

Presentation of 2008 – 2013 CIP Matrix

To Planning Board by CIP Chairman Fred Plett

September 13, 2007

Introduction

- Thank you again for the opportunity to serve as CIP Chair. The CIP Committee serves a very useful function in town. The CIP Committee reviews capital plans to ensure that Master Plan priorities are met, and that the health, safety and welfare needs of the town are addressed, in a capital plan matrix that to the extent possible smoothes capital expenditures from year to year in a rational fashion such that the tax rate is not subject to unnecessary large fluctuations.
- I would also like to thank the CIP Committee for giving up many hours during the summer to bring this CIP matrix to the Planning Board on a timely basis, with a well thought out product.
- I would like to again thank the Planning Board for allowing the CIP such an early start in our deliberations. I had a discussion with the Selectmen on May 21st concerning CIP Goals, and I attach the sheet I had prepared for that discussion. We then first met on June 7th. We used 5 meetings through August 16th to hear from all functions in town concerning their capital requests. This allowed 4 deliberation sessions, through September 13th, for reviewing the matrix and for callbacks. We scheduled our meetings for the Thursdays opposite the Planning Board meetings since we are availing ourselves of the same planning staff. We did call back the DPW, the School Department, and the Conservation Commission, and we got additional input from the Fire Department. We had one more deliberative session than last year, and we needed it.
- Traditionally, as the attached matrix used as a presentation to the Selectman shows, the recommendations of the CIP Committee were adopted by the Planning Board with little change, and the Planning Board recommendations carried through to voter approval with a very high acceptance ratio, averaging 87.84% in 2003, 95.38% in 2004, and 90.09% in 2005. However, the recommendations have received a harder look in the last 2 years, resulting in 79.48% acceptance in 2006 and 2007 (2006 being influenced by the SAU deciding not to go ahead with a Bartlett Capital Reserve, 2007 being influenced by sharp Selectmen pencils). This is why a discussion took place with the Selectmen. Please note that the CIP as adopted by the town has remained steady and even decreased over time, despite increases in town population, inflation, road miles, and about every other metric that should affect capital expenditures. Meanwhile, operating budgets continue to increase. The concern

is that for budgetary purposes, capital expenditures have been curtailed to the long term detriment of the town, and that continued tight capital expenditures will only build problems that will eventually need to be faced anyway, but at much higher costs. As we present this 2008-2013 Matrix to the Planning Board, we urge the Planning Board to carry this message forward to the Governing Bodies (School Board, Precincts, Selectmen) and to the Budget Committee.

- As you are aware, as a result of my presentation to the Selectmen, there was an exchange of correspondence between the Selectmen and the Planning Board, where the Selectmen urged a strict rank order of expenditures with a bright line drawn at last year's CIP voter approvals, and the Planning Board, citing Statutory responsibilities, respectfully declined. I was left off both correspondences but subsequently was made aware of them.
- Approved by the voters in 2007 was a bottom line of \$5,722,778 (including an estimated impact of the monies derived from land coming out of current use directed to the Conservation Committee, by voter approval). The Planning Board had approved \$7,021,278 (including the same monies redirected to the Conservation Committee). The bottom line approved by the voters included a purportedly one time reduction in the road program of \$600,000. Adding that figure back to the \$5,722,778 yields an adjusted voter approval of \$6,322,778. If one adds 3% inflation to that figure, one would be somewhere in the \$6.5 million range as a target for 2008 CIP expenditures. By that measure, our 2008 recommendations are in line, at \$6,455,506. The remaining years 2009-2013 show a reasonably smooth CIP expenditure, town, precincts and school combined, of \$6,582,395, \$7,982,107, \$6,891,464, \$6,948,644, and \$5,175,963 respectively. As we approach 2010 with a projected \$7,982,107 expenditure, we may have to sharpen pencils more to bring that down some by finding something to defer, but the Committee did not identify at this time an easy target for such deferral. And with respect to the relatively light expenditure in 2013, we expect that this is perhaps more likely a lack of perfect foresight than any real expenditure cut.
- This is opportune time to restate that significant cuts from 2008 by the Budget Committee or Governing Bodies may very well exacerbate the situations we find in 2009 and 2010.
- As we do every year, we had another discussion among the CIP membership about our purpose – is it to fulfill the budgetary responsibility to present a smooth matrix from year to year to avoid shifts in the tax rate up and down, or is it to present to the Planning Board and, by extension through the Planning Board, to the governing bodies and to the Budget Committee, the needs of the community? We are not guided by statute (RSA 674:5 – 674:8), or by the CIP Handbook approved by the Planning Board on July 13, 2000 towards either goal at the expense of the other. It is the considered opinion of the CIP Committee that we are charged with both goals to the extent possible, but that the needs of the

community, when the case is compelling enough, should supersede the smoothing goal.

