewer accounts, coordinates the semi-annual tax billing process in May and November, and compiles the MS-61 report required each year by the NHDRA.

Planning, Building & Economic Development

The Planning Office is overseen by a full time town planner, who provides professional services to the planning board including overseeing the town's technical review committee, site plan review process, lot line adjustments, and conditional use permit issuance. The office also includes a natural resources planner who is part time, and supports various efforts including attending all conservation commission meetings and administering town conservation properties and easements. All land use issues, including regulation, code enforcement, and planning, is administered through the Planning and Building Office. The building department has a full time building inspector and code enforcement officer, plus a deputy code enforcement officer who also supports the planning department. The building function also includes a part-time electrical inspector of 24 hours per week, and a part time administrative assistant. The electrical inspector performs various required inspections for residential and commercial projects. The administrative assistant provides general support to the planning and building departments. The 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. The Town's Economic Development program is staffed by one full-time Director whose primary responsibilities include working with businesses and supporting expansion of the town's commercial base. Economic development works on all business recruitment, retention, and expansion efforts on behalf of the town. The economic development office also administers the Town's TIF District on Epping Road.

Police Department

The Exeter Police Department budget is broken out into five distinct divisions: Administration, Staff, Patrol, Animal Control, and Communications. The Exeter Police Department operates out of the public safety complex on Bow Street/Court Street and provides service 24 hours per day, seven days per week. The Animal Control function and Dispatch operations also run 24 hours per day, 7 days per week, 365 days per year. One full time dispatch position is funded through the EMS (ambulance) revolving fund and is not included in the general fund budget. The dispatch function is staffed using full time and part time dispatchers. As of 2016, the Police Department has had several command staff changes. Acting Chief William Shupe became permanent Chief in March 2016. In addition, Michael Munck was promoted from Sergeant to Captain. The lead administration of the department is now under the control of Chief Shupe, Captain Munck, and Captain Stephan Poulin.

Fire/EMS Department

The Exeter Fire Department provides services in multiple areas. The budget is broken down into four distinct divisions: Administration (4.0 FTE), Suppression (25 FTE), Emergency Management (0 FTE), and Health (1.0 FTE). The EMS budget is a revolving fund and therefore is not included in the general fund budget. Fire and EMS services (to the paramedic level) are also provided 24/7 by four shifts of 6 Firefighter/EMT's per shift. The Fire Department also provides the Town's health and emergency management functions. Emergency Management is an active function in Exeter and provides support during states of emergency, training for emergencies, Seabrook drills, hazmat training, etc. The Town's health department provides oversight in several public health areas including mosquito control, food inspections, regional health planning, and sanitary code enforcement.

Public Works – General Fund

The Public Works general fund budget, including Maintenance, includes eight separate functions: Administration/Engineering, Highways/Streets, Snow Removal, Solid Waste, Street Lights, General Maintenance, DPW Garage, and Town Buildings. Administration and Engineering provide primary support to the other Public Works divisions and also oversee all capital projects which originate through Public Works, Water, and Sewer. The Highways/Streets division has primary responsibility over town roads, rights-of-way, sidewalks, snow removal, transfer station, traffic lights, and trees. The Town's solid waste budget includes the contract with Northside Carting for trash pickup and recycling. It also includes expenses related to required landfill monitoring at the Powder Road landfill and the Cross Road site. Revenues from blue bag sales and recycling bins, as well as stickers and transfer station permits, offset a portion of this budget.

Welfare/Human Services

The Town administers a welfare system as required by state law, RSA 165. The Town Manager's Executive Assistant takes on the additional role of human services administrator which includes administering the town's welfare program and interfacing with outside agencies. The FY17 budget request reflects savings associated with the combined functions.

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 coordinating Senior Center activities and administering the center's use by many community groups. In recent years, the Parks/Recreation Department has made extensive use of their revolving fund to support programs and services. The general fund request for the Recreation program in 2017 is \$307,774, while the revolving fund projection is approximately \$530,000 in revenues (this number is heavily dependent on the success of the powder keg festival, a weather dependent event). This shows the revolving fund is picking up more than 50% of all recreation related expenses in Exeter.

