



TO: Hanover Board of Selectmen

FROM: Julia N. Griffin, Town Manager

DATE: February 19, 2016

SUBJECT: **Proposed Budget for Fiscal Year 2016-17**

The Town Manager's Proposed Budget for FY 2016-17 is attached, containing requests for the General Fund, Fire Fund, Ambulance Fund, Water Reclamation Facility Fund, Water Utility Fund, and Parking Fund. Please note we will distribute the Housing Fund Budget as a separate document over the coming weeks as it is only subject to a public hearing by the Board of Selectmen acting as the Housing Authority Board and does not require Town Meeting approval.

Current Fiscal Climate

In last year's budget transmittal message, I indicated that "it would seem we have entered a transitional phase in the U.S. economy, and the local economy is also improving, showing some signs that the downturn is over, but several potential problems still loom. Whether or not all of these potential problems come to pass will likely determine the angle of ascent on the recovery curve." Suffice it to say, this past year has been an interesting study in mixed signals – while we have seen some trends that are heartening, others are less so. In general, we see a mixture of optimism and worry at the national political and economic level as well as at the state level. The upcoming presidential election – characterized by the worst political acrimony I have seen in my lifetime; the state of extreme volatility in the stock market; rapidly falling oil prices; sluggish economic recovery that has remained difficult to forecast accurately; significant political instability on the world scene; and a faltering Chinese economy combined with the shaky state of the Eurozone -- all promise to make the upcoming fiscal year one that will be very hard to predict. Cautious optimism was the word this time last year; this year I am thinking that optimism and pessimism hang precariously in the balance.

On the plus side of the column, we continue to see signs of positive economic activity and modest revenue growth at the local level. As we witnessed beginning last

year, continually falling gas prices support an increase in local new car purchases, including larger vehicles, which have boosted our motor vehicle revenue. Residential and commercial construction activity are up somewhat, with a healthy increase in building permit revenues after several years of revenue shrinkage. Dartmouth is preparing to launch another major capital campaign and on the campus several major construction projects loom, with new construction or renovation of six new faculty homes associated with the residential cluster project first in line, followed closely by the renovation and expansion of the Hood Museum and the construction of two cluster related student social spaces. Given all of the other projects on various front and rear burners on campus, staff expects the next decade to be another busy one in terms of College construction. While vacancies currently exist in Downtown Hanover, the significant number of retail vacancies that opened up last spring are all well on their way to being filled with several new and relocated businesses due to open this spring/summer. Overall the downtown rental market remains relatively robust. Spring will reveal whether or not the residential real estate market continues to lead the local real estate market out of post-recession recovery. Inventory is low and demand appears very strong.

On the minus side, the shift in the NH Legislature does not bode particularly well in terms of a lessening of the negative revenue impact the most recent State budget had on New Hampshire's municipalities. While a more fiscally conservative republican majority did not lead to draconian cuts in State funding that directly impacted municipalities during the most recent biennial state budget process, Hanover and several other communities did see the State renege on their earlier award of State Assistance Grants (SAG) to offset principal and interest payments on our most recent wastewater bond, resulting in a loss of \$140,000 in projected annual offsetting revenue for our most recent wastewater plant upgrades. The State Legislature, initiated by a budget proposal made by Governor Hassan, also reneged on its earlier promise to increase bridge aid to municipalities as part of our support for the \$.04 increase in the gas tax that took effect in July of 2014. Fortunately, Hanover does not rely on this source of state revenue because our own Public Works Department staff can perform the work in-house at considerable savings, but this move by the Governor and NH Legislature is one more sign that state lawmakers think nothing of promising revenue to municipalities during one session and then promptly taking that revenue away shortly thereafter. The impact of cuts in the Department of Health and Human Services (HHS) will continue to play out at the local level and the presentation by our social service agency partners on February 8th gave testament to those impacts. The current State Legislative session has also seen proposals to defund the State's Regional Greenhouse Gas Initiative (RGGI) program which would directly impact the Town's ability to seek offsetting grants for energy efficiency improvements.

On the federal front, political gridlock has most municipalities expecting fairly little positive momentum on the part of the U.S. Congress. Fortunately, we are not heavily dependent on federal revenue as part of the proposed budget. Hanover has done about all we can do to position ourselves for relative municipal self-reliance, having no expectation of receiving any significant federal highway aid, fire act grant or homeland security funding and fielding no projects that rely on outside grant funding sources other than funds already in hand within the Department of Safety. The Town will continue to benefit from savings in gasoline, diesel and heating fuel – although, sadly, fuel price

drops have not translated to decreases in paving prices which consume a large portion of our Public Works Department's operating budget. We have realigned our health insurance benefits package offered to our employees so that we will not face a "Cadillac tax" if health care reform survives the aftermath of the November elections.

