



TO: Hanover Selectboard  
FROM: Julia N. Griffin, Town Manager  
DATE: February 21, 2022  
SUBJECT: **Proposed Budget for Fiscal Year 2022-23**

The Town Manager's Proposed Budget for FY 2022-23 is attached, containing requests for the General Fund, Fire Fund, Ambulance Fund, Water Reclamation Facility Fund, Water Utility Fund, and Parking Fund.

### **Current Political and Fiscal Climate**

Town staff has developed a FY 2022-2023 Proposed Budget for the Board and Town Meeting consideration amidst: 1) an ongoing COVID pandemic and related economic uncertainty, particularly relating to the impacts of supply chain unreliability, inflation, looming interest rate hikes and a nationwide shortage of workers, all of which make projecting future revenues and expenditures unusually challenging; 2) the opportunity/need to plan for potential substantial federal grant funds for projects ranging from broadband extension to underserved rural areas of Hanover; infrastructure enhancement opportunities involving roads, bridges, wastewater collection and treatment; to potential scaled-back Build Back Better funding for renewable energy and sustainability infrastructure as well as numerous social welfare enhancement opportunities; 3) a NH Legislature which has made a hard turn to the right, resulting in proposed seismic impacts on multiple revenue and programmatic fronts if any of the legislation currently being debated in the House and Senate is signed into law; and 4) a general lack of agreement regarding what the next 12-24 months will bring on all fronts, made even more challenging in recent weeks as a Russian invasion of Ukraine looms. In this context, we generally opt for "conservative" on the revenue front while also envisioning potential significant infrastructure expenditures but only if the grant revenues to fund those projects are forthcoming in FY 22-23.

### **On the Federal Front**

The federal government has been working feverishly to unlock pandemic relief, economic resuscitation, climate change mitigation and social welfare reform funding for state and local governments since February 2021, and cities and towns have been busily planning for expenditure options and opportunities. In this current situation, I am grateful that we have staff watching closely for opportunities and a demonstrated track record for both successfully assembling competitive grant applications and managing federal and grant funds.

In August 2021, Hanover received the first half of what will ultimately be \$1.2 million in **State and Local Fiscal Recovery Funds (SLFRF), a part of the American Rescue Plan Act**

**(ARPA)** adopted by Congress and signed into law in spring 2021. This funding is intended to aid directly in pandemic recovery. The second half of the funding will arrive in August 2022 and the funds must be fully obligated by the end of 2024 and fully expended by the end of 2026. Communities continue to receive refined federal guidance on just how we can utilize these funds and we recently learned that for any community receiving less than \$10 million in ARPA funds, literally all uses are eligible. Town staff has urged the Board to accrue the funds and wait to make final expenditure decisions, pending updates on the status of other federal funding programs including the recently adopted Infrastructure Investment and Jobs Act and the still pending and likely to be downsized Build Back Better Act.

In general, we anticipate that 2022 will be a busy year for grant-seeking on the part of Town staff. Cities and towns are beginning to receive policy briefings on the **Infrastructure Investment and Jobs Act** which was signed into law in late 2021. This act focuses on providing funding for a range of infrastructure programs including rural broadband extension; water, wastewater and stormwater transmission, collection, and treatment systems; and bridge, roadway, and related ROW improvement projects. Some of the programs will be administered as pass-through funding via the state and some will be administered directly by the relevant federal agencies. In addition, the proposed Build Back Better legislation contained multiple renewable energy and sustainability initiatives that were quite exciting for sustainability-minded communities like Hanover. While the original bill was not approved by the U.S. Senate, we hope that a somewhat smaller set of individual sustainability-related funding bills may ultimately gain support. The Town is poised to hop on several funding opportunities should they emerge on everything from installation of EV charging facilities to replacement of fossil fuel heating systems with central air source heat pump systems in our Public Safety and DPW Administration facilities.

The Town was also fortunate to receive approval for two projects funded via federal earmark funds thanks to support from our federal delegation, including \$271,000 to fund replacement of all Liberty-owned high pressure sodium streetlights with Town-owned LED fixtures (Congresswoman Kuster) and \$350,000 for construction of a multi-use path from Chase Field to the Ray School via neighborhood streets and along the Girl Brook trail from Verona Avenue to Reservoir Road (Senator Shaheen).

Town staff is also involved in regional working groups looking at options to resuscitate the struggling childcare sector in our region and to support renewed efforts at increasing the stock of both affordable and workforce housing. It is anticipated that federal funding may be available for initiatives on both fronts and the Town wants to be poised to step up to assist this region as funding opportunities emerge.