Public Library

The Exeter Public Library located on Chestnut Street is open year round. The Library is administered by an elected board of trustees who appoint the library director and staff. The current Public Library was built in 1987 and serves the general public, including a series of educational and reading programs for all ages. The library budget includes all expenses related to maintenance and upkeep of the Library under the Library Trustees, called "public services." These expenses include electricity, technology, book purchases, and small capital. These expenses are not included in the Town's Maintenance Budget.

FY2017 Budget Notes – Wages & Benefits

Wages. There are two open collective bargaining agreements currently under negotiation. These are the SEIU Agreement which covers Public Works and some administrative personnel, and the Exeter Police Association (current agreement runs through June 30th, 2017). The costs of funding additional wages related to extending these bargaining agreements would be proposed as individual warrant articles on the FY17 town warrant. Non union wages and part time wages have been budgeted to increase 2.23% - \$31,410 total cost - representing a step increase on the current compensation plan for all eligible employees the first pay period of July 2017. Non union employees received a 1.0% COLA in the first pay period of July, 2016. The Exeter Public Library sets its own wage rates through the Library Trustees.

Health Insurance. Health insurance rates will be finalized in October, 2016 by the HealthTrust Board of Directors. For the purposes of this preliminary budget, a 7.0% increase in health insurance premiums is planned for 2017, reflecting ongoing trends in health costs. General Fund, Water Fund, Sewer Fund Increase: \$161,325.

Dental Insurance – Dental insurance for eligible employees is procured through the health trust. An increase of 2.5% has been forecast for the FY17 budget. A dental insurance reserve has been created anticipating a 2.5% increase in dental insurance plan costs - \$4,042.

NHRS costs. Increases in retirement assessments continue to impact the town’s operating budget. Rates are expected to change for the second half of 2017. Current rates as a percentage of payroll are: Group I employees, 11.17% (does not include social security, additional 6.2%), Group II employees, Fire 29.16%, Police 26.38%. As of July 1, 2017, rates are expected to increase as follows: Group 1 employees 11.38%, Group II employees, Fire 31.89%, Police 29.43%.

General Expenses. General expense increases are described in the following section.

2017 Requested Increases Beyond Base Budget

Several requests are included in the 2017 preliminary budget that has been put forward by town departments. These include:

General Government

- Information Technology – funds have been requested to increase the part-time IT/EXTV assistant position to full time. This position has been budgeted at 20 hours per week and the department is requesting the position be elevated to full time to attend to IT needs as well as EXTV needs. The 2017 IT budget also includes a request to replace the town’s storage system with an updated system - \$21,700 -, and security/swipe card enhancements - \$5,700.
- Moderator – Wages for the moderator have been increased in the FY17 budget to \$175 per event.
- Town Clerk/Elections – The Town Clerk has requested to complete the vault storage project started in 2016. Requested funds are \$17,875 for phase 2 of this project. Phase 1 was funded and completed in 2016. The 2017 elections budget has been decreased by (\$4,843) to reflect one election in FY17. However, wage increases are being requested for the Supervisors of the Checklist to \$10 per hour. In addition, a ballot clerk wage increase to \$8 per hour is included in the FY17 budget.

Finance, Tax, Assessing

- Finance - The 2017 Finance budget includes funds for a full time town purchasing agent. The goal of this position is to consolidate all town purchasing under a centralized position. Funds have been requested for 8 months of a full time position - \$42,822 - and costs would be spread for the position across the general, water, sewer, and CATV funds. As the town’s budget process would indicate, there is a need to centralize purchasing, with one coordinating position. This position would coordinate town bids, review and make recommendations to the town manager and selectboard on improving town purchasing policy, keep purchasing practices current and coordinated amongst departments, and seek savings in all areas. In addition, the position would work with other entities, such as the county and the SAU16, to seek areas where combined

purchasing would result in savings to the town. The position would review all professional services contracts and work to create a standard contracting system for the town. In addition, the position would be charged with researching and comparing markets in various areas to ensure the town was receiving the best overall value for purchases, whether it is commodities, professional services, technology, etc.. The position would also review and monitor the town's fuel, electric, and natural gas purchasing to ensure best overall value (along with exploring regional purchasing for these and other commodities).

- Tax - Bank fees directly related to the water and sewer lockbox have been moved to the tax budget in the amount of \$5,395. This is a reduction in the Finance budget and an increase to the tax budget.
- Assessing - The assessing contracted services budget has been increased by \$2,500 to reflect an increase in the assessing contract with MRI - \$107,500 annually to \$110,000.