On the international level, the geopolitical landscape continues to be unstable at best. Recent military unrest, the flight of hundreds of thousands of migrants fleeing war and terrorism, instability in the Korean peninsula, Chinese economic woes, worldwide concern about the spread of the Zika virus – all make it challenging for anyone to feel confident about world peace and prosperity. Concern about returning to world-wide recession is very much on our minds.

At the local level, we continue to move forward on many positive initiatives in spite of the general pessimism and challenges faced on the international, national and state front. We continue to plan for a gymnasium addition to the Richard W. Black Community Center. We are working with Twin Pines Housing Trust on a potential replacement and expansion of the Summer Park affordable housing facility on Lebanon Street. We continue to plan for implementation of sidewalk and bike path construction with the Bicycle and Pedestrian Committee. Budgeting \$50,000 per year, Town staff is implementing energy efficiency improvements in all Town facilities, from solar panels to low temperature heat pumps to wood chip boilers, LED lighting installation, window replacement, insulation replacement and upgrades, etc. On the regional front, the Town is working closely with Hartford, Norwich and Lebanon around fire and EMS mutual aid, shared use of apparatus and equipment and joint training. The opportunity for a larger regional dispatch center is being explored by Hartford, Norwich and Hanover, designed to increase our effectiveness and reduce overhead costs currently associated with operating two separate regional dispatch centers. Finally, Town staff is working with Wide Open Networks on the design for a fiber extension project to include installation of underground conduit by Town staff which would then be utilized by NH FastRoads to extend open access fiber to Hanover residents, focusing specifically on under and unserved areas of Town. A town-wide assessment district would then be created to finance this build-out if Hanover residents are willing to support this method of financing. There is no shortage of local energy around worthwhile projects, in spite of the prevailing mood all around us.

In conclusion, as was the case last year, we continue to have a fair bit of hesitancy in anticipating a rosier political and economic future on which to build a more robust proposed operating budget including more confidently forecast significant revenue growth. As such, we have taken a fairly conservative approach in proposing a budget to the Town for consideration. This budget necessitates a tax rate increase of no more than 2.5%, avoids large, one-time expenditures unless funded by reserves and planned for in the CIP, and also avoids increases in service levels, focusing instead on expenditures designed to increase our energy and operational efficiency.

Tax Rate Target

At the Board's meeting of December 7, 2015, you directed staff to submit a budget reflecting a tax rate increase of no more than 2.5%, based on your review and discussion of the five year projections prepared for you by Betsy McClain.

The proposed budget detail reflects a municipal tax rate increase of 2.5%, which would take the current municipal tax rate of \$4.65 per \$1,000 of property valuation to \$4.77. This translates to a 3.6% increase in the tax levy and necessitates raising an additional \$232,851 in General Fund tax revenue above what would be generated by the current General Fund tax rate. Town staff has also provided a list of additional expenditure items which could be added to the Proposed Budget to bring the total tax rate increase above the 2.5% tax rate target should the Board choose to do so. For the most part, these items were proposed in the initial draft of the budget but had to be eliminated in order to attain the Board's tax rate target.

Budget Overview

The combined totals for the seven funds included in the Proposed Budget for FY 2016-17 recommend expenditures of \$25,693,534 which is a decrease of \$484,073 or 1.8% below the total appropriations approved for FY 2015-16. The overall decrease is the result of a reduction in the requested capital project funding level for the upcoming fiscal year.

Of this total appropriation, \$1,362,675 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, capital reserve purchases do not impact the tax rate. The total capital reserve expenditure recommendations represent a \$908,348 or 40.0% decrease over the FY 2015-16 Budget, reflecting decreased capital expenditures in the General and Fire Funds.

The actual expenditures for all funds net of capital projects funded from capital reserves and other reserve funds represent a total \$24,330,859 or 1.8% above the FY 2015-16 Budget. The expenditure details are outlined in detail below, by fund.