Matrix Discussion

- **Police Vehicles** – This is a replacement schedule.
- **Fire Department Vehicles** – Based on previous years' presentations, the work of the 24-7 Fire/EMS Committee, and a recent report by the Local Government Center, none of the vehicles presented by Chief O'Brien were a surprise. The numbers were large since there has been a huge (10-15%) inflation rate on fire apparatus for the last few years, anticipated to continue for the next five plus years, due to steel shortages, EPA emission requirements, and NFPA Standards. Chief O'Brien is looking for a new Tower / Ladder in 2010 at a cost of \$1,200,000, a pumper / tanker in 2010 for \$500,000 (he acquiesced to a CIP Committee desire to push this to 2011), and a replacement pumper for Engine 1 in 2012 for \$550,000. In addition, he is asking for normal replacement schedules for ambulances (#2 in 2008 and 2013), (#1 in 2011), and utility vehicle and car replacements. The CIP Committee has not recommended specific capital reserves in the past for vehicles, because we were able to smooth capital expenditures reasonably well through a pay as you go approach through the departments. Fire apparatus had been sometimes financed over a 2 year period. Given the very large numbers, the CIP Committee this year initially recommended a \$500,000 specific capital reserve for all fire apparatus exclusive of ambulances (funded from their own separate fund) for 2008-2012. This was slightly modified to \$420,000 for 2008, with the understanding that Utility 1 and Car 1 would simply be purchased, and not come out of the 2008 appropriation for the specific capital reserve fire apparatus fund. The modified capital reserve recommended by the CIP Committee is shown in the matrix, and funds offsetting the purchase of non-ambulance fire apparatus are shown as offsetting revenue the year the fire apparatus is purchased. Smoothing the matrix would be impossible short of this recommendation for a specific capital reserve, or some sort of bonding mechanism, which we are hesitant to do for apparatus. And if we appropriate for any more than 2 years for any specific apparatus, this by definition must be a specific capital reserve. We thought it prudent to include all major apparatus other than ambulances.
- **Public Works Vehicles** –
 - New*
 - There is a new **Dump truck** with sand and plow proposed for 2008. This reflects growth in town population and road miles to maintain and plow. It was reflected in last year's matrix and is not new to the matrix. It had been cut from previous years.
 - There is a new **Shouldering machine** for 2008 for \$33,000. Director Quiram says this saves a lot of labor to put gravel on shoulders in an

automatic way. It attaches to a loader and a dump truck backs up to it. It will help with regular maintenance and road reclamation. Contractors have these machines. This replaces a request for a snowblower attachment that turned out to be prohibitively expensive.

- o The rest of the matrix represents a normal replacement schedule.

Parks and Recreation Vehicles – There is nothing remarkable.