Planning, Building & Development

- Planning – The Planning 2017 budget is increased by \$34,602. The increase includes wage increases related to hiring the new town planner, who was hired with over a decade of experience in his position. In addition, a onetime capital outlay request of \$20,000 is being made for a bench program along Water and Front Streets, following up on the downtown sidewalk initiative. This will improve the downtown area further by installing places for people to sit and congregate throughout the downtown.
- There are no other significant increases to the planning, building, economic development and conservation commission budgets.

Police/Animal Control/Communications

The overall Police FY17 budget has decreased by (\$46,496), or -1.2%. The decrease has been driven mainly by changes in personnel.

- Staff – The prosecutor contract is up \$3,773 or 4.9%. This contract is for a joint prosecutor through the county attorney's office who services Exeter and Hampton Falls. The costs are split 80/20 between the two communities.
- Patrol – Health insurance has decreased by (\$60,481) as a result of staff and plan changes.
- Communications – Sick replacement wages have increased by \$3,200 to account for hours dispatchers are out sick and must be replaced to maintain staffing. Regular overtime has been decreased by (\$3,200) to offset this increase.

Public Safety – Fire/EMS

The overall Fire/EMS/Emergency Management/Health FY17 requested increase is \$136,465, or 3.6%. Below are division highlights:

- Administration – The Fire Administration budget is increased 3.9%, or \$20,710. Wage and retirement costs for four full time personnel represent the majority of the increase. In addition, the physicals line item has been increased by \$855.

- Suppression – The Fire suppression budget is increased by \$124,005, or 4.1%. The budget request includes 2 new firefighter/paramedic positions, funded for 8 months. The fire suppression budget for FY17 also includes two new capital items totaling \$27,992. The first item is fire safety harnesses - \$15,500, and new physical fitness equipment - \$12,492 - for department use.
- Emergency Management – The emergency management budget is a requested increase of \$15,107. This increase includes public safety complex access and security upgrades of \$12,602 (local share). This is a match for a grant secured by the department.
- Health – The health budget has been reduced by (\$23,358). This is due to a decrease in mosquito control costs (\$4,770) and a reduction in capital outlay (\$20,000), related to the installation of a fence at the property leased by the Exeter Sportsmen’s Club.

Public Works

The overall Public Works general fund budget increase (not including Maintenance, see separate entry) is \$204,422, or 5.6%. Below are division highlights:

- Administration/Engineering – This budget requested increase is \$64,719, or 15.6%. Increases include wages and insurance from personnel changes, plus a onetime capital request of \$33,200 to purchase a digital repeater to match new radio technology of the fire and police departments for communication purposes (note: this request came in later than the CIP requests for 2017).
- Highways/Streets – The Highways/Streets budget is requested at a 2.0% increase, or \$38,870. The requested increase includes benefit changes of \$12,267 in health insurance, an additional \$10,000 to conduct a town wide tree inventory, and \$20,000 additional funds to replace all street signage with new signs to include the town seal.
- Snow Removal – The snow budget has been level funded at \$281,961 for FY17. The snow/ice budget is supplemented by a small capital reserve fund and it is recommended to continue to appropriate into the fund to mitigate expenses associated with heavy snow/ice seasons. Snow and ice removal, even in good years, has become more expensive due to the heavy costs of removing snow from the downtown area, where removal efforts can exceed \$30,000 per night.
- Solid Waste – The solid waste budget is increased \$100,755, or 11.9% over FY16. This increase is due mainly to an increase in the solid waste contract - \$69,000 estimated increase - plus the second year of increased transfer station hours \$9,851. The budget also includes an additional \$20,000 to cover the drilling of three new monitoring wells and associated monitoring costs at the Cross Road landfill site.
- Street Lights – The street lights budget has been level funded at \$150,000 for FY17. This includes \$145,000 for streetlight lighting costs, and \$5,000 for traffic light maintenance.

