TO: Hanover Selectboard
FROM: Julia N. Griffin, Town Manager
DATE: February 24, 2020
SUBJECT: Proposed Budget for Fiscal Year 2020-21


Current Political and Fiscal Climate

Under the Trump Administration we are seeing the lack of any meaningful policy leadership or funding for critical programs in the areas of transportation, water and wastewater treatment, emergency preparedness, rural development, broadband deployment, public transportation enhancement, affordable housing, climate change, infrastructure planning and maintenance, environmental protection, response to the negative impacts of climate change or delivery of core social services. No voices, no programs, no funds – there is simply silence at the end of the line. The Town of Hanover receives virtually no federal funding except small amounts of occasional Homeland Security grant funding for Fire, Police and Dispatch-related equipment designed to enhance our degree of emergency response readiness, all of which is dispensed by our State partners with whom we work closely.

In the face of the deeply distressing and depressing situation at the national level, I continue to believe that our best bet is to focus on our own community and region’s vitality in the face of democratic dysfunction that some fear is verging on collapse -- but to proceed very cautiously in terms of our expenditure levels out of concern for the near-term economic forecasts and as we pause to review our 2018 statistical revaluation. While beginning in 2017 some experts were telling us that the U.S. economy was healthier with each passing year beyond the 2008 recession, and despite President Trump’s claim that our economy is “the hottest in the world,” from where I sit, the ongoing instability of the stock market, the chaos that is the Trump administration’s economic policy, and mixed economic signals that point to some combination of economic health but with strain showing -- all of this continues to steer me toward caution. The economists I trust believe we have a recession in our future, likely generated in part by the less-thanlogical economic policy moves made by President Trump, the rough reception the U.S. is receiving overseas and, as of this winter, the pending impact of a possible worldwide coronavirus pandemic.
On the State front, the combination of a Republican governor and a Democrat-dominated House and Senate continue to make for a challenging legislative dance. The Governor called for “cooperation across the aisle” in both his 2019 and 2020 State of the State addresses but the sheer number of bills he vetoed in 2019 (52…an all-time record in NH) and the number he is already threatening to veto this session point to anything but cooperation. Interestingly, we are seeing significant bipartisan cooperation across the aisle among the Republican and Democratic Representatives but more often than not, Governor Sununu blocks those efforts once bills reach his desk. The 2020 session should prove to be interesting, if for no other reason than there are two strong Democratic contenders for Governor who may force Governor Sununu a bit more towards the middle. This move would benefit NH communities like Hanover that have been struggling to get traction from the Governor on the sustainability and renewable energy front. And, depending on how the U.S. economy fares in the next three months in response to the coronavirus pandemic, the State may be forced to step up some of their expenditures that benefit local government. Only time will tell. As a result, on the State-shared revenues front, we make no bold predictions in terms of increases in categories like Rooms and Meals tax, State Highway aid, a restoration of State funding to offset municipal contributions to the NH Retirement System, or restoration of Municipal Revenue Sharing. All these areas have either experienced sharp reductions or complete elimination of State support since 2008 or have simply not grown despite State statutes in place which require that they grow as overall State revenues increase.

At the regional economy level our employers tell us how hard it is to recruit qualified employees due to the lack of available and affordable workforce housing, an insufficiency of jobs for trailing partners, the less-than-robust availability of high speed internet throughout our region, the lack of full-service regional public transportation and the lack of more urban amenities that are sought by younger workers. Local retail continues to struggle as the retail marketplace evolves, shifting more purchasers to online platforms or the “Amazonization” of purchasing. The impact of the Trump tariffs has played out among some of our local manufacturers who are struggling with an uncertain international marketplace, either in terms of the availability of materials or the reduced competitiveness of their products in an overseas market. As business with and in China becomes more difficult both as a result of a deteriorating relationship with the U.S. and the coronavirus, we will continue to see these problems play out here in the region.

On the positive side, key municipal General Fund revenue sources are holding steady and, in some cases, continuing to increase. Motor vehicle registration revenue, interest income, business activity-related revenues are all strong. Residential and commercial construction activity levels point to a healthy local construction economy and the local real estate market continues to outperform assessed value (which, as a related negative impact, continues to put upward pressure on assessed values), although the serious shortage of construction workers has put significant upward pressure on construction costs and is acting as a barrier to a fully activated construction sector. Dartmouth has several major construction projects in various phases of planning and construction including the new Thayer Engineering School complex and underground parking garage, the new Irving Energy Institute headquarters, a continuing overhaul of the west campus, several large building renovation projects, implementation of many energy efficiency projects and the ongoing replacement of the steam heating distribution system with hot water. All these projects generate significant, one-time building permit revenue which help boost our fund balance and create opportunities for implementation of one-time Town projects.