GENERAL FUND BUDGET HIGHLIGHTS

The General Fund Proposed Budget for FY 2016-17 recommends appropriations totaling \$14,668,870, which represents a decrease of \$792,626 or 5.1% below the appropriation for FY 2015-16. Taking into account the benefit of the growth in total assessed valuation (projected to be \$20 million) and netting out the General Fund's capital reserve expenditures totaling \$752,100 which are offset by the transfer in of revenue from various reserves, **a General Fund tax rate increase of 2.5% is required to fund this budget, taking the tax rate from the current \$4.65 to \$4.77.**

In order to meet the tax rate target set by the Board, staff was forced to cut \$180,000 from the original General Fund budget proposed by the Department teams. As the Board reviews the Proposed Budget, the list of additional expenditure options will include some of the expenditures cut from the budget in order to meet the tax rate target.

Revenue

1. The Proposed Budget assumes an estimated \$20 million increase in total assessed valuation which generates an additional **\$93,000** at the current tax rates above the tax revenues budgeted for FY 2015-16.
2. As we are in the second year of the biennial State budget, we can relax knowing that there is not likely to be any budget downshifting occurring in the upcoming fiscal year. For FY 2016-17 we can anticipate an increase of \$30,000 in State Highway Aid resulting from the increase in the gas tax that went into effect in July of 2015.
3. We continue to be challenged in maximizing our short-term interest earnings in this climate of 3-month Treasury Bill rates. While rates increased this fall, we continue to under-realize our revenue projections in this area so we have opted to hold firm at a projected \$35,000 for FY 2016-17.
4. Certain non-tax revenues are projected to continue performing at a stronger level, specifically, the budget-to-budget increase for Motor Vehicle Registration and Building Permit revenue is proposed at **\$64,565** and **\$40,000**, respectively. These increases are borne out by the level of actual activity in FY 2015-16.
5. Twin Pines Housing Trust will pay the Town **\$60,380** in the form of an offsite improvement fee to be utilized to build a section of sidewalk on west side of Route 120 between Buck and Greensboro Roads, to include a crosswalk at Greensboro Road and Route 120. Public Works Department staff will construct the project during the summer of 2016.
6. The Proposed Budget reflects use of \$111,000 in Undesignated Fund Balance (UDFB), leaving a projected balance of \$13,062,883 or 11.3% in the Fund.

Expenditures

1. In FY 2016-17, the total increase in General Fund Salaries and Benefits, reflects a year-to-year increase of 2.6%, representing an additional **\$257,247** of General Fund expenditures. This increase includes full implementation of the Class and Comp Study for the Police bargaining unit (NEPBA Local 27 – Police Officers and Dispatchers) which was not implemented in FY 2015-16 when the recommendations of the study were implemented for all other Town staff as the result of a failure to reach agreement on a new NEPBA labor contract. In addition, this increase includes the regular 2% step increases effective on each employee's anniversary based on satisfactory performance and the 1.5% annual cost-of-living adjustment effective July 1, 2016, based on the two union contracts (AFSCME and IAFF) approved by Town Meeting in May of 2015.

2. The guaranteed maximum rate increase for the Town's FY 2016-17 health insurance premiums was set at 8.6% in October. However, given the negotiated change in the health insurance plan from a point-of-service plan to a managed-care plan used to determine the benefits dollars available to employees, leads to projecting a budget to budget decrease of 2.7% or **\$79,520..**
3. Per capita support for the provision of ambulance services to our participating communities is expected to increase from **\$30.45** to **\$34.78**, an increase of 14.23%. Accordingly, Hanover's community contribution from the General Fund to the Ambulance Fund increases by over **\$34,385** as the cost of providing emergency medical service continues to increase while the amount of revenues available through insurance and contractual obligations and Medicare stay relatively flat, or even decline. In addition, the percentage of unpaid and uncollectible bills continues to climb, which has led the Town to consider finding an alternate billing agent.
4. The Senior Planner position is increased to a full-time position (35 hours per week up from 28 hours per week) effective July 1, 2016 in recognition of the increasing workload currently faced by the Planning and Zoning Department as the pace of development activity increases in town. The role of the prior Assistant Building Inspector is filled by the Deputy Fire Chief with 50% of the salary of the position charged to the General Fund to reflect the portion of the Deputy Chief's time allocated to General Fund activities. Funding for a part-time administrative clerk is reduced by \$10,000 with the intention of contracting out the minutes-taking work for the Planning Board and ZBA.
5. Proposed in the FY 2016-2017 is a request for **\$61,140** for the initial funding to replace the Town's legacy accounting and budgeting system with cloud-based Enterprise Resource Planning (ERP) software. The Town was informed some time ago that our existing administrative software will not be further developed. We have begun talking with our vendor about a suitable migration path – a path that affords us new technology, excellent controls and reporting, and high value by leveraging our commitment to their product line. We have seen an initial demonstration of one of their products, MUNIS, and we see many opportunities for workflow improvement, enhanced transparency of financial and budgeting information, and improved overall management of our financial and personnel information. In the detail of the budget, there is **\$50,000** proposed in Administrative Services (accounting, HR, workflow, budget development), **\$5,500** in Planning and Zoning (for permit and code enforcement), and **\$5,640** in the Department of Public Works (for work order and research management). The investment in such forward-looking technology will be returned over time in more efficient administrative processes and better financial management reporting.
6. In IT, we propose to upgrade the Hosted Outlook Exchange program (**\$22,500**) to include office applications. The benefits of doing this are as follows: 1) implement up-to-date versions of office applications (Town staff are currently two updates behind); 2) Office 365 lives in the cloud which means accessibility from anywhere with an Internet connection; 3) patches and maintenance are managed by service providers such as Google and Microsoft; 4) collaborating internally has become a lot