DPW – Maintenance/Garage

The overall Public Works Maintenance budget increase is \$43,875, or 4.1%. Below are division highlights:

- General – This budget has been increased by \$15,989, or 3.5%. Cost increases include a \$5,000 reallocation of fuel costs from the garage budget (these costs are incurred by maintenance personnel), and \$8,000 proposed for contracted snow removal from roofs at the DPW facilities. This is specialized work that is being requested to be budgeted by the department in lieu of using current personnel to perform this function.
- Garage – The garage budget is increased \$22,563, or 9.4%. This increase is mainly due to the full year funding of the full time mechanic position approved in FY16.
- Town Buildings – This budget is requested to slightly increase in the building maintenance budget - \$2,501 increase. All other utility budgets (natural gas, electricity) have been level funded for FY17. Anticipated changes in water/sewer rates are likely to offset any savings in the main utility accounts.

Welfare/Human Services

The welfare/human services budget has been decreased by (\$26,888) or -41.6%. This reduction is mainly due to the change in administration of the welfare program, which is now being done by the Executive Assistant position.

Parks/Recreation

The overall Parks and Recreation FY17 budget increase is \$1,251, or .3% over FY16. Below are division highlights:

- Recreation – This budget has been increased by \$4,234, or 1.4%. This increase is due primarily to wage increases for three full time and one part time personnel.
- Parks – The parks budget is decreased by (\$2,984) or -1.6%. Decreases are primarily due to savings in contracted services accounts (\$1,900) and landscaping supplies (\$2,530).

Other Culture/Recreation

The Other Culture and Recreation FY17 budget is \$45,451, which is the same amount as appropriated in FY16. This budget covers the following budgets:

1. Swasey Parkway Maintenance and parkway street lighting budget - \$10,000 maintenance, \$950 streetlights;
2. Arts Committee general fund budget - \$3,000;
3. Christmas Light contribution to downtown lighting - \$5,000;
4. Council on Aging - \$1 placeholder for inactive board;
5. Christmas Parade contribution - \$3,000 support to the parade committee;
6. Swasey Parkway summer concerts hosted by Parks/Recreation - \$9,000
7. Payments to the Exeter Brass Band members for their summer concert series - \$3,500
8. The annual Memorial Day veterans activities budget - \$3,500;
9. Fireworks for the annual independence museum festival - \$7,500.

Library

The Public Library FY17 budget increase is \$61,428, or 6.6% over FY16. The Library Director indicated this budget increase is due primarily to staff changes and the hiring of a full time position in the children's room, to replace part-time assistance.

Debt Service

The Debt Service budget is decreased by (\$84,895), or -10.9% from FY16. This reduction is due to the retirement of a train station stormwater project bond in FY16 (\$57,800 reduction) and declining interest costs (\$27,095) on debt issues.

Vehicle/Equipment Replacements, Leases, Capital Outlay

This budget is increased \$26,287, or 6.7%, over FY16. This budget includes current lease/purchase payments for Engine 2 - \$67,038, ends 2017, Ladder 1 - \$110,488, ends 2021, street sweeper - \$36,013, ends 2019, fire alarm truck - \$19,410, ends 2019, Sno-go - \$27,035, lease ends 2019, DPW Dump Truck - \$35,191, ends 2020, DPW light duty vehicles - \$15,662, ends 2020, Finance software - \$31,356, ends 2019, Police patrol motorcycle - \$3,000. Under cash vehicles, one police cruiser is being recommended for purchase - \$28,128 - while another is being recommended to be purchased out of the police detail fund. The vehicles budget includes a replacement of a Highway pickup emergency vehicle for \$38,182. Two cash vehicles have been deferred, a small dump truck in DPW - \$87,800, and the 2008 Fire Command Car - \$43,112.

Capital Outlay – There is a request in the 2017 budget to procure a GPS system - \$8,905 - for up to 20 town vehicles. This system will include a location and landmark tracker to allow for better route management, enhanced reporting on vehicle downtime and use, and allow supervisors to review vehicle use to gain efficiencies in operations. The software has several helpful applications to assist the town in creating metrics to better manage its overall vehicle fleet. A software demonstration was held for the town manager and IT departments and can be held for the budget recommendations committee and selectboard to fully understand the software's capabilities.

Benefits/Taxes

The benefits and taxes budget includes town wide expenses for the health insurance buyout program, unemployment, worker's compensation, and property/liability insurance. In addition, the health insurance reserve of 7% is being held in this year's benefits and taxes budget, pending approval of new health rates in October 2016.