## **On the State Front**

Currently convening for the second legislative session of the 2021-22 biennium, observers of the NH Legislature are witnessing a 2022 session featuring increased political polarization, mirroring what we are seeing unfold around the nation and in Congress. In general, the New Hampshire Municipal Association and its member communities are spending significant amounts of time dealing with bills seeking to reduce the role and decision-making authority of local government at both the municipal and school district levels by questioning the ability of local communities to manage their own affairs. In the first two months of the session we have seen accusations of gerrymandering of the proposed NH congressional redistricting; several bills seemingly designed to “repair” what bill drafters claim is a lack of confidence in NH election procedures; and proposals to eliminate the right of municipalities to regulate short term rental properties, to eliminate the local public health authority currently held by NH municipalities, to

impose state-mandated property tax caps on local communities, and to prevent municipalities from adopting building codes that require increased energy efficiency in new construction – to name just a few of the worrying bills municipal officials have been dealing with. Most of these bills have been introduced by state legislators who purport to support the philosophical notion that “less government is better” and who see local control as antithetical to less government. What is odd is that their answer is to attempt to further centralize authority in the hands of state government. In other words, local control is ok so long as you agree with it, but if you do not agree with the outcome at the local level, you move to take local control away. From where I sit, it rather feels like the New Hampshire Free State edition of political authoritarianism – a very odd concept. Suffice it to say, in my 32 years managing in NH, I have never encountered a legislative session quite as polarized or nasty as this one has been. Many of us who advocate on behalf of our communities feel that we are spending an inordinate amount of time tilting at ideologically dangerous windmills.

On the state budget front, the 2021 legislative session was all about refusing to fund critical state programs by paring back revenue estimates to justify a lack of investment in the supportive fabric of NH society. To quote Gary Rayno’s February 12th update on the state budget in *InDepth NH*, “In budgeting 101, if you want to have a robust spending plan, you need a robust revenue stream, and if you want to put a lid on spending, you want to lowball the amount of money state taxes and fees bring in. While in theory they should be separate budget exercises, in NH they were not last session. If you reduce the amount of money coming into the state’s coffers, there is less money to be spent on things like fiscal capacity grants for poor school districts or case workers to protect children or additional money for childcare or long-term care services to help with staffing issues or mothers to return to work. The essentially miserly state budget approved last June did not have to be that draconian.”

Current revenue projections for the state’s 21-22 biennium are performing significantly above last year’s budget estimates, reflecting the impact of fiscally conservative legislators who reduced original state staff revenue estimates last session combined with a business economy which continues to out-perform projections. Unfortunately, NH cities and towns continue to suffer from this fiscally conservative effort to curb spending. Many legislative efforts, in part responding to municipal requests for the State to step up on the programmatic side by investing in state services to assist in pandemic recovery, were defeated during the 2021 legislative session due to opposition to expending more on additional staff, boosted state programs or resources. And, in Governor Sununu’s State of the State address on February 17th, he closed by urging all NH residents to go out to Town Meeting and fight to cut local budgets to lower their property taxes. His cavalier statement was ironic given the extent to which cities and towns in NH have had to manage the tax rate impacts of significant downshifting by the State year after year since 2008 when the NH Legislature, with support from one Republican and two Democratic Governors over the course of the ensuing 14 years, began their relentless campaign to cut state budgets by eliminating long-time funding for cities and towns. Included in those cuts:

- 1) Elimination of General Revenue Sharing in 2010 (Hanover impact was \$177,000 in lost revenue, equating to a 2.5% increase in the municipal tax rate);
- 2) Elimination in 2010 and 2011 of the 35% state subsidy of the employer-mandated contributions to NHRS on behalf of Group II municipal and school employees in 2012 (Hanover impact was \$210,000 or a 3.5% increase in the municipal tax rate impact);

3) Continued state refusal to share 40% share of total Rooms and Meals tax proceeds for cities and towns which is required under state law, instead sharing less than 20% of total proceeds on average (in 2022 terms, the equivalent of a 4-5% local municipal tax rate impact).

Combine these downshifted impacts with the State's march to defund a myriad of State programs in support of municipalities, school districts, counties and residents with heaviest impacts on the Department of Health and Human Services, Department of Safety, Department of Environmental Services, Department of Transportation, the Judiciary, and wholesale elimination of the Office of State Planning which previously provided valuable professional support for cities and towns, and you see the stunning operational impacts of fiscal conservatism.

In the FY 21-22 State budget, the Legislature voted to reduce the Rooms and Meals Tax from 9% to 8.5% to boost tourism. As an olive branch extended to municipalities for the biennium only, the NH Legislature and Governor Sununu agreed to distribute a higher percentage of the proceeds to cities and towns – even though the enhanced distribution is still well below the 40% that state law dictates that the State distribute to NH municipalities. The approximate \$200,000 increase in our Rooms and Meals tax allocation received in the current fiscal year helped us to lower the tax rate increase implemented in October and provides some revenue stabilization in the FY 22-23 budget. There is, however, no assurance that this level of shared revenue will continue in succeeding State budgets.

In the coming months, all NH municipal eyes will be on how quickly the state can receive the funds funneled to it by the Biden Administration stemming from the passage of the Infrastructure Investment and Jobs Act and then distribute these funds to eligible municipalities. In the past, given the relatively small size of the State's respective departments and divisions, it can sometimes translate to long delays before federal funding, designed to be administered at the state level, finally make its way to communities. From funding for potential broadband extensions in rural Hanover to that for roadways, bridges, and sidewalks, we may need to wait well into FY 22-23 before we know what requirements the state will impose and whether we will be eligible or selected for funding.