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

- Since the adoption of the “Ready for 100” commitment at Town Meeting in May of 2017, focused on fostering community reliance on 100% renewably generated electricity by 2030 and the elimination of fossil fuel use for heating and transportation by 2050, members of Sustainable Hanover, the Energy Subcommittee and Town staff finalized our community’s comprehensive renewable energy strategy and have begun implementation of several key elements, which include:

  - “Town of Hanover Walk the Talk” - committed to leading by walking the talk, Town staff is continuing to implement energy efficiency and renewable energy improvements in all Town facilities. Solar panels were installed on the roof of Town Hall and the Water Reclamation Facility in 2019 and will be installed on the roofs of the Hanover Public Safety Building, the Public Works Department’s Equipment Storage Building and the Salt Storage Facility in 2020. In addition, almost 800 kilowatts of ground-mounted solar will be installed adjacent to the Walter Filtration Facility in 2020 with the potential for an additional 1.2-megawatt solar array to be added in 2021. In 2021 Town staff hopes to solarize the roof of the Community Center, help Twin Pines Housing Trust solarize the roof of the new Summer Park senior residence and continue to explore options for installation of a new roof with solar over the top two floors of the Parking Facility. By the end of 2021, the Town of Hanover will be very close to generating all the municipal electricity load (3 megawatts) via solar panels installed on Town property.

  - The Town continues to shift to electrification of its heat sources to reduce its overall fossil fuel consumption. All of Town Hall is now served by a networked heat pump system while our older oil furnace remains simply as back-up. The Richard W. Black Community and Senior Center will be converted to a heat pump system in 2020 if the final piece of funding is approved in the proposed budget and the budget also proposes to install a networked heat pump system in the Howe Library. Next up will be tackling heat pump installation in the Public Safety Building as well as energy efficiency and renewable energy improvements in the Howe Library and the Public Works Administrative building.

  - Town staff is part of a multi-community network working to establish Community Power NH, a consumer choice aggregation (CCA) entity which will enable local residents, businesses, institutions and municipalities to purchase green power at a potential statewide level rather than settling for default power sold by Liberty which is required to include only 20.7% green power as a percentage of its overall brown power mix. With luck, this program will be ready to unveil in late 2020 or early 2021 and will enable residents and businesses to select from a menu of electricity options, including a 100% green power option. It has been gratifying to see the sheer number of local NH municipalities, local energy committees, counties and regional planning commissions that are actively supporting this effort.

  - Sustainable Hanover continues to pursue the potential for entering into a Power Purchase Agreement (PPA) with a New England-based renewable energy provider, to lock in very competitive green power electricity rates for up to 20 years with large users in the community including Dartmouth College, Hypertherm, Kendal at Hanover, the Co-op Food Stores, etc. Participation in long-term PPAs provides
funding for renewable energy projects such as large solar arrays, onshore and offshore wind.

- As I prepare this transmittal letter, Hanover is implementing Vital Communities’ Weatherize Upper Valley program. 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 electricity consumption.

- In the latter half of 2019, Sustainable Hanover implemented Solarize Hanover 2.0, designed to help Hanover residents take advantage of the 30% federal tax credit which was reduced to 26% as of January 1, 2020. As a result of the program, 42 additional Hanover homeowners elected to install either rooftop, ground-mounted or ground tracker-mounted solar, adding an additional 318 kilowatts of solar-generated power to the 56 homes and 328 kilowatts of solar generation installed through Solarize Hanover in 2015.

- Dartmouth remains a superb partner on renewable energy and sustainability. We meet monthly as a Town-Gown Energy Team, collaborate with the College on projects and find opportunities to work with both undergraduate and graduate students and benefit from their time and expertise.

- No sooner had Twin Pines Housing Trust begun work on the Summer Park Senior residential complex than Town staff approached them to assist with the possible construction of a housing complex for individuals with developmental disabilities on the former Outreach House site. We have also initiated discussions with TPHT about a possible small, cottage-style residential development designed for first-time home buyers on potential Town-owned land on Greensboro Road. We are very fortunate to have TPHT as a trusted partner in Hanover. Our best opportunities to advance the construction of affordable and workforce housing in Hanover, where land prices make such projects virtually impossible, exist when the Town can arrange to acquire and then donate the land to enable TPHT to package financing for the construction of housing.

- The Town continues its focus on bicycle and pedestrian improvements. Based on the efforts of our committed Bicycle and Pedestrian Committee volunteers, progress is being made on development of the elements of a comprehensive plan. We continue to focus in this budget on better lighting of multiple heavily used crosswalks in the downtown area.