This overall budget is increased \$182,854, or 44.1%, over FY16. The increase as stated above is due mainly to holding a health insurance reserve in this budget until the Town is rated for health insurance in October (reserve amount \$161,325). This budget also includes increases in town-wide worker's compensation (\$16,774, 9.0%). Primex rates for worker's compensation and property/liability insurance will be known in October 2016.

Revenue Sources for the FY17 Budget

Property Value Trends

The Town's taxable base consists of over 6,200 residential and commercial properties. As of September 2016, this amount totals nearly 1.7 billion dollars of taxable value, an approximate 2.0% increase over values as of September 1, 2015. The town also has over \$133 million in non taxable value in land and buildings, and issues another 32 million annually in various property tax exemptions. The Town's value base has begun to grow again in recent years, with several developments either permitted or underway, in both the commercial and residential areas. Some commercial developments in the new Epping Road tax increment financing (TIF) district will provide tax revenues specifically to that district to offset a future bond aimed at developing other properties within the TIF. While the town's base continues to trend in a positive direction, the amount and cost of property tax exemption programs should be noted and understood, as these classifications and programs result in less overall available tax revenues and shift of the property tax burden from one group of taxpayers to another. The main exemption programs are 1) elderly exemptions; 2) veterans credits; 3) blind and disabled exemptions; 4) non-taxable property; 5) dining hall exemptions. It is worth noting that Exeter's three largest taxpayers are at least partially not for profit or educational in nature. In addition, since Exeter has such a range of housing values (the largest portion of the overall tax base), there can be large differences in the annual property tax bills of homeowners. All of these items have some kind of effect on the general affordability and desirability of Exeter in the face of ongoing service needs and expectations. These realities also ultimately reflect the overall property tax rate of the community.

FY17 General Fund Revenues

FY17 general fund revenues are estimated at \$6,247,032, a 5.74% increase from FY16 estimates of \$5,908,175. The Town successfully applied for and received a NOAA grant in the amount of \$610,000 to offset costs related to the Great Dam project, which was completed in 2016. These grant funds are being applied over a 3 year period (FY16, FY17, FY18) to continue to offset debt service related to the dam removal project. Using this methodology will result in deferment of any tax rate impact of this capital project until FY19. The largest components of Town general fund revenues are motor vehicle registrations (\$2,494,739 actual in FY15, \$2,600,000 projected in FY17), income from departments (\$1,019,345 in FY15), building permit revenues (\$418,095 in FY15, \$175,000 projected in FY17), and state shared revenues such as Highway Block Grants (\$271,120 in FY15, \$268,800 projected in FY17) and Meals/Rooms Tax (\$691,760 in FY15, \$691,760 projected in FY17). If revenues of \$6,247,032 are realized in FY17, expected tax effort to support a budget of \$18,379,316 would be \$12,132,284. This figure does not include approved warrant articles that are tax supported, overlay, or veterans credits. It is expected the Town will continue to use 95% of the EMS fund surplus annually to stabilize the Town tax rate. This surplus is being reduced by the ongoing ambulance replacement lease/purchase program, which is funded through the EMS fund. In recent years EMS revenues have also seen a small decline and it is recommended that EMS rates be updated once again to reflect current market conditions.

ENTERPRISE FUNDS

Water and Sewer Funds

The total water fund budget request is \$3,378,229, an increase of 13.2%, or \$393,186, over FY16. The total sewer fund budget request is \$2,455,363, an increase of 1.9%, or \$45,874 over FY16. Both water and sewer funds receive all revenues through water and sewer rates, not the property tax.

Water Fund

Administration – The administration budget includes overhead from general municipal departments (town manager, IT, human resources) along with DPW administrative overhead (director, town engineer, assistant engineer, engineering technician, office management). It also includes the water/sewer manager engineer position, water/sewer technician position, and temporary wages for seasonal personnel who serve the water/sewer department. Changes in the FY17 budget include an increase in property insurance (\$23,353) to cover insurance costs related to water infrastructure. In addition health insurance has been increased \$5,500 to cover plan changes. Total budget increase for this program is \$37,559 or 9.7%.

Billing – The billing budget includes administration of the billing program from the collections department located at the town office, the utilities clerk, and billing clerk functions. It also includes financial support allocations of the Finance Director, Accountant, Accounting Clerk, and proposed Purchasing Agent position. This budget has been increased by \$12,875, or 9.0%. This is mainly due to a full year allocation for the full time utilities clerk. It also includes an allocation for the proposed purchasing agent position - \$7,279.