easier with Office applications now in the cloud; 5) functionality is brought to its fullest potential with implementation of updated versions.

7. During the summer of 2016, Town staff will construct a sidewalk segment on the west side of Route 120 between Buck Road and Greensboro Road utilizing off-site improvement fees paid to the Town by Twin Pines Housing Trust as part of the final phase of construction in the Gile Hill affordable and market rate housing development **(\$60,380)**. The cost is fully offset by the developer fee.
8. Public Works Department staff will make modest repairs to the Great Hollow Road Bridge **(\$25,000)** which was damaged by State plow trucks. Full replacement of the bridge is very costly because the bridge is on the National Register of Historic Places. The Town is reserving bridge repair funds so that the bridge can be fully rebuilt in the future.
9. The Safe Routes to School Committee and ensuing report recommended a number of route safety improvements. The multi-use path (MUP) constructed on Lyme Road last summer was the first priority. The second priority is the construction of a sidewalk segment on Hemlock Road connecting the Ray School sidewalk with Rip Road, along with an improved crosswalk at the Hemlock and Reservoir Road location. Town staff will perform that work in the summer of 2016 **(\$19,000)**. Funds for the project are recommended to be withdrawn from the Municipal Transportation Improvement Fund.
10. The Bike and Pedestrian Committee recommends funding of the construction of an enhanced crosswalk on East Wheelock Street between Crosby and Park Streets opposite the entrance to Alumni Gym **(\$25,000)**, also to be constructed by Town staff. Funds for this project are also recommended to be withdrawn from the Municipal Transportation Improvement Fund.
11. Funds for the reconstruction of the Allen Street sidewalk on both the north and south sides from the Lot 1 entrance to School Street are requested **(\$15,750)**. These two concrete sidewalk segments are in very bad shape and need full replacement, to be done in conjunction with the paving of the privately owned parking lot which will be implemented in the summer of 2016. The Town then proposes to operate this parking lot for public use and a portion of the revenue will then be shared with the owner in the form of annual lease payments.
12. Funds are recommended for withdrawal from the Public Works Equipment reserve fund to replace the now 50 year old Sicard snow blower, utilized for all of the Town's snow removal operations each winter, with a snow blower to be attached to a front end loader (\$126,000). It is a testament to our Public Works Department staff that they have been able to keep a specialty piece of equipment like the Sicard operational as long as they have, but repeated breakdowns over the past three years combined with the lack of availability of replacement parts due to the age of the equipment, necessitating costly parts fabrication on an ongoing basis, finally spelled the demise of this long-time piece of frontline winter maintenance equipment.