One issue remains unresolved at the time of finalizing the Proposed Budget which will require a decision by the Selectboard during your budget public hearings. As part of the proposed purchase for permanent conservation of a large parcel of land in Hanover by the Trust for Public Land, the Town has committed $500,000 toward the total project cost of $2,533,000. This Town contribution is proposed to include the following appropriations to be added to the FY 2020-2021 Proposed Budget if the Selectboard concurs: (1) $126,710 from the Land and Capital Improvements Fund, (2) $229,000 from the Conservation Fund (upon the holding of a joint Conservation Commission and Selectboard public hearing on March 23rd); and (3) a residual appropriation of $144,290 from the Bressett Fund to arrive at the total funding required. This project represents a long-desired opportunity to protect a very large parcel from development, enabling active public recreational use of a to-be-established trail network connecting the Farr Field property through to the Hudson Farm, the Appalachian Trail corridor, the Trescott Property and Oak Hill all the way up to the Connecticut River at the Fullington Farm. Acquisition of this parcel will complete this critical link, permanently conserving the “string of green pearls” parcels connecting all the way from the Lebanon/Hanover town line to the Connecticut River at Wilson’s Landing. Neither the Land and Capital Improvements appropriation nor the Bressett Fund appropriation are included in the Proposed Budget. The
Conservation Fund appropriation only requires that the Selectboard and Conservation Commission hold a joint public hearing; Town meeting approval is not required to expend Conservation Fund monies. The appropriation from the Land and Capital Improvements Fund and the Bressett Fund will require separate warrant articles.

**Preview of Coming Attractions**

Town staff also continues to focus on several potential future projects which, while they do not feature in this Proposed Budget, loom in the Town’s not-too-distant future. These projects include:

- **Downtown Hanover’s parking system continues to feel increasing strain.** In part we are suffering from the lack of both a conveniently situated, Dartmouth-owned parking facility for campus visitors and employees on the Dartmouth campus which results in excess demand for parking generated by on-campus activities as well as an increasing number of Dartmouth employees who prefer to purchase downtown parking permits or meter feed because they are unhappy with their assigned on-campus parking location on the periphery of the campus. As I stated in last year’s transmittal letter, the Town may be reaching the point where we must either finance the construction of a second downtown parking garage or require Dartmouth to fund the construction of additional parking on the south end of campus or on property the College owns downtown to serve its own generated parking needs prior to approving any future campus growth, particularly involving a potential expansion/renovation of the Hopkins Center. It would seem prudent to wait to judge whether or not there is a sufficient positive impact once the new Dartmouth west side parking garage is complete in 2021/22 but, in the interim, we are managing significant parking unhappiness in the downtown zone as well as in the Town’s on-street public parking locations on North Main and College streets. Our efforts simply to enforce the parking regulations result in lots of negative pushback from people.

- **Downtown Hanover’s public sidewalk network is nearing the end of its useful life in terms of the condition of the concrete.** The last comprehensive downtown sidewalk project was implemented more than 30 years ago. It is likely that Town staff will propose a comprehensive bond issue in the FY 2021/22 budget to fund wholesale replacement of the downtown sidewalk network, to include removal and replacement of all sidewalk segments, all single and dual head parking meters to be replaced with solar-powered pay stations, potential updating of all streetlighting, possible bicycle improvements, downtown signage, street furniture, etc. Town staff plans to initiate a Downtown Streetscape planning process in 2020 in order to receive input from residents, downtown property owners and local design and construction professionals so that we can prepare a final design and cost estimates for a wholesale replacement of the sidewalk network.

- **The Howe Library building requires some significant reinvestment in the near term, including replacement of the roof, full updating of the building envelope and replacement of the windows in the old portion of the building.** In addition, the HVAC system which was installed with the last renovation and expansion was flawed from day one – oversized, extremely costly to operate and subject to frequent malfunction. Town staff has worked to defer some of this work while the Howe Corporation Trustees contemplate potential expansion and/or renovations to the building, but we have warned the Trustees that we cannot wait much longer given the condition of the roof, the physical integrity of the failing windows and the sheer lack of insulation. Town staff and the Trustees are currently engaged in discussions regarding which entity should be responsible for funding much of
this work as well as the timing of these projects vis-à-vis the Corporation’s plans for the building.

- The Town’s EPA-issued NPDES permit for the Hanover Water Reclamation Facility expires in 2022 and it is expected that sometime later this year we will be advised by the EPA regarding their expectations for our next permit. We anticipate that the permit renewal will require removal of nitrogen and phosphorous given the permits issued to other Connecticut River-discharging water reclamation facilities over the past year. This will likely require that the Town spend a considerable sum for the next facility upgrade, necessitating a bond issue. Funds are included in the FY 2020/21 Proposed Budget for preliminary design work on nitrogen and phosphorous removal.