- **Administration –** The Library has inserted \$30,000 into 2008 for Children’s Room improvements, including a floor replacement. The town has requested roof and gutters replacement for 2010, and office renovation in 2008 but the CIP Committee pushed it off to 2009 since we still don’t see that the court will be ready to move. A GIS Flyover is requested for 2009, and it will have been about 8 years since the last one.
- **Conservation –** The \$80,000 shown is the money from penalties for land coming out of current use, which for the last 2 years, had to be turned over to the Conservation Commission at a 50% rate, and last year the voters approved a 100% rate. We believe the \$80,000 remains a reasonable long term estimate, but the numbers will vary from year to year considerably. The Conservation Commission is also requesting bond authorization for up to \$2,000,000 for purchase of conservation lands or easements. The Conservation Commission is requesting a 5 year life for this bond authorization, where any amounts less than this, up to this amount, could be approved by the Selectmen for conservation purposes, either through bond anticipation notes or actual bonds. The CIP Committee decided to leave this in the matrix and to let discussions take place throughout the process of Planning Board, Selectmen and Voter approvals. We are showing on the matrix the “worst case” from a financial perspective, as if all \$2,000,000 were expended in 2008.
- **Historic District Commission - Grasmere Town Hall renovation –** The CIP Committee kept this as a Priority IV and pushed off any expenditures to 2009 at the earliest.
- **Planning and Economic Development –Rails to Trails –**The request was for \$100,000 from voters for 2008-2013. The CIP Committee pushed it off until 2009. There was considerable discussion as to whether the voters expected a net financial hit to the town. *Mast Road Commercial Connector –* Since there is no approved TIF District the CIP zeroed this out, but kept the line. The need for the Commercial Connector is real.
- **Police –** There is a request for an emergency generator for \$55,000 in 2008. The last one couldn’t be started when it was needed the most. There is also a request for sidearm replacement for 2009.
- **Fire –** There should be no surprise that there is a request for engineering for a central fire station. Chief O’Brien said he was comfortable with \$40,000 for this in 2008. The actual station is plugged into 2009 for \$4,000,000, offset by bond.

The \$4 million comes from an estimate of \$250 per square foot for a 14-16,000 square foot building. The numbers may come down after the engineering study is done, even including all furnishings. The Central station is critical to house new apparatus, such as the proposed ladder / tower, which won't fit in any existing station, and to allow for 24 – 7 Fire EMS coverage. Station 17 could very well be shut down and sold as a result of this new station. At its last meeting, the CIP Committee had a consensus that this bond could most likely be issued mid-year 2009, so that there might be only six months impact from the bond issuance in bond repayments. This is reflected in the matrix.

- **Parks and Recreation** – Parks and Rec is requesting repair of pool skimmer and return lines for Roy pool in 2008 and an expansion of Barnard Park in 2009, using impact fees.
- **Public Works** –
 - **Reclamation** – Back on a catch-up schedule.
 - **Rosemont Area Drainage** – Due to a lack of good engineering plans prior to approval, the estimate of \$600,000 for this was inadequate. A remaining \$200,000 is put into 2009 to finish this. Any remaining funding will come out of operating budgets.
 - **Sidewalk – Danis Park to Mooseclub Park** - The CIP Committee did not see this as a pressing need and pushed it off from 2009 to 2012. Although we show offsetting revenue from the State of NH for this project in 2012 of \$504,000, we doubt that this money will really be there. If it isn't we may have to look further at this project.
 - **Reconstruct Main Street and North Mast** – The CIP Committee pushed engineering into 2008 from 2009, both for matrix balancing purposes, and to get a firm handle on the actual project cost, which Director Quiram is not comfortable with. He proposed \$1,478,000 for this project in 2010, with no offsetting state funds, since none are likely to be forthcoming. This is to be combined with road reclamation funds for an overall \$2.93 Million project cost. Since he also had a Wallace Mast Road reconstruction project the same year for \$710,000, and this became a budgetary backbreaker, the CIP Committee is recommending a specific capital reserve for this one project of \$500,000 per year for 2010 through 2012, with the actual work done in 2012.
 - **Catamount and Back Road Intersection** – has been on the matrix for a while and is shown in 2011.
 - **New** - DPW Director Quiram is requesting \$35,000 for Daniel Plummer signals and controllers for 2008 after receiving an engineering report that fix-its won't work well. He is also asking for \$53,000 for cost tracking software so he can do a better job with cost estimating and actual cost expenditures.