## **On the Regional and Local Front**

2021 was all about pandemic recovery, combined with adjusting to the new normal of repeated variant strains, resulting in the need for periodic reinstatement of COVID restrictions and learning how to be nimble while adjusting to ever-changing public health guidelines and challenges. Local businesses saw strong economic performance in the first quarter of FY21-22 as vaccinations became widely available, the spring virus surge began to wane, and tourism rebounded. We headed into the summer of 2021 feeling optimistic on the COVID front, although local employers were reporting severe staffing shortages in all employment sectors, precipitated by related shortages of workforce housing, the lack of childcare services for children, and supply chain challenges that kept manufacturing, restaurant, and retail businesses hopping as they tried to satisfy high demand triggered by what everyone hoped was the end of the pandemic. And then, just after we threw away our masks in June and thought we were returning to normal, the Delta variant hit in late July, followed by the Omicron variant in November. Having learned a lot about how to manage with the virus during the first 12 months of the pandemic, the Delta and Omicron variants seemed easier to manage through, but the anti-vaccination and anti-masking debate fueled significant disagreement at the employer and community level. Fortunately, in this well-educated and informed college community, on the whole, we have very high mask compliance, vaccination rates and thoughtful public health behavior.

Overall, our local downtown businesses are managing relatively well, albeit with fewer staff on hand and, in some cases, reduced operating hours reflecting lower staffing. I remain actively engaged with both the UVBA and with a local Business Recovery and Transformation working group, hosted by Vital Communities, which has been meeting since April of 2020. In general, we have witnessed the benefits of several rounds of federal funding for business stabilization and recovery, administered by both the state and federal government. Once our local business community moved beyond the first year and vaccinations were in place, the challenges have been largely on the employee recruitment and retention front for the reasons outlined above.

### **Local Initiatives on the Docket for FY 2022-23**

In keeping with our desire over the past five years to focus our energy locally and regionally in the face of general pessimism about the state of our state and our nation, the Town continued to move forward on many positive initiatives, even in the face of a pandemic. Some notable activities that have been particularly rewarding for residents, our wonderful volunteers and Town staff include:

#### **Ready for 100 Campaign – Year 5**

The Town's Energy Plan, adopted as part of our 2017 initiated Ready for 100 Campaign, includes four key elements designed to help us reach the community's goal of 100% renewably generated electricity use town-wide by 2030 and 100% renewably generated heating and transportation fuel by 2050.

Town of Hanover Must Lead by “Walking the Talk” - committed to leading by example, Town staff is continuing to implement energy efficiency and renewable energy improvements in all Town facilities with full support from the Selectboard and the Sustainable Hanover Committee. Solar panels were installed on the roof of the Police Department in 2016, Town Hall and the Water Reclamation Facility in 2019 and on the roofs of the Hanover Fire Department, the Public Works Department's Equipment Storage Building and the Salt Storage facility in 2020. On October 14, 2021, the Town of Hanover celebrated the completion of the two adjacent ground-mounted solar farms consisting of 4,560 panels adjacent to the Town Water Filtration Facility on Grasse Road. The 1.72 MW solar arrays will generate over 2 million kWh of clean electricity annually – enough to meet nearly 100% of municipal electricity needs through group net metering. At the time, it is the largest single-site municipal solar array in New Hampshire. According to the EPA, the 8-acre community solar farm will offset 3.2 million pounds of CO2 emissions per year, equivalent to the carbon sequestration of 1,816 acres of American forests and over 320 passenger cars driven for one year. By the January 1<sup>st</sup> of this year, the Town of Hanover is generating almost 95% of the electricity consumed by Town operations via solar panels located on Town property.

In addition, the Town continues to shift to electrification of its heat sources to reduce its overall fossil fuel consumption and shift heating and cooling to our solar panel-produced electricity. Town Hall, the Fire Department side of the Public Safety Building, the Howe Library and the Community Center are now served by networked heat pump systems while our older oil and propane furnaces remain simply as back-up. Next up will be tackling heat pump installation in the Etna Library (proposed for funding in this budget), the Police Department side of the Public Safety Building and the Public Works Administration Building, as well as energy efficiency improvements in the Howe Library and the Public

Works Administrative building. In addition, with the receipt of federal earmark funds, we hope to pursue replacement of all the high-pressure sodium fixtures on Liberty-owned streetlights with Town-owned LED fixtures. The Town pays for the electricity consumed by these very outdated lighting fixtures. Sadly, while the electric utility should be initiating this work, they refuse to fund these sorts of projects and so the Town must step up to fund the replacements directly.

- Helping Hanover Residents and Businesses Through Solarize and Weatherize Through NH Saves: During the latter half of 2021, Sustainable Hanover implemented Solarize Hanover 2.0 for a third year, designed to help Hanover residents take advantage of the 26% federal tax credit which was due to expire in 2022 but has been extended by the Biden Administration. As a result of the program, more than 250 local homeowners have added over 1.7 megawatts of either rooftop, ground-mounted or ground tracker-mounted solar panels – representing the largest number of residential solar installations within a single NH municipality.