Distribution – The water distribution budget covers operating costs related to the piping system, metering program, pump stations, and storage tanks. The distribution budget has been increased by \$47,783 or 5.8% over FY16. This includes the full year impact of the FY16 approved position of heavy system equipment operator (shared 50/50 between water and sewer), and a requested increase of \$33,385 in the metering and back flow budget.

Treatment – The water treatment budget covers costs related to operating the groundwater facility on Lary Lane, and the surface water treatment plant on Portsmouth Avenue. This budget has been increased by \$6,085, or .8%. Increases in building maintenance - \$3,000, equipment maintenance - \$3,500, THM consulting costs - \$10,000 - and lab testing - \$4,500 - are partially offset by savings in personnel, which has been reduced by (\$9,550) due to a retirement and replacement of a long time operator. In addition, chemicals have been reduced by (\$17,000) due to cheaper chemical costs related to the operation of the new groundwater treatment plant on Lary Lane.

Debt Service – Water debt service has been increased by \$294,114, or 36.4%, over FY16. This is due to the first year of debt payments due on the groundwater treatment plant - (\$307,095). This is a 20 year loan with 20% forgiveness.

Capital Outlay – Water capital outlay has been reduced by (\$5,230) or -6.9% over FY16. Capital outlay includes allocations for light duty vehicle lease/purchases and the water fund share of the new financial software lease/purchase. It also includes a request to replace truck #2 for \$58,010 (split 50/50 with the

sewer fund, for a cost of \$29,005 each fund). The current truck is a 2006 model. This replacement is described on page 53 of the CIP. Water system capital is reduced \$45,000.

Sewer Fund

Administration – The administration budget includes overhead from general municipal departments (town manager, IT, human resources) along with DPW administrative overhead (director, town engineer, assistant engineer, engineering technician, office management). It also includes the water/sewer manager engineer position, water/sewer technician position, and temporary wages for seasonal personnel who serve the water/sewer department. Changes in the FY17 budget include an increase in property insurance - \$5,131 to cover insurance costs related to updated sewer infrastructure. In addition health insurance has been increased \$5,500 to cover plan changes. Total budget increase for this program is \$20,472 or 5.9%.

Billing – The billing budget includes administration of the billing program from the collections department located at the town office, the utilities clerk, and billing clerk functions. It also includes financial support allocations of the Finance Director, Accountant, Accounting Clerk, and proposed Purchasing Agent position. This budget has been increased by \$12,900, or 9.0%. This is mainly due to a full year allocation for the full time utilities clerk. It also includes an allocation for the proposed purchasing agent position - \$7,279.

Collections – The sewer collections budget covers operating costs related to the sewer system, lift and pump stations, and abatement program. The collection budget has been reduced by (\$13,792) or -1.9% over FY16. This is due primarily to decreases in I and I abatement (\$30,000) and pump and control maintenance (\$12,000). These reductions are offset partially by proposed rehabilitation of the River Bend pump station - \$18,000 increase, and the full year impact of the heavy system equipment operator – a \$17,827 increase.

Treatment – The sewer treatment budget covers costs related to operating the sewer treatment facility on Newfields Road. This budget has been increased by \$31,983, or 6.8%. Increases in outfall dredging - \$8,000, industrial pre-treatment - \$5,500 and wages/benefits - \$17,983 are the main increases in the treatment budget.

Debt Service – Sewer debt service will decrease (\$44,328) in FY17 due to retirement of the Water Street separator project (\$27,200) and decreases in interest expense (\$17,128). These decreases will be partially offset by a final BAN interest payment on the new wastewater facility of \$28,005.

Capital Outlay – Sewer capital outlay has been increased by \$38,571 or 46.1% over FY16. Capital outlay includes allocations for light duty vehicle lease/purchases and the sewer fund share of the new financial software lease/purchase. It also includes the sewer fund portion of the truck #2 replacement which represents 50% of the total cost of \$58,010, or \$29,005. The current truck is a 2006 model. This replacement is described on page 53 of the CIP.