- 13.** In the fall of 2015, Casella notified the Town that they were forced to increase the Town's recycling contract cost from the current \$137,000 to \$196,000 upon the expiration of the current contract on June 30, 2016. This increase is ostensibly due to the severe softening that has occurred in the recycling market. With no other competitors to provide this curbside business in the Upper Valley, the Town is forced either to budget for the full increase or look to bring the service in-house. Town staff recommends budgeting for the full increase **(\$59,000)** for FY 2016-17 although we will take the time to fully explore whether or not we can save significant cost by bringing the curbside recycling service in house.
- 14.** On the energy efficiency front, new LED lighting is proposed to be installed throughout the Howe Library **(\$62,000)**. In addition, a new wood pellet furnace is recommended for replacement of the old oil burning furnace on the second floor of the Police Station **(\$21,500)**. Finally, the main public area on the first floor of Town Hall and the board room on the second floor will see the removal of old heating and cooling equipment, to be replaced by two ultra-low temperature heat pumps **(\$16,000)**. All of these projects will significantly reduce the electricity and fuel oil costs associated with inefficient equipment.
- 15.** Funds are budgeted for the replacement of lockers in the Police Department men's and women's locker rooms **(\$51,000)**. The current lockers are 30 years old and are no longer suitable for the kinds of equipment currently carried by our Police force.
- 16.** The replacement of the remainder of the Police Department fleet is proposed for FY 2016-17 **(\$117,600)**. In FY 2015-16 the Town replaced the Department's four cruisers which are typically replaced every three years given the high mileage and heavy wear and tear associated with the patrol fleet. The three unmarked vehicles utilized by the command and investigations staff are not replaced as frequently due to their lower mileage. This purchase is fully funded by a transfer in from the Police Department vehicle reserve fund so has no impact on the municipal tax rate.
- 17.** The Dispatch Division recommends funding for the purchase of a simulcast radio system. Funding of **\$80,000** is withdrawn from the Dispatch Equipment capital reserve fund, to be matched with the receipt of \$80,000 in State grant funds. This will replace the current 17 year old Police Radio Base system which is similar to the Fire Radio system which was replaced with grant funds in 2013. This system will provide much better radio coverage town-wide which will reduce a number of officer safety issues related to spotty coverage in several more remote areas of the community. The current radio bases are no longer being supported by the manufacturer, and we are relying on a supply of used parts to maintain the system.

FIRE AND AMBULANCE FUND HIGHLIGHTS

Fire Fund

The proposed FY 2016-17 Budget recommends Fire Fund expenditures of \$3,299,380, representing a decrease of \$98,686 or 2.9% below the FY 2015-16 appropriations. Of this amount, \$103,075 is funded from the Fire Equipment Capital Reserve with no resulting impact on the Fire District tax rate.

Funding for the Fire Department is substantially drawn from 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 2016-17 is projected to be \$1.57, up from the current year's levy of \$1.53. With projected growth in the Town's net assessed valuation, if the projected tax levy was recovered through one tax rate across all Town properties, there will be a 2.43% tax rate increase to fund the proposed Fire Fund budget.

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

1. On the Fire side, Chief McMillan continues to identify operational priorities that must be addressed. The Chief has already made great strides on the equipment replacement and upgrade front and has placed a strong emphasis on regional coordination with the Lebanon, Hartford and Norwich Fire Departments. In FY 2016-17 the Department will place significant emphasis on regional training, an increase in the number of paramedics within the Department and on improving the Department's expertise in several technical areas. The Chief has also focused on the need for enhanced rural search and rescue operations given that the Town hosts a major section of the Appalachian Trail and many actively used trails in remote areas of Town. Funds are budgeted to enhance the rural fire and EMS response capabilities (\$14,400) including purchase of a forestry skid tank, forestry hose and multiple portable forestry fire and EMS equipment.
2. Chief McMillan has been able to transition a part-time a Deputy Fire Chief/ Safety Inspector position (formerly held by retired Hanover Fire Captain Jeryl Frankenfield who passed away in the fall of 2015) by combining the resources previously allocated to the Department's part-time Fire Inspector position in the Fire Fund and the former part-time Assistant Building Inspector position in the General Fund (vacated in early 2015). By creating the position, the Chief now has a full second-in-command and has enabled even closer coordination in inspection between the Fire and Planning and Zoning Departments. Half of the Deputy Chief's salary is charged to the General Fund supported Planning and Zoning Department in recognition of the amount of time the position allocates to ongoing building and life safety code inspections.

3. A new vehicle is purchased for the Deputy Fire Chief (**\$35,000**) to replace the current vehicle which has high mileage and has required frequent repair. As a responder to many fire calls and a full range of daily inspections the Deputy Chief makes heavy use of the assigned vehicle. The purchase is funded from the Fire Equipment Reserve.
4. The Fire Department's main station facility, constructed in the early 1970's, presents some significant energy efficiency challenges. The building is woefully under-insulated and the Fire Fund's Undesignated Fund Balance is tapped in the proposed budget to pay for the removal of the exterior siding on a portion of the building, installation of insulation and replacement of the siding (**\$42,725**). Public Works and Fire Department staff will perform the work in order to reduce the cost of the project.
5. Repair of the shingle roof and replacement of the old, energy inefficient doors in the Etna Station are funded (**\$25,100**).