Sustainable Hanover volunteers were also gearing up to begin implementing another round of Weatherize Hanover in the fall of 2021, a program which had to be paused in 2020 due to the pandemic. Anything the Town can do to encourage residents and businesses to “button up” their homes and commercial buildings will reduce overall reliance on home heating fuels and reduce overall electricity consumption. Sadly, the NH Public Utilities Commission threw a monkey wrench in the works in November 2021, essentially freezing funding for the NHSaves program. This program was on hold throughout 2021, awaiting a stalled PUC decision, leaving many home and business owners waiting in a queue to participate in the program and forcing many of the energy efficiency contractors to lay-off staff and cancel their programs planned for the 2021-22 construction cycle. Hanover joined Clean Energy NH and many other interested parties in protesting the unanticipated freezing of the program, participating in a lawsuit filed in Superior Court in December, as well as a series of media stories intended to shed light on the draconian and shortsighted nature of the PUC decision. As of this writing, the NH House has passed a bill reinstating the program by wrapping it into state statute. The NH Senate is poised to adopt the bill and it is anticipated the Governor will sign the bill into law as early as mid-April. In response to the Legislature’s actions, the PUC suddenly reversed their decision and opted to reinstate the program in mid-February in exchange for an agreement with the Office of the Consumer Advocate to drop a lawsuit appealing the original PUC decision to the NH Supreme Court.

The Town has provided free office space in our Public Works complex for a contract employee with Liberty whose job is to help commercial entities utilize the NHSaves program to implement energy efficiency retrofits in their businesses. This program has been very successful, and many local Upper Valley business owners have been assisted in lighting, insulation, window replacement and more energy efficient heating and ventilating mechanical equipment installations, all designed to help businesses reduce their electricity consumption and migrate away from fossil fuels. This consultant has secured more than \$1.0 million in energy efficiency rebates for local businesses in the Upper Valley over the past three years.

- Establish Regional Community Power Aggregation: In July 2021, Hanover Town Meeting adopted Hanover Community Power, the state’s second community-adopted electric aggregation plan (EAP) after Harrisville in May 2021. Lebanon quickly followed suit in September and the Community Power Coalition of NH was officially incorporated on October 1<sup>st</sup>. To date, 18 NH communities have voted to adopt the Joint Powers Agreement

and several of the current members of CPCNH are in the final stages of drafting their own community EAPs. The Board of Directors is actively engaged in start-up activities while also participating in the NHPUC's consideration of formal rules for the operation of community electric aggregations which should be adopted in spring of this year. Current plans include issuance of an RFP for electricity purchase on behalf of participating CPCNH member communities in spring 2023, which is the optimal time to bid on electricity.

- Power Purchase Agreement to Purchase New England-Generated Renewable Power: Sustainable Hanover continues to pursue the potential for entering into a Power Purchase Agreement (PPA) with a New England-based renewable energy generator, to lock in very competitive green power electricity rates for up to 20 years for institutional and commercial large users in the community, including Dartmouth College, Hypertherm, Sheridan Printing, Kendal at Hanover, and the Co-op Food Stores. Participation in long-term PPAs provides funding for construction of new renewable energy generators such as large-scale solar arrays, onshore and offshore wind farms and geothermal generators. Once CPCNH launches its first large-scale purchase of green power for retail customers in the participating communities, we hope to pursue packaging of a large scale PPA on behalf of Hanover's large-scale electricity users. Town staff is currently awaiting word on the willingness of a Tuck First Year Student team to assist us in designing a PPA proposal based on input from our large customers.

## **Workforce and Affordable Housing**

The recent pandemic, which resulted in a significant in-migration of new residents to our region seeking a healthier, non-urban environment, served to further underscore the serious lack of both workforce and affordable housing in the Upper Valley. The pandemic relocation phenomenon, combined with the lack of sufficient on-campus housing for Dartmouth undergraduates and College-owned off-campus housing for graduate students; rapid growth of DHMC without a concomitant increase in housing units to serve this population of employees, the general growth in the biomedical and high technology employment sector in the region; and the increasing popularity of the short-term rental market leading to the conversion of many single family homes and multi-family units to short-term rental use -- all of these phenomena have placed substantial pressure on the local housing market. In turn, excess housing demand has pushed up prices, reduced available inventory and shifted more units out of the affordable range. The recent "Keys to the Valley" report issued by the our region's three regional planning commissions in 2021, noted a shortage of almost 10,000 housing units in this region.

Dartmouth, DHMC and the region's other large employers must step up to help develop housing to meet the needs of their staff and students. Cities and towns must also focus on this need/ Over the past 15 years, Hanover staff has been actively working to facilitate development of more workforce and affordable housing units in Hanover. With the final purchase of the Mink Brook Community Forest property on Greensboro Road, Town staff will begin work with Twin Pines Housing Trust over the next year on the donation of approximately 7 acres of land set aside for construction of small, cottage-style, net-zero workforce housing designed for first-time home buyers. The combination of Town-donated land and TPHT's reputation and ability to secure financing from state and federal affordable and workforce housing partners is one very powerful tool the Town continues to utilize to advance the cause of increasing the diversity and affordability of our housing stock.