- Beginning in FY 2021/22, Town staff will recommend that the Board begin setting aside funds in reserve to enable the Town to buy out the ground mounted solar arrays that will be installed on the Water Filtration Plant property in 2020-21 as well as the rooftop arrays on the Town’s Public Safety and Public Works buildings, all of which will be available for purchase in FY 2026/27. In addition, in 2021-22 the Town will have the opportunity to pursue a Phase II installation of an approximately 1.2-megawatt ground mounted array immediately adjacent to the Phase I installation. Use of approximately $300,000 in Water Reclamation Facility reserve funds to help reduce the cost of the 1.2 megawatt array in 2021-22 will result in more favorable PPA pricing and it will be recommended that the Water Reclamation Fund Capital Reserve be utilized to fund the buy-out of the array in 2027/28 as part of the bond issue for the Water Reclamation Facility upgrade resulting from the need to remove nitrogen and phosphorous.

In conclusion, we continue to take a very conservative approach in proposing a budget to the Town for consideration. This budget necessitates a tax rate increase of 3.0%. The budget proposes to maintain step increases and to grant a 1.0% cost-of-living adjustment effective July 1, 2020 based on the bargaining unit contracts which were adopted by Town Meeting in May of 2019. The proposed budget continues to avoid large, one-time expenditures unless funded by reserves and planned for in the Capital Improvement Program (CIP) or undesignated fund balance while avoiding reducing remaining available fund balances below our established target levels.

**Tax Rate Target**

At the Board’s meeting of November 18, 2019, the Selectboard directed staff to submit a budget reflecting a tax rate increase of no more than 2.5 - 3.0%, based on your November 4th review and discussion of the five-year projections prepared for you by Administrative Services Director Betsy McClain.

The proposed budget detail reflects a municipal tax rate increase of 3.0%, which would take the current municipal tax rate of $4.34 per $1,000 of property valuation to $4.47. This translates to a 3.2% increase in the tax levy and necessitates raising an additional $144,661 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 2020-21 recommend expenditures of $31,649,979 which is an increase of 6.1% over the total appropriations approved for FY 2019-20. Of the total appropriation, $3,730,767 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 2020-21 tax rate. The total capital reserve expenditure recommendations represent a $845,032 or 29.3% increase over the FY 2019-20 Budget.

The actual expenditures for all funds net of capital projects funded from capital reserves and other reserve funds represent a total $27,919,212 or 3.6% above the FY 2019-20 Budget. The expenditure details are outlined in detail below, by fund.

**GENERAL FUND BUDGET HIGHLIGHTS**

The General Fund Proposed Budget for FY 2020-21 recommends appropriations totaling $17,662,234, which represents an increase of $813,826 or 4.8% over the appropriation for FY 2019-20. After taking into account the benefit of the growth in total assessed valuation (projected to be $8 million) and netting out the General Fund’s capital reserve expenditures totaling $1,567,820 which are fully offset by the transfer in of revenue from various reserves, a General Fund tax rate increase of 3.0% is required to fund this budget, taking the tax rate from the current $4.34 to $4.47, an increase of 13 cents per thousand dollars of valuation.

**Revenue**

1. The Proposed Budget assumes an estimated $8 million increase in total assessed valuation which generates an additional $34,720 in General Fund revenue at current tax rates.

2. For FY 2020-21 we anticipate returning short term interest revenue of $360,000 which continues to harken back to the amount we were earning prior to the 2008 recession. One potential wild card as this point is whether-or-not the Fed will lower interest rates in the coming months in response to some cooling of the economy. As such, we are not forecasting a significant increase in short-term interest revenue beyond projected actuals for the current fiscal year.

3. NH Rooms and Meals tax revenues are budgeted to hold steady at $593,633. The Governor’s biennial budget for 2019 and 2020 did not reflect any increase in the percentage of Rooms and Meals tax revenue shared by the State with municipalities even though a legislatively-adopted formula requires the State to increase the municipal allocation on a biennial basis to bring the percentage allocated to municipalities to 40%. Once again, the State denies local taxpayers this revenue source, despite their earlier commitment to increase this source of shared revenue, simply because it is not politically convenient for the State to get its own fiscal house in order.

4. Certain other non-tax revenues are projected to continue performing at a stronger level, specifically, the budget-to-budget increase in motor vehicle registration revenue ($53,000). These increases are borne out by the level of actual activity in FY 2019-20.