Revolving Funds

The Town has three revolving funds which are non-appropriated funds. This means the funds are not approved by town meeting but are administered under the guidance of the Board of Selectmen. The three funds are Recreation Revolving (approximate value \$536,600); EMS Revolving Fund (approximate value \$440,000), and Cable Television PEG Fund (approximate value \$125,000). These funds provide funding for various programs and services outside the general fund and therefore have no impact on property taxes. The primary revenues for the Recreation revolving fund are program fees and the annual powder keg festival; the EMS fund EMS revenues, and the cable television PEG revolving fund, franchise fee revenues. Cable TV Fund revenues are split 50/50 with the general fund. The current franchise fee generates approximately \$230,000 per year in gross revenues.

OTHER BUDGET AND WARRANT ITEMS

Bond Articles – All Funds

Bond articles that result from CIP (capital improvement program) projects are discussed and prioritized each year by the Budget Recommendations Committee and Selectboard. Ultimately the selectboard decides which CIP items move to the bond hearing phase to be proposed to the town through the town warrant. The town has several capital projects pending which due to their scope and cost are being recommended to be considered as bond issues. Some projects are 100% general fund, others are split amongst the general, water, and sewer funds. Below is a summary of potential bond articles for FY17.

General Fund: Court Street Bridge/Culvert Project - \$1,381,000. This project is covered on page 19 of the FY17-22 Capital Improvement Program. If voters approve the bond for this project, construction will commence in 2017 as a design has already been completed. This project was deferred in the 2016 capital improvement plan process. Debt service for this project would be paid by the general fund.

General/Water/Sewer Funds – Lincoln Street Project Phase 2 - \$2,802,000. This project is described on page 21 of the FY17-22 CIP and includes water, sewer, road, sidewalk and stormwater improvements on Lincoln Street. This phase of the project would complete work on Lincoln Street subsequent to the recent water line replacement and sewer work done in the corridor. Debt service would be shared by the general, water, and sewer funds.

Water Fund: Washington Street Line Replacement - \$814,000. This project is described on page 26 of the FY17-22 CIP. The Washington Street water line is one of the oldest in the town's system (1880's vintage) and has suffered many breaks over the last 5-6 years. It is a high priority for replacement. Debt service for this project would be paid by the water fund.

SWTP (Surface Water Treatment Plant) – TTHM Treatment - \$1,500,000. This project is described on page 24 of the FY17-22 CIP. Final amount is to be determined. The town is currently not in compliance with recently changed water quality standards with respect to THM's (tri-halo methanes). The town needs to be compliant with the new standards or face potential fines from EPA and NHDES regarding non-compliance.

General Fund: Recreation Park Redevelopment - \$8,937,225. This project is discussed on page 7 of the CIP. This project involves a full scale redevelopment of the Recreation Park at 4 Hampton Road including running utilities to the site, improving parking and layout, adding lighted baseball and turf fields, and a new parks/recreation building for the Parks/Recreation Department. The project will touch 22 of the 26 acres on site.

General Fund: Fire Substation, Epping Road - \$2,810,000. This project is discussed on page 10 of the CIP and should be considered in conjunction with the renovation project for the current public safety complex covered on page 15 of the CIP. Total cost for both projects is estimated at \$3,810,000.

Warrant Articles

In addition to the above, several warrant articles are itemized for discussion. The total amount of these potential warrant articles excluding the individual articles is \$736,476. These include:

Dam Removal Obligations - \$151,000. The town will continue to incur obligations related to removing the Great Dam in 2017 and beyond. This includes three years of monitoring (\$20,000), cultural mitigation via the section 106 Memorandum of Agreement (\$40,000), stream adjustments (\$31,000) and a FEMA letter of map revision (LOMR) (\$60,000) documenting adjusted flood maps for insurance purposes.

Sidewalks - \$120,000. This project continues efforts at sidewalk replacements in the greater downtown/urban compact areas of the town. Potential projects in 2017 include Center Street and Front Street in the area in front of the 47 Front Street building.

Pedestrian Improvements - \$108,252. This project is described in the FY17-22 CIP on page 3. The project would be 80% funded via a TAP grant (total amount \$541,261). This project would include sidewalk replacements and new sidewalks within the urban compact to include Epping Road, Winter Street, and Spring Street. This will create a natural pedestrian connection to the Park Street Common as well.

Human Service Agency Funding: \$108,035. Human Service agency requests are level funded in 2017 at \$108,035. This number was established after lengthy discussions during the FY16 budget deliberations.