## Tax Rate Target

At the Board's meeting of December 6th, the Selectboard directed staff to submit a budget reflecting a tax rate increase of no more than 3.5 – 3.9%, based on November 1<sup>st</sup> and November 15th review and discussion of the five-year projections prepared for you by Finance Director Tina Stearns.

**The proposed budget detail reflects a municipal tax rate increase of 3.5%, which would take the current municipal tax rate of \$4.00 per \$1,000 of property valuation to \$4.14. This translates to a 4.0% increase in the tax levy and necessitates raising an additional \$431,171 in General Fund tax revenue above what is budgeted in the current fiscal year.**

## Budget Overview

The combined totals for the seven funds included in the Proposed Budget for FY 2022-23 recommend expenditures of \$30,825,881 which is a decrease of 0.4% below the total appropriations approved for FY 2021-22. Of the total, \$1,694,151 represents capital reserve and other reserve fund purchases which are fully offset by the appropriation of revenue to finance the purchases from their respective reserves. As such, the utilization of these reserved funds does not impact the proposed FY 2022-23 tax rate. The total capital reserve expenditure recommendations represent a \$536,751 or 46.4% increase over the FY 2021-22 Budget.

**The actual expenditures for all funds net of capital projects funded from capital reserves and other reserve funds represent a total \$29,131,730 or 1.4% below the FY 2021-22 Budget. The expenditure details are outlined in detail below, by fund.**

## GENERAL FUND BUDGET HIGHLIGHTS

The General Fund Proposed Budget for FY 2022-23 recommends appropriations totaling \$18,465,074, which represents an increase of \$296,724 or 1.6% above the appropriation for FY 2021-22. After accounting for the benefit of the growth in total assessed valuation (projected to be \$19.3 million) and netting out the General Fund's capital reserve expenditures totaling \$652,200 which are fully offset by the transfer in of revenue from various reserves, **a General Fund tax rate increase of 3.5% is required to fund this budget, taking the tax rate from the current \$4.00 to \$4.14, an increase of 14 cents per thousand dollars of valuation.**

### Revenue

1. The Proposed Budget assumes an estimated \$19.3 million increase in total assessed valuation which generates an additional \$79,902 in General Fund revenue at the proposed tax rate.
2. For FY 2022-23 we anticipate generating short term interest revenue of only **\$100,000** which is clearly much lower than the \$360,000 we were realizing and that we had originally projected to generate in FY 20-21. This is, admittedly, a conservative estimate given the Fed's announcement that they will begin a series of interest rate hikes in March of this year but given that we have under-realized our short-term interest revenue YTD, we have opted to be cautious in estimating this source of income.

3. NH Rooms and Meals tax revenue is budgeted to increase to **\$756,600** based on the increase in the State's distribution to cities and towns for the 2021-22 biennium, in part as an offset to the .5% decrease in the overall Rooms and Meals tax to 8.5% from 9.0% during the 2021 Legislative session. This \$170,000 increase each year over the current biennial state budget, while nice while it lasts, is not likely to be continued beginning in FY 2023-24.
4. Certain other non-tax revenues are conservatively projected to perform at about the same level they did in FY 20-21. While motor vehicle registration revenue held its own in FY 21-22, despite the pandemic's impact on the general economy, the worldwide supply chain interruptions and resulting reductions in car inventories have resulted in a general flattening of registration revenue in FY 21-22 and is projected to remain flat in FY 22-23.
5. The Proposed Budget reflects use of **\$28,500** in Undesignated Fund Balance (UDFB) to fund the installation of one ground-mounted solar tracker adjacent to the Etna Library.
6. The proposed budget includes **\$180,000** to be utilized from the Bressett Fund: **\$100,000** for the first of two pledges totaling \$200,000 toward the Hanover Improvement Society's fundraising effort to substantially renovate and expand Campion Arena; **\$40,000** to help fund substantial trail improvements to Pine Park as part of a comprehensive Park plan including trail upgrades, construction of a formal park entrance, and parking area at the end of Rope Ferry Road; and **\$40,000** to be appropriated and made available for opportunities that may emerge during FY 22-23, ranging from temporary seasonal skating rinks, pickleball court construction or holiday and special events.
7. As a reminder, two key payments for Town facilities will expire in FY 22-23 and 23-24, which will free up additional expenditure capacity or offset tax rates. In FY 22-23 the Town will make its final bond payment on the Community Center which is currently about \$75,000. In FY 23-24, the Town will make its final \$100,000 payment to the Dresden School District to offset the cost of the bond payments for HHS and RMS.