5. The Proposed Budget reflects use of $250,000 in Undesignated Fund Balance (UDFB) for any additional tax abatements that may be either funded through case settlement or awarded by the NH BTLA or Grafton County Superior Court resulting from the pending property tax appeals, leaving a projected June 30, 2021 fund balance of $2,125,114 or 14.31% of General Fund expenditures (net of reserved spending) in the most recently completed fiscal year.
6. Building Permit fee revenue is decreased somewhat for FY 2020/21 to reflect a slight decrease in high value Dartmouth projects anticipated to be permitted in the coming fiscal year. We do not want to assume that a large amount will flow in simply because this represents a short-term phenomenon which we do not want to build into our budget on an ongoing basis. To the extent additional revenue flows in beyond what we have projected, those funds will accrue in Undesignated Fund Balance and provide the Town with additional revenue which we may use to fund certain one-time projects in the future (such as the projects outlined above in the discussion of coming attractions).

7. The Bressett Fund is tapped for $182,856 to allow the Town to continue to provide seed funding for the Hanover Community Nursing program for an additional six months ($6,000); to support the third and final year of an Emerging Technologies Librarian for the Howe Library (**$71,006 for salary and benefits**) and the second year of a part-time Sustainability Director to assist Town staff and Sustainable Hanover in managing the many renewable energy and energy efficiency projects currently being contemplated for implementation by the Town as well as helping to lead outreach to local residents and businesses (**$82,700 salary and benefits**); for the second year of support of trails work to be completed by the Hanover Trails Committee and the Upper Valley Trails Alliance on the Trescott Property for enhanced public trail access (**$12,000**); for the addition of hours to the Senior Center Coordinator position to meet user demand for service (**$10,000**); and for the addition of staff hours to enable 1 additional open hour per week at the Etna Library (**$1,150**). Under current guidelines for use of the Bressett Fund monies, programs will be considered ‘new’ initiatives eligible for funding for three years.

8. As a reminder, two key payments for Town facilities will expire in 2023 and 2024, which will open up additional expenditure capacity or offset tax rates. In 2023 the Town will make its final payment on the Community Center which is currently about **$75,000**. In 2024, 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 2020-21, the total increase in General Fund Salaries and Benefits, reflects a year-to-year increase of 2.2%, representing an additional **$262,008** of General Fund expenditures. This increase includes the impact of an extremely modest 0.2% (!) increase in our health insurance premiums; the budgeted schedule of 2% step increases and assumption of a 1% cost-of-living adjustment for all employees effective July 1, 2020.

2. Funds are budgeted in the Planning and Zoning Department to enable the use of a 32 hour per week Rental Housing and Life Safety Code Inspector to both implement the Rental Housing Inspection Program and to assist with all things building and life safety code inspection. A sufficient amount of revenue is budgeted (**$100,000**) to the Department to fully offset the cost and to enable the transfer of a portion of the revenue to the Fire Department to help fund a portion of the Deputy Fire Chief position and to reflect the time a Deputy Fire Chief will spend on building and life safety code inspection and enforcement.

3. The Town continues to see increasing costs related to software employed by Town Departments with a **$33,309** increase in overall software costs budgeted in FY 2020-21 with the bulk of the increase seen in the Water and Water Reclamation Divisions of Public Works. All the software packages that we employ enable us to serve our citizens more efficiently
but, admittedly, this is a growing cost area we must continue to monitor closely to insure
every piece of software we purchase and then pay to maintain continues to provide legitimate
value.

4. In the Assessing Department we budget $45,000 at the request of the new Assessing Director
to fund supplemental assessing support services as part of the Director’s review of the 2018
Statistical Revaluation in order to determine the necessity of performing a new Full Measure
and List Revaluation prior to the State 2023 statutorily scheduled requirement. We have not
budgeted for a full measure-and-list revaluation ($195,000) in FY 2020-21 upon the advice
of our new Assessor based on his initial review of the data. Should the Selectboard choose
to set this sum aside in the event we do pursue a full revaluation in 2021, I would recommend
adding this cost as an additional item to be funded by Undesignated Fund Balance.

5. The Parks and Recreation Department budgets $14,400 to accurately reflect the amount the
Hanover and Dresden School Districts bill the Town for use of the gyms for the community
recreation program. The School District significantly increased the amount they bill the
Town in 2019, but we had not budgeted for this increase so were not able to pay the bill,
indicating that we would include the expense in our Proposed Budget for FY 2020/21.

6. For two years the Hanover Garden Club hired a summer gardener to maintain the beds they
plant for the Town, utilizing the annual $10,000 donation from the Hanover Improvement
Society. They have asked the Town to retake responsibility for hiring and supervising the
hiring of the gardening service on their behalf which we have agreed to do, so we return to
budgeting the $10,000 donation from HIS in the Parks and Recreation Department in the
Proposed Budget.