- o **Solid Waste Program** - The Department is requesting \$50,000 per year from 2009 on for replacement barrels. The green trash totes are now about 10 years old.
- **Offsetting Revenues** – As shown.
- **Sewer Commission** – Funded by users and the state, but anticipated costs are shown.
- **Village Water Precinct** – Included are normal pipe improvements. All expenditures are funded by user fees.
- **Grasmere Water Precinct** – Does not reflect any Pease Development extension, paid for by the developer.
- **School** –
 - o **Building Performance Upgrades** - The Building Performance upgrades for Bartlett and Maple Avenue result from an agreement with Honeywell, with offsetting operational cost savings to be equal or greater than the expenditures.
 - o **Tile / Carpet Replacements** - Tile / carpet replacements have been scheduled at each elementary school for 2008 and GHS in 2011 in an amount sufficient to count as capital.
 - o **Boiler Replacements** – Scheduled for Maple Avenue and MVMS for 2012.
 - o **Tractors** shown at Mountain View and the High School are not used for mowing, done by Parks and Recreation. They are used for other field services not provided by Parks and Recreation and some plowing not done by DPW.
 - o **Capital Reserve for Bartlett** – Continued request for \$300,000 per year 2008-2012
 - o **Bartlett** –The Bartlett renovations are in 2 phases, some critical work scheduled for 2008, and a more major renovation, now scheduled for 2012, coincident with the end of bond payments for Maple Avenue and MVMS. Impact Fees partially offset Bartlett Phase II, which has an expansion element to it. Impact fees probably can't offset Phase 1 since there is no expansion. Both projects will be offset substantially by a specific capital reserve for Bartlett
 - o **Barnard Park - Rebuild** – is contingent on renewal of a lease by the town to the SAU. There should be no problem. The SAU is checking into the potential for offsetting State reimbursements but so far has received a cold shoulder even though similar facilities in other towns as part of a school development get approved. It was determined that resurfacing won't do, and a complete rebuild must take place to allow for a different surface suitable for Class L play.

- o **Glen Lake School - Core Facility and 10 Room Elementary Expansion** – of \$14,994,100 is now scheduled for 2012, a year later than last year's plan, and the SAU, based on enrollments, may push it off further.
- o **Technology Plan** – The SAU presented a technology plan of \$345,000 for 2008 and \$265,000 per year for 2009-2013. In a callback, the CIP Committee removed all but that shown (\$40,000 and \$60,000 in 2012 and 2013 respectively) because the remainder did not meet the definition of a capital expenditure, requiring a five year life.
- o **Offsetting Revenues** – As shown. Planning Coordinator Steve Griffin examined the amounts likely to be available from impact fees for school expansion projects (Phase II of Bartlett, and the Glen Lake School, even after the money is spent by the town) and was aggressive in allocating all that he could rather than let the impact fees lapse.

Presentation to Selectmen May 21 2007

CIP History

Year	<u>Town</u>			<u>School</u>			<u>Total</u>		
	Planning Board <u>Approved</u>	Voter <u>Approved</u>	% Voter to <u>Planning Board</u>	Planning Board <u>Approved</u>	Voter <u>Approved</u>	% Voter to <u>Planning Board</u>	Planning Board <u>Approved</u>	Voter <u>Approved</u>	% Voter to <u>Planning Board</u>
2002									
2003	2,948,154	2,548,380	86.44%	2,583,745	2,310,824	89.44%	5,531,899	4,859,204	87.84%
2004	3,762,692	2,980,399	79.21%	2,068,647	2,581,579	124.80%	5,831,339	5,561,978	95.38%
2005	4,569,962	3,826,064	83.72%	2,520,050	2,448,482	97.16%	6,746,012	6,077,746	90.09%
2006	4,035,095	3,231,255	80.08%	2,240,010	1,756,010	78.39%	6,275,105	4,987,265	79.48%
2007	4,873,148	3,447,448	70.74%	2,073,130	2,073,130	100.00%	6,946,278	5,520,578	79.48%

2007-2012 Projection

	Planning Board <u>Approved</u>	% Change <u>Previous Year</u>	Planning Board <u>Approved</u>	% Change <u>Previous Year</u>	Planning Board <u>Approved</u>	% Change <u>Previous Year</u>
	2006	4,035,095	-	2,240,010	-	6,275,105
2007	4,873,148	20.77%	2,073,130	-7.45%	6,946,278	10.70%
2008	4,494,100	-7.78%	1,964,600	-5.24%	6,458,700	-7.02%
2009	5,429,987	20.82%	1,850,287	-5.82%	7,280,274	12.72%
2010	4,704,322	-13.36%	1,704,744	-7.87%	6,409,066	-11.97%
2011	4,954,922	5.33%	1,492,372	-12.46%	6,447,294	0.60%
2012	4,167,536	-15.89%	693,401	-53.54%	4,860,937	-24.61%

Note: Figures are net, i.e. Appropriation minus anticipated offsetting revenues.

Observations:

- 1) CIP future targets are the Planning Board approved Total School