Town Hall Code Compliant Staircase - \$100,000. This project has been reduced in scope to \$100,000. The original project is described in the CIP on page 13. The project pricing includes using all outside labor. It is recommended to use at least some in house labor on the project, reducing the cost.

Downtown Traffic and Parking Analysis: \$50,000. This project is described on page 5 of the FY17-22 CIP. If approved, a consultant would be hired to conduct a comprehensive review of traffic in the downtown district (Water Street, Center Street, Front Street areas) and Lincoln Street. This study will result in recommended solutions for both short and long term regarding parking and circulation.

DPW Highway Backhoe Lease/Purchase: \$169,723, first year appropriation \$38,188. The Highway department is requesting replacement of a 2004 backhoe. This is being recommended for a

lease/purchase due to its price. Estimates on a 5-year lease/purchase at 2.50% net a first year cost of \$38,188. This submittal is covered in more detail on page 39 of the FY17-22 Capital Improvement Program.

Replace Dump Truck #27 - \$159,438, first year appropriation \$36,001. This project is covered on Page 49 of the CIP. This is the final replacement of the 2004 year dump trucks, and is proposed for a 5 year lease/purchase. The current truck is showing signs of rust and corrosion. Dump trucks are the ‘work horses’ of DPW and are used in everyday activities by the Highway Department in addition to heavy use during snow/ice season.

Complete Streets study - \$25,000. This project is described on page 2 of the FY17-22 CIP. The town needs to conduct an inventory of eligible streets for a complete streets application. The complete streets concept includes looking at overall planning for road construction projects to take into account pedestrian flow, bicycle flow, ADA needs, and other alternative modes of transportation. This study would itemize the best places in town to take a complete streets approach and recommend a policy for future capital projects.

Warrant Article Summary

| Article | Amount | Notes |
|------------------------------------|-------------------------|--|
| Dam Removal Obligations | 151,000 | General Funds, Special Warrant Article |
| Pedestrian Improvements | 108,252 | Grant funds 80% amt is match for 541K |
| Continue Sidewalk Program | 120,000 | General Funds, Appropriate to CRF |
| Human Service Agencies | 108,035 | General Funds, Customary Article |
| Town Hall Code Compliant Staircase | 100,000 | General Funds, Special Warrant Article |
| Downtown Traffic-Parking Analysis | 50,000 | General Funds, Special Warrant Article |
| CAT Backhoe #41 | 38,188 | General Funds, Lease/Purchase, 5 year |
| Dump Truck #27 | 36,001 | General Funds, Lease/Purchase, 5 year |
| Complete Streets Study | <u>25,000</u> | General Funds, one time expense |
| Total Warrant Articles | <u>\$736,476</u> | |
| | | |

Total General Fund Appropriations. The total preliminary general fund appropriations for FY17 are \$18,943,250. This is a 6.17% increase, or \$1,100,416, over total general fund appropriations for FY16, which were approved at \$17,842,834* at the March, 2016 election. The total general fund appropriations compare all proposed budget items and general fund warrant articles, year over year.

*Note: \$125,000 in additional appropriations approved to come from unreserved fund balance are NOT included in this figure (\$75,000 sick leave trust appropriation, \$50,000 snow/ice appropriation) as those appropriations did not impact the property tax rate.

CIP Deferrals

- Fire - Engine 4 Replacement. This is recommended to be brought forward for the 2018 budget season when the lease/purchase for Engine 2 is retired. This will smooth the impact of a lease/purchase as the last lease payment for Engine 2 will be made in 2017.
- Fire – Portable Radios - \$149,037. This is recommended to be brought forward for the 2018 budget season.
- DPW – Dump Truck #9 purchase (\$87,800) has been deferred.
- Fire – Replacement of Car #3 (\$43,112) has been deferred.
- Planning – Bike Path Study (\$25,000) has been deferred.
- Town Hall Lower Level Renovation (\$115,000) has been deferred.
- Recommended 1 Police Cruiser be purchased from detail fund (reduction already shown in budget of \$28,128)
- Newfields Road Main Extension (\$1,554,000). Although deferred, this project should be discussed.

Other

As always, these requests are meant to create a framework for a meaningful budget deliberation throughout the budget season. I would again like to thank the town departments for their efforts on their FY17 budget submittals.

Respectfully submitted,

Russell Dean
Town Manager