## **Expenditures**

1. In FY 2022-23, the total increase in General Fund Salaries and Benefits, reflects a year-to-year increase of 4.4%, representing an additional **\$527,805** of General Fund expenditures. The bulk of the increase is related to a recommendation to award a **3.0%** wage scale adjustment for all Town staff, along with the annual 2.0% step increases embedded in the Town's classification and compensation system. This increase also includes the impact of an 6.9% "guaranteed maximum price" increase in Town health insurance premiums; and factors in an increased amount budgeted for NHRS employer mandated contributions on behalf of employees based on FY 21-22 actuals. The recommendation to fund a 3.0% wage scale adjustment reflects consideration of both the Town's decision not to grant a COLA for FY 21-22 due to the uncertain impacts of the pandemic on the local economy, combined with the now 7.0% CPI increase experienced by New England, size B/C communities for 2021. All three bargaining units agreed to a one year contract with no wage scale adjustment for FY 21-22 and we are now in negotiations for successor contracts with these bargaining units for FY 22-24.
2. Additional funds (**\$15,000**) are budgeted in the Administrative Services Department as Town staff contemplates reorganization options for the Town Clerk function. Current elected Town Clerk Betsy McClain, who wore this functional hat as the Town's Administrative Services Director, has indicated she does not plan to run for re-election in

May now that she has retired from the Town. Under NH statutes, cities may appoint the most qualified individual to serve as a full-time City Clerk and they need not be a resident of the city. Unfortunately, the NH Legislature and former Secretary of State Gardner, have repeatedly refused to extend that ability to NH towns. As such, our municipal Town Clerks must be elected and must reside in the community in which they serve. This is much easier said than done given both the cost of housing in Hanover and the difficulty of recruiting an individual to this professional position given the significant legal liability related to elections administration which falls on the shoulders of the Town Clerk function. In short, individuals who live in towns are not lining up to run as Town Clerk and work as a full-time staff member. As such, Town staff is currently debating how we might fulfill this elected requirement while still insuring we have available on staff the full-time expertise of a staff member acting in the critical Town Clerk function.

3. Funds are budgeted in the Planning and Zoning Department to hire a full-time Rental Housing Inspector position, designed to be fully offset by implementation of the proposed Rental Housing Inspection program which is projected to generate **\$100,000** in annual revenue. The launching of this program is dependent on adoption of an enhanced Rental Housing Inspection ordinance by the Selectboard.
4. Funds are budgeted in the Information Technology Department for the one-time cost of transitioning the Town's website to a significantly upgraded platform recently developed and launched by our current municipal website host, CivicPlus (**\$45,000**). CivicPlus is the largest municipal website developer and host in New England, and we have been very happy with the quality of the product and their customer service. The new municipal website platform they have developed is much more robust and will enable Town staff to provide considerably more information and to incorporate more interactive elements. Additional funds are also budgeted for cyber security enhancements (**\$6,000**) designed to reduce the likelihood that employees will fall victim to cyber phishing attacks targeting the Town's IT infrastructure.
5. Both the Howe Library and the Etna Library propose to eliminate late fee charges for overdue material, citing a prevailing trend in the world of public libraries (**\$11,500 Howe and \$150 Etna**).
6. Funds are budgeted for the construction of additional bookcases and the purchase of some additional furnishings to be placed in the recent rear addition to the Library (**\$4,000**) enable use as collection display.
7. An increase in full-time salaries is included for the Howe Library's previously full-time Head of Youth Services position, which was reduced to a .85 FTE position at the request of the incumbent several years ago (**\$5,000**).
8. The Parks and Recreation Department reinstates funding for the Community Center's Administrative Assistant position (**\$46,208**) after freezing the position in the current fiscal year upon the retirement of the previous incumbent in late 2020. The decision was made to freeze the vacancy at the time because the Community Center remained closed to the public and we opted to utilize the savings as one of our budget reduction decisions while we worked through the pandemic and could assess the long-term impact on the Town's financial condition. As the pandemic has begun to recede and the Community Center is moving toward a full reopening, this position is critical to the operation of the facility.

9. In the Grounds Division, funds are added for the anticipated need to begin removing some of the Town's ash trees given the arrival of the emerald ash borer (**\$12,500**). Beginning last summer, our Arborist contracted with a local tree company to begin prophylactic treatment of many of our larger ash street trees in the Downtown area in the hopes of protecting those trees from this destructive beetle, but it is inevitable that street and park trees will now need to be removed as they are infected and begin to die.
10. Two police cruisers, both used by senior staff, are proposed for replacement in FY 22-23 as part of the regular 7-year replacement cycle for these two vehicles, which are not used as heavily or subjected to as much wear-and-tear as are the patrol cruisers typically replaced at the 4-year mark (**\$97,000**). Funds are available in the Police Vehicles and Equipment Capital Reserve Fund for these replacements. Funds are also budgeted to replace the old chairs and tables in the Town's Emergency Operations Center/Police Department Conference Room (**\$10,250**) but the purchase is offset by a 50% federal Homeland Security and Emergency Management grant administered by the NH Department of Safety (**\$5,125**).
11. Highway Equipment Capital Reserve Fund purchases total **\$263,100**, offset by a transfer in from reserve of that amount. This withdrawal will fund the replacement of the one of the Town's 6-wheel dump trucks (**\$210,000**), major repairs on the Town's bulldozer to extend the vehicle's life (**\$35,400**), and construction of a small calcium chloride storage shed (**\$17,700**). Calcium chloride is the liquid material utilized on Town roads and sidewalks in advance of a storm to reduce our road sand and salt applications during storm events.
12. Funds are withdrawn from the Municipal Transportation Improvement Reserve for installation of a sidewalk segment on Reservoir Road from Hemlock to the Strong Trail (**\$23,600**). This is a priority segment to enable children to walk more safely to and from the Grasse Road neighborhoods.
13. Funds are withdrawn from the Building Capital Reserve (**\$268,500**) for replacement of deteriorating flooring (**\$70,000**) and replacement of single pane windows with energy efficient windows (**\$22,000**) in the Public Works Administrative building; parking area repaving, installation of a security gate system and construction of a glass recycling drop-off area at the front entrance at the Public Works Department (**\$92,000**); and replacement of the membrane roof of the Community Center (**\$58,000**).
14. Funds are recommended for withdrawal from General Fund Undesignated Fund Balance to fund installation of a ground-mounted solar tracker unit adjacent to the Etna Library to provide electricity for the building (**\$28,500**).
15. Revenue is received from Dartmouth College for the rebuild, with curbing and sidewalk, of College Street between E. Wheelock and Wentworth (**\$336,000**) and the offsetting expenditure is budgeted for the construction work that will be implemented by the staff of DPW. In addition, two federal earmark grants for replacement of outdated Liberty-owned high pressure sodium streetlight fixtures with Town-owned LED fixtures (**\$271,000**) and for construction of a Multi-Use Path from Chase Field to the Ray School via the Girl Brook corridor from Verona to Reservoir Road (**\$350,000**) are budgeted. These three projects along with the Reservoir Road/Strong Trail sidewalk segment construction will make up the bulk of the Public Works Department's major construction projects for the upcoming fiscal year.

## **FIRE AND AMBULANCE FUND HIGHLIGHTS**

### **Fire Fund**

The proposed FY 2022-23 budget recommends Fire Fund expenditures of \$3,843,104, representing an increase of \$8,128 or 0.2% over the FY 2021-22 appropriations.

Funding for the Fire Department is substantially provided by property taxes assessed to three different fire districts: Fire District #1 serviced by fire hydrants; Fire District #2 not serviced by fire hydrants and west of Moose Mountain; and Fire District #3 not serviced by fire hydrants and east of Moose Mountain. The costs related to the fire hydrant system are borne only by those taxpayers in Fire District #1; all other costs are shared equitably among the property valuation in Fire Districts #1 and #2; and Fire District #3 pays one-half of the Fire District #2 rate in recognition of the delay in service delivery given their remote location.

The proposed Fire District tax levy for FY 2022-23 is projected to increase by 0.5% (or \$18,165; from \$3,511,156 to \$3,529,721). With growth in the Town's total assessed valuation of \$19.3 million, if the projected tax levy were recovered through one tax rate across all Town properties, there would be a 2.8% tax rate decrease to fund the proposed Fire Fund budget, taking a "blended" Fire District rate down from the current \$1.32 to \$1.28.

There are several items of note in the Proposed Fire Fund Budget:

1. In FY 2022-23, there is an overall decrease in total Fire Fund Salaries and Benefits, reflecting the recommended 3.0% cost-of-living adjustment, the annual 2% step increases, and a 6.9% "guaranteed maximum" increase in health insurance premiums. These increases, however, are essentially fully offset by the departure of four more senior Firefighters who are replaced with four new staff at lower steps in grade.
2. Funds are proposed to be withdrawn from the Fire Capital Reserve Fund for the replacement of the reserve engine now stationed in the Etna Fire Station with a smaller and much more versatile and less expensive utility vehicle (**\$218,801**).
3. Additional funds are also withdrawn from the Fire Capital Reserve Fund for installation of air-to-air heat exchangers (**\$45,000**), additional plumbing repairs (**\$16,500**), the next phase of replacement of old, energy inefficient exterior metal doors (**\$15,000**) and replacement of the building's old garage door openers (**\$9,000**), all in the Main Station.

### **Ambulance Fund**

The FY 2022-23 budget for the Ambulance Fund recommends expenditures of \$1,049,112, which amounts to a net increase of \$23,503 or 2.5% above the FY 2021-22 budget. The minor increase results from the purchase of additional dive team equipment and provision of additional training for the dive rescue function which has become the specialty rescue function of the Hanover Fire Department as it serves the mutual aid area.

An 8.6% increase in the per capita support fee for the provision of ambulance services to our participating communities is recommended in FY 2022-23, increasing from **\$40.22** to **\$41.31**.

<b>Town</b>	<b>FY2020-21 Contribution</b>	<b>Proposed FY2021-22 Contribution</b>
Hanover	\$319,059	\$327,637
Lyme	\$ 69,025	\$ 72,0787
Norwich	\$137,326	\$149,195
<b>Totals</b>	<b>\$525,409</b>	<b>\$548,912</b>

### **WATER UTILITY FUND HIGHLIGHTS**

The recommended expenditures in the Water Utility Fund for FY 2022-23 are \$2,566,669 which represents an increase of \$356,721 over the FY 2021-22 appropriation. Of this total appropriation, **\$509,000** is proposed to be funded by the Water Utility Capital Reserve Fund. No increase in water rates is anticipated.

In FY 2022-23, the capital projects to be funded by the Water Utility Capital Reserve Fund are: **\$311,300** for the draining and both interior and exterior repainting of the Greensboro Road tank, **\$111,000** for replacement of the third of four filtration modules in the filtration plant, **\$49,000** for purchase of an electric vehicle for the Utility Engineer position, and **\$32,700** for SCADA system and instrumentation upgrades.

In FY 2021-22 the Water Fund made its final principal and interest payments totaling \$304,708 for replacement of a water tank and in FY 2027-28 will make final principal and interest payments on the Water Filtration Plant totaling \$455,937. Expiration of the first bond now begins to free up additional expenditure capacity which will enable Town staff to begin planning for replacement of old secondary water distribution lines. Staff has developed a comprehensive secondary system replacement plan which they will be recommending for implementation combined with the roadway paving schedule. Staff will also be reviewing the eligibility of these projects for potential funding from the federal Infrastructure Investment and Jobs Act.

### **WATER RECLAMATION FACILITY FUND HIGHLIGHTS**

The recommended expenditures in the WRF Fund for FY 2022-23 are \$2,988,714 representing a decrease of \$658,146 or 18.0%, resulting from the lack of capital projects planned for implementation in the upcoming fiscal year.

Funds are withdrawn from UDFB (**\$131,187**) to balance the operating budget for the upcoming fiscal year. Due to the extremely healthy state of the WRF UDFB, staff opted to recommend this approach for FY 22-23 rather than bring any wastewater fee increase recommendations to the Board as we await completion of the initial water reclamation plant upgrade study which is being completed for the Town by our consulting engineers, Wright Pierce. As staff has noted over the last several years, one issue we continue to watch very closely is the status of the EPA's position on nitrogen and phosphorus removal through the wastewater treatment process. As the Board is aware, our most recent NPDES permit, issued four years ago and good for five years, requires us to test for nitrogen and phosphorous which we believed was a precursor to the EPA requiring the Town to implement removal technology as part of issuance of our next NPDES permit in 2023. Town staff began a study of the options with Wright Pierce in 2020 and that work is now almost completed. It

is anticipated that by fall of 2022, we will be ready to present to the Board both the rate recommendations and an assessment of future capital investments required in the WRF. With the recent transition from the Trump to Biden Administration, it is still too early to guess which direction the EPA is likely to take on the nitrogen and phosphorous removal front but initial conversations with EPA staff in late 2021 point to the need for the Town to fund a very expensive water reclamation facility upgrade in the next two years as part of the new NPDES permit to be issued for the facility in the next 12-24 months.

It should be noted that in FY 2026-27, the Water Reclamation budget will see the completion of bond principal and interest payments on the last plant upgrade, which will result in an additional \$500,000 expenditure savings. This will likely occur just in time to begin funding payments on a bond to install nitrogen and phosphorous removal technology at the plant if required by the EPA. In addition, the WRF Undesignated Fund Balance is very healthy, providing an additional cushion for future upgrades if required.

### **PARKING FUND HIGHLIGHTS**

The Parking Fund Budget for FY 2022-23 anticipates expenses and revenues of \$1,913,208 which is an increase of \$81,700 or 4.5% above the FY 2021-22 appropriation, reflecting a return to a more ambitious CIP agenda for the upcoming fiscal year.

The Parking operation was the hardest hit of our Town operations resulting from the pandemic. Our revenue projections for FY 22-23 are not as conservative they were for FY 21-22, and we continue to be cautiously optimistic that we may begin to return to more normal revenue actuals as we head fully into FY 22-23.

Staff plans to implement several capital projects in FY 22-23, including five projects proposed to be funded with a withdrawal from the Parking Facility Capital Reserve of **\$269,150** to: implement the second phase of the garage lighting enhancement (**\$124,500**); install a 911 call box wireless mesh network in the facility to enhance user security (**\$38,650**); installation of additional EV charging stations based on demand (**\$50,000**); repair of a leaking joint in the structure (**\$20,000**); and installation of security cameras on the exterior of the parking garage and in parking lot 1 (**\$36,000**).

As Dartmouth looks toward renovation and expansion of the Hopkins Center, the Town will need to engage in a serious parking discussion with the College about the need for more College facility-related parking in the downtown area if downtown offices are reoccupied and business rebounds to something approaching pre-pandemic levels that will likely result in increased parking demand that will exceed supply. The logical location for construction of new College-related parking is either on the FO&M site or within the Sargent Block. If the College were to add parking to serve expanded use of the Hood and HOP along with the Hanover Inn and Admissions Office, the Town would likely not have to invest in increased parking inventory in the Downtown area for the foreseeable future.