Ambulance Fund

The FY 2016-17 Budget for the Ambulance Fund recommends expenditures of \$886,871, which amounts to an increase of \$68,063 or 8.4% above the FY 2015-16 Budget. No major capital purchases are anticipated in the proposed budget.

Per capita support for the provision of ambulance services to our participating communities is expected to increase from \$30.45 to \$34.78, an increase of 14.23%. Accordingly, Hanover's community contribution from the General Fund to the Ambulance Fund increases by \$34,385 as the cost of providing emergency medical service continues to increase while the amount of revenues available through insurance and contractual obligations and Medicare stay relatively flat or even decline. We have resisted increasing our rates and fees schedule to a significant degree, knowing the result would be a nominal increase in revenues and a larger increase in uncollected amounts and contractual obligations written off.

The Fire Department proposes elevating the training for two of the Department's Firefighter-EMT's to the Paramedic-level and funds are provided to provide for the training expense.

Several years ago the Town contracted out ambulance billing which resulted in a boost of revenue due to enhanced collections. Unfortunately, the Town's current ambulance billing contractor, Comstar, has seen significant client acquisition in the past two years and we have seen a reduction in the quality of their service as a result of their growth, with a related reduction in revenue collection. As such, Town staff is now working to shift our billing business to another ambulance billing firm in the hopes that we can enhance our collections.

Town	FY2015-16 Contribution	Proposed FY 2016-17 Contribution
Hanover	\$241,507	\$275,891
Lyme	\$ 52,248	\$ 59,686
Norwich	<u>\$107,052</u>	<u>\$122,294</u>
Totals	<u>\$400,807</u>	<u>\$457,871</u>

Water Reclamation Facility Fund

The recommended expenditures in the WRF Fund for FY 2016-17 are \$3,173,688 representing an increase of \$419,573, or 15.2%. The increase reflects the cost of replacing the facility's grit removal system, which is proposed to be funded by the Water Reclamation Facility Equipment and Plant capital reserve.

Sewer usage fees are billed quarterly to customers and include a fixed capacity charge and a variable flow charge. As our users have become more conscientious about conserving water, there has been strain on the revenue side of the equation; consequently, we are proposing more substantive increases in the flow charges for water and sewer.

Governor Hassan's proposed reinstatement of funding for the State's "delayed and deferred" State Aid Grant program in FY 2013-14, which was funded by the Legislature during the 2013 session, was welcome news indeed as Hanover was on the list to receive \$140,000 in annual State grant funds to offset the loan payments for the most recent wastewater upgrades. However, by the Governor's FY 2015-16 budget, funding for the "delayed and deferred" SAG program had been stripped and while there have been attempts during the current legislative session to reinstate funding for the program, staff is not optimistic that the Legislature will do so.

One capital project is proposed for 2016-17 – replacement of the plant's grit removal system (**\$350,000**). This machinery screens all of the incoming wastewater prior to treatment, removing sand, rocks, non-waste items such as rags, and other such material. In addition, two of the Division's vehicles are proposed for replacement (one utility vehicle and one truck with dump body - **\$119,500**). These purchases are funded by a transfer in from the Water Reclamation capital reserve fund.

The budget also includes funding for installation of two wastewater flow monitors at the Hanover-Lebanon town line in our two main transmission locations on Route 120 and Route 10. These devices will more closely measure the total wastewater flows received at our facility from the DHMC-Centerra and Sachem Village-Northwest Lebanon service areas so that we can insure that our wastewater customers in Lebanon are paying their full share of the treatment costs. The Town will finance the initial installation of these monitors and then back-charge the City of Lebanon for the cost.

Water Utility Fund

The recommended expenditures in the Water Utility Fund for FY 2016-17 are \$1,828,985 which represents a decrease of \$111,876%. Of the total, \$27,000 is proposed to be funded by the Water Utility capital reserve.