7. Highway Capital Reserve Fund purchases total $356,120, offset by a transfer in from reserve
of that amount. This withdrawal will fund the replacement of one 10-wheel dump truck
($180,000), the Caterpillar loader ($114,000), the smaller Kubota backhoe loader ($52,120)
and bush and pin work on the large backhoe ($10,000).

8. Funds are withdrawn from the Bridge Capital Reserve to replace the Stevens Road Bridge
($195,000) just east of the intersection of Stevens and Etna Roads.

9. Funds are withdrawn from the Road Improvement Reserve to install video camera detection
at Park and Wheelock, Park and Lyme Road and Main Street and South Street to ease traffic
flow by coordinating signals based on traffic queuing ($75,000).

10. Fund are withdrawn from the Municipal Transportation Improvement Reserve for either
sidewalk construction on Verona or another project identified by Town staff ($33,700).

11. Funds are withdrawn from the Building Capital Reserve ($420,000) for installation of heat
pumps in the Howe Library to significantly reduce the building’s reliance on the highly
energy inefficient heating system ($210,000) and to construct a wash bay addition on the
east side of the equipment storage building at the Public Works Department ($210,000). The
Town’s Joint Loss Management Committee, staffed by management and labor
representatives, has identified over the last two years the significant injury risk to Town staff
associated with the regular outdoor washing of Town vehicles at the end of every shift during
the winter months given the cold temperatures and freezing conditions. Staff recommended
construction of a drive through wash bay that could be used by all Town fleet users. The
cost reflects some cost savings given that Town staff will complete some of the work in-house.

12. The annual allocation of **$50,000** in energy efficiency and renewable energy funds we budget annual is directed toward completing the funding we have been accumulating over the past two years to install a building-wide heat pump system in the Community ($350,000 total cost). In addition to significantly reducing the building’s reliance on fossil fuel, this investment will also forestall the need to fund for replacement of the AC condensers on the roof of the RWB which are due for replacement.

13. Funds for the replacement of five (5) mobile data terminals for the police cruisers (**$27,500**), for replacement of ballistic vests worn by the police officers (**$24,500**), and for the installation of carpet, furniture, and for renovation of the Dispatch Center to accommodate an additional dispatch console (**$140,000**) are recommended for withdrawal from the Police Capital Reserve Fund (**$52,000**) and the Dispatch Capital Reserve Fund (**$140,000**).

**FIRE AND AMBULANCE FUND HIGHLIGHTS**

**Fire Fund**

The proposed FY 2020-21 Budget recommends Fire Fund expenditures of $3,625,642, representing a decrease of $175,167 or 4.6% below the FY 2019-20 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 2020-21 is projected to increase by 1.5% (or $51,192; from $3,333,283 to $3,384,475). With an $8 million 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 would be a 3.06% tax rate increase to fund the proposed Fire Fund budget, taking the blended Fire District rate up from the current $1.43 to $1.47.

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

1. In FY 2020-21, there is a small increase (1.8%) in total Fire Fund Salaries and Benefits, reflecting annual 2% step increases, a 1% cost-of-living adjustment and a 0.2% increase in health insurance premiums, offset by lower costs associated with the hiring of firefighters in FY 2019-20 at lower steps in grade.

2. Two expenditures are proposed to be funded by a withdrawal from the Fire Capital Reserve Fund in FY 2020-21, including **$15,000** to fund the replacement of light fixtures with LED bulbs in the Etna Station and **$15,000** to fund the replacement of light fixtures with LED bulbs in the apparatus bay in the Main Fire Station.
3. Fire Fund Undesignated Fund Balance is proposed to be tapped in FY 2020-21 ($45,133) for the purchase of a dryer for wet firefighter structural gear ($9,500), for the purchase of 20 sets of bailout rope systems for use in upper floor firefighting when a firefighter must quickly exit the building due to unsafe conditions ($12,000), replacement of 5 sets of structural gear ($15,633) and for purchase of an underwater scanning device for the fire rescue boat ($8,000).

**Ambulance Fund**

The FY 2020-21 Budget for the Ambulance Fund recommends expenditures of $1,118,626, which amounts to a decrease of $272,029 or 19.6% below the FY 2019-20 Budget. The decrease reflects the lack of a planned large vehicle replacement expenditure in the upcoming year as compared with FY 2019-20. In addition, a withdrawal from the Ambulance Capital Reserve Fund in the amount of $105,000 is planned to fund the replacement of the Fire Department’s three cardiac monitor defibrillators, one of which is carried in each of two ambulances and one on Engine 1.

A 3.0% increase in the per capita support fee for the provision of ambulance services to our participating communities is recommended in FY 2020-21, increasing from $36.94 to $38.05.

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**WATER UTILITY FUND**

The recommended expenditures in the Water Utility Fund for FY 2020-21 are $2,101,131 which represents a minor increase of $282 over the FY 2019-20 appropriation. Of this total appropriation, $53,314 is proposed to be funded by the Water Utility Capital Reserve Fund.

In FY 2020-21, $88,000 is budgeted to fund the replacement of the last water treatment module, partially offset by the withdrawal of $53,314 from the Water Utility Capital Reserve Fund.

Town staff spent the better part of 2018-2019 working with consultants to assess the current water rate structure – a structure that predates municipalization of the water utility, based on a model preferred by the NH Public Utilities Commission but which does not adequately consider the need to build the accumulation of sufficient funds in a capital reserve fund for water infrastructure. That study was completed in January of 2019 and, as part of the analysis, staff identified several priority focal areas including a potential restructuring of water rates, incorporating in the new rates sufficient revenue so that the Fund can begin to accumulate a healthier capital reserve, and to assess the viability of eliminating the fire districts and shifting the cost of the hydrant system into water rates rather than funding this expense through the Fire Fund. The same study provides recommendations on a new rate structure as well as adjusted rates for water reclamation. The report was first presented
to the Selectboard in early 2019 and since that initial presentation, the Public Works Director has worked closely with the consultant to make final revisions to the recommended rate structure. The FY 2020-21 Proposed Budget assumes implementation of the new water rate schedule but the Board does not need to adopt the new rates until after a presentation of the final recommendations in April.

In FY 2021-22 the Water Fund will make final principle and interest payments totaling $304,708 for replacement of a water tank and in FY 2027-28 will make final principle and interest payments on the Water Filtration Plant totaling $455,938. Expiration of both bonds will free up additional expenditure capacity which will enable the Fund to begin planning for replacement of old secondary water distribution lines, combined with any additional funds we may be able to collect via revised water rates to boost up funds available from the Water Capital Reserve Fund.

In the summer of 2020, Revision will undertake the construction of an approximate 800-kilowatt solar array on Town property adjacent to the Water Filtration Plant. This array will generate more than twice the amount of electricity consumed by the plant, thereby enabling the Town to net meter the difference as an offset for the electricity consumed by other Town buildings.

**WATER RECLAMATION FACILITY FUND**

The recommended expenditures in the WRF Fund for FY 2020-21 are $4,942,818 representing an increase of $1,600,403 or 47.9% and is largely the result of the cost of construction of a replacement pump station just north of the Ledyard Bridge, required to accommodate the additional wastewater flows to be generated by the new Dartmouth facilities currently under construction on the west campus including the Thayer Engineering School building and accompanying underground parking garage as well as the Irving Institute. The expense is fully offset by the transfer in of revenue from Dartmouth College, including a two-part payment from Dartmouth of $1,160,000 and the allocation of $240,000 in new sewer connection fees to be paid by the College once the new buildings are connected to the sewer system. The FY 2020-21 Proposed Budget calls for a withdrawal of $499,500 from the Water Reclamation Facility Equipment and Plant Reserve Fund for: transfer in of the $240,000 in sewer connection fees from Dartmouth construction projects to offset the cost of the new pump station; replacement of the flusher ($103,500); replacement of the sludge roll-off container which is used to transport sludge to the Lebanon Landfill for composting ($46,000); and installation of new aeration equipment ($110,000).

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 three years ago and good for five years, requires us to test for nitrogen and phosphorus 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 two years. This removal technology can be very expensive and municipalities in both the Great Bay and Connecticut River watersheds have argued that the main contributor to nitrogen and phosphorus consists of “non-point sources” (storm drain run-off, brooks and streams resulting from agricultural and residential use of fertilizers, etc.). Given the high cost of removal, very little nitrogen and phosphorus will be removed through implementation of very costly WRF removal technology. The communities in the Great Bay are looking at over $100 million in removal technology they are now mandated to install. Now, other communities in the Connecticut River corridor have seen new NPDES permits issued with a nitrogen and phosphorous removal requirement. As such, staff recommends the expenditure
of **$125,000** in FY 2020-21 to enable our consulting engineers, Wright Pierce, to prepare a design for the upgrade we anticipate being required to implement over the next 5-7 years.

The installation of solar panels on the roof of the Water Reclamation Facility in the spring of 2019 has resulted in a **$17,000** reduction in the facility’s electricity budget. As the Town’s largest electricity consumer by far, Town staff looks forward to implementation of the new solar array on Grasse Road which will further offset the electricity consumed by the plant.

Sludge composting costs increase by $28,000 due to a decision by the Lebanon Landfill to raise their tipping fees by 36%.

It should be noted that in FY 2026-27, the Water Reclamation budget will see the completion of bond principle and interest payments on the past plant upgrade, which will result in an additional $500,000 expenditure savings. This may 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**

The Parking Fund Budget for FY 2020-21 anticipates expenses and revenues of $2,199,529 which is a decrease of $146,742 or 6.3% below the FY 2019-20 appropriation, simply reflecting a less ambitious CIP agenda for the upcoming fiscal year. The Proposed Budget includes recommended CIP expenditures totaling **$120,000**, including $96,725 for repaving, curbing, and lighting for Lot 1 and $23,275 to convert Lot 1 from individual single and dual head meters to centralized pay stations. Both expenditures are proposed to be fully funded from the Undesignated Fund Balance of the Parking Fund.

Town staff has worked with Dartmouth College to enhance the service provided by the Downtown shuttle which serves Dartmouth parking lots, the campus and Downtown Hanover. Currently the shuttle only runs every 30 minutes between 10:00 am and 2:00 pm whereas it runs every 15 minutes during the morning and afternoon commute hours. In an effort to encourage more Dartmouth and Downtown employees to ride the shuttle and park in satellite parking lots, AT has agreed to increase the shuttle frequency to every 15 minutes during the 4 hour time block in the middle of the day, at a total additional cost of $92,980. The Town has agreed to fund 50% or $46,490 of this enhanced shuttle cost. This service will begin in August of 2020 so for FY 2020-21 we have budgeted a pro-rated share of $40,680.

**CONCLUSION**

Another budget season is drawing to close as we gear up for budget public hearings. At this time of the year, I spend a considerable amount of time in Town Hall on weekends when things are quiet. It is only then that I come to appreciate how much fun this team is to work with when the place is buzzing on any given workday. Our Town Hall team enjoys each other’s company, works well together, laughs a lot, compares notes constantly and is a veritable beehive of citizen activity. In the midst of this, we also all manage to put a budget together for the community. I always find this time of year a personally satisfying season as we look out into the future and plan for implementation of spring and summer projects as well as package our recommendations as to how to proceed in the coming fiscal
year. And in doing that work, I always appreciate the way our Town-wide team works together to make things happen.

The Department Head team, their department staff and our Administrative Services and Human Resources Department staff make the job of putting together and processing the proposed budget we prepare annually for the Board’s consideration interesting and straightforward as we juggle many options each season. Our internal budget meetings are always positive - constructive opportunities to look at the past year, talk about current operations and then plan for the coming year, all while enjoying the time we spend together. Consistently, to a person our employee team works diligently to meet the community’s needs, to weigh the pros and cons of adding new programs or reworking the way we currently provide services, and they make their recommendations from a desire to do more and to do things better while trying not to spend unreasonably given the return. In short, they make my job easy and they make managing this community’s operations and budget a real pleasure.

There is nothing like trying to finalize a budget document while also administering a NH Primary, that once-every-four-years three-ring circus that generally falls at a most inopportune time for production of a May Town Meeting budget. This year, somehow Administrative Services Director Betsy McClain managed to run a very busy election and pull off a budget simultaneously, all while still managing to maintain her sanity. Beginning in early November when she assembles all the supporting documents for distribution to the Department Heads for completion and winding up in mid-February with the final document printed and distributed, Betsy puts in very long hours building inter-linked spreadsheets, verifying hundreds of line items, vetting submittals, participating with me in every budget meeting and handling additional sub-department meetings on her own, insuring that everything ties together properly, searching high and low for mistakes when things just do not tie out, offering me and her fellow department heads valuable advice and feedback and then piecing together the seamless web in the waning days, all while doing her regular day job. Then, once the budget is defended and adopted, Betsy jumps right back into the water again to assemble all the required documents for the Town Report and Town Meeting. As I have said for years, all of us would be lost without her.

And then there is Kerry Osgood, my Executive Assistant, who is a delightful member of our team. As I said last year, nothing phases her when we throw it at her and she is regularly commandeered by both Betsy and Dave Stewart to help with multiple aspects of the work they do for the Town in addition to backstopping my work and managing my schedule. To top it all off, as a paralegal, Kerry is quick to focus on issues we should be paying attention to as we manage litigation in my office. I am grateful for Kerry’s practical approach, her dry sense of humor, her ability to interact thoughtfully and patiently with citizens seeking our assistance and the seamless way she has fit into our Town Hall team.