


TOWN OF DERRY, NH

To: The Citizens of Derry and the Derry Town Council
From: John P. Anderson, Town Administrator 
Date: June 16, 2011
Re: Fiscal Year (FY) 2012 Approved Budget Message

The Town of Derry FY 2012 budget was approved by the Derry Town Council at a meeting on May 19, 2011 by a vote of 4 in favor and 3 opposed. The FY 2012 Capital Improvement Plan was approved by a vote of 5 in favor and 2 opposed.

The Council approved a Town services budget of \$35,824,953, which net of revenues, is \$22,764,873, an increase of \$548,331 or 2.47% over the comparable FY 2011 budget. This budget (assuming all things stay equal) equates to an estimated 2011 tax rate for Town services (Administration, Public Works, Police and Fire) of \$9.52 per thousand dollars of value; an \$0.11 increase over the \$9.41 tax rate set for 2010 by the New Hampshire Department of Revenue Administration. The estimated 2011 tax rate is \$0.04 below the tax rate cap allowed under the Town's Charter.

The following are a few key points of the budget as well as some areas of concern and/or issues in the years ahead:

Key Points

This budget:

- Eliminated four full-time positions, converting one of these to a part-time position.
- Used \$153,000 of unrestricted fund balance to cover the first year payments projected for the Route 28 Tax Increment Financing (TIF) District bond debt service and another \$59,000 to support day-to-day Town operations.
- Recognizes the continued downward trend of market conditions and projects that revenue from investment income will be significantly below prior year levels due to abysmal interest rates and that motor vehicle registration fees will be slightly below those of FY 2011.

- Contains the assumption that Derry will provide Fire and EMS dispatching services to the Town of Londonderry, reflecting a continuing effort to regionalize services where possible. The Town currently provides these vital services to Auburn, Chester, Hampstead and Windham. Londonderry will not make the final decision on this matter until early FY 2012. Derry believes that such a transition is a *win/win* for both communities from a public safety perspective. Although Derry Fire will need to hire two additional dispatchers, the program will provide increased net revenue to our Town.
- Reflected the increased costs and reduced revenues of the proposed State budget for 2011/2012. NH Retirement System costs for Police and Firefighters continue to be shifted from the State to municipalities, adding an additional expense of \$272,000 to be borne by local taxpayers. This budget again excludes approximately \$460,000 of NH shared revenue funding that the Town had received for many years until it was eliminated in FY 2010.

The final State budget has not yet been approved. It is possible that the State will place even a greater burden on municipalities by shifting additional costs or further reducing revenue.

Concerns/Issues Going Forward

- After three years of essentially level-funding operations, the significant challenge for the Council and the Town's management team is to continue to provide the high level of municipal services that have been provided in the past. While the economic downturn continues nationally and locally, the demand for Town services in public safety and human services has increased. Despite that demand, the number of full-time employees has declined from 250 to 232 (234 if we dispatch for Londonderry).

There are no easy answers to this challenge. Should additional positions be considered for elimination during the development of the FY 2013 budget, the Town will assess the resultant reduction of services and/or increased public safety response times of any proposed change so that the probable impact is clearly understood by our citizens.

- The challenges presented by the weakening of the national and local economy remain unclear. It is expected that revenues historically provided by the State will continue to decline, resulting in a continued shifting of the burden of some costs onto local municipalities/ taxpayers. Hopefully these external factors for FY 2012 will be clear by the time we set the final tax rate in the fall.

- We must consider increasing program service fees despite the unintended consequence of possibly limiting access to activities to those with the scarcest resources.
- Debt service costs related to issuing a bond for the Route 28 Corridor TIF District infrastructure improvements have been included in the FY 2012 budget. It is anticipated that financing will take place in July 2011 and that infrastructure work will begin in August and be completed during the summer of 2012. While the project will remedy an existing failed section of highway, it is important that the development of undeveloped or under-utilized property (which has existing Town water and sewer service), move forward as expeditiously as possible so that the increased valuation can fully support the debt service cost. We believe that Wal-Mart will begin construction of their new superstore during 2011.
- There has been positive economic development in downtown Derry, including the opening of several small businesses and the recent announcement that the New England Institute for Medical Technology will open its doors this summer on Broadway.
- Shifting our tax base balance will not happen overnight, but the positive signs of development on Route 28 can only help the rest of Derry. Future economic development will be an ongoing project for all of us, and we hope to build on our recent successes. In an effort to be prepared for future progress, we will need to constantly review and expand the Town's municipal infrastructure where necessary. This will likely result in increased debt service costs, which, in turn, will continually challenge the Town to reduce the cost of day-to-day services.

As we move into FY 2012 and prepare for the development of the FY 2013 budget, the Town Council and our staff will face ongoing challenges to continue to provide a high level of municipal services to the residents of Derry. Lastly, I wish to thank the Town's staff, the Town Council and all involved residents for the tremendous effort in preparing this budget, my first as your Town Administrator.

TOWN

ORGANIZATION

CHART