Since becoming municipalized in FY2011, the Town has made significant improvements to the management of the water utility system. These improvements have included investments in infrastructure, new meters, investment in invasive growth management on watershed property, and the establishment of a capital reserve fund. Unfortunately, the Town has not seen the capture of previously unmeasured flows that we anticipated. And, while applauding our citizens' water conservation efforts, there is now a real need to address the revenue side of the fund to make sure that there are adequate resources to responsibly manage the Water Utility Fund. Accordingly, a water rate increase of ~8.5% is proposed

Parking Fund

The Parking Fund Budget for FY 2016-17 anticipates expenses and revenues of \$1,835,740 which is an increase of \$30,481 or 1.7% over the FY 2015-16 appropriation. The increase reflects minor expenditure increases in several accounts. Of the total, \$21,000 in capital reserve purchases is anticipated in FY 2016-17. No reinstatement of the Downtown Parking District Tax is required.

1. With the transfer of some of the remaining administrative responsibilities previously held by the former Parking Division Administrative Assistant to the staff of the Administrative Services Department, a portion of their General Fund salaries was allocated to the Parking Fund in FY 2014-15. While we charged a portion of the Assessing Financial and Information Analyst position plus related benefits **(\$15,699)** to the Parking Fund in FY 2015-16 as a result of providing front office support to the parking operation, in FY 2016-17 we throttle back that support in exchange for converting one of the parking enforcement positions to full-time, an action which was approved by the Board and implemented in mid-2015. This individual has absorbed the administrative tasks formerly assigned to the staff of the Assessing Department.
2. Funds are budgeted to complete a Parking Facility Master Plan **(\$30,000)**. As part of the Board's consideration of granting parking credits to new and expanding businesses in the Parking District in exchange for receipt of parking construction fees, Town staff would like to work with Dartmouth College to plan for future parking facility expansion within the District.
3. The Town has agreed to rent the newly created parking lot located at 9 Allen Street from the owner so that we can make the lot available for public parking. Funds are budgeted for installation of a solar powered parking kiosk **(\$10,000)**. The revenue generated by public use of the lot will more than offset the cost of kiosk installation and parking lot enforcement and maintenance after the rental payment is netted out of the total lot income.

4. The small public parking lot located at 2 West Wheelock Street will be repaved in 2016 (\$16,000).
5. The Parking Division's small truck is proposed for replacement in 2016 (\$21,000). Town staff hopes to purchase an electric vehicle now that the Town hosts four electric vehicle charging stations in the Parking Facility.

CONCLUSION

For going on eight years, staff has worked hard to adjust to significant revenue reductions, maintain service levels to our community in the face of declining revenue and loss of substantial State support, respond to service enhancement requests where possible, adequately compensate our staff given the competition for talented staff in the regional municipal arena, and minimize increases in the municipal tax rate, all while trying to maintain a community that many people have selected to live in owing to the high quality of life we work hard to insure.

Once again this year, as they have done consistently during my nearly 20 years as Town Manager, the Department and Division Heads continue to do a wonderful job of providing Betsy McClain and me with thoughtful, creative and prudent budgets and to look at new ways to increase the efficiency and responsiveness of their operations while also looking for new ways to save expense. I am fortunate to work with such a wonderful team, which is also a team that enjoys working with each other. The friendship, support and camaraderie make all the difference in our overall effectiveness.

As always, particular thanks go to Administrative Services Director Betsy McClain. Not only does she work long hours to produce, check, double check, revise, re-revise and then edit the entire budget document, but this year she has done all that while also managing the elections process as our elected Town Clerk in what is always a busy NH Primary and federal election season. Putting the Town budget together is a bit of a seamless web and Betsy spins it masterfully, receiving lots of input from many players on staff and in the community and then figuring out how to knit it all together while remaining within the tax rate target set by the Board each fall. She is a continual source of creative ideas on both the revenue and expense side and has a never ending supply of thoughtful approaches to the challenges we face. A Town Manager is only as good as her Finance Director and a thoughtfully and thoroughly prepared Town budget could not happen without Betsy's professional expertise, her dogged commitment to getting every detail nailed down, and her good humor. Hanover is truly fortunate to have her!

My thanks also go to Betsy Smith, who does a wonderful job as my partner in keeping the Town Manager's Office running smoothly. She is a real resource to the Departments and to our citizens and manages to keep me supported on many other fronts as I try to carve out time and space to work on the document in support of Betsy McClain and our Department Head team. Betsy also produces many of the items contained within this budget document and compiles and edits the entire Town Report. She has a wonderful eye for the look of a document as well as the many details contained within. I thank her for making my life and the lives of so many of our employees and our citizens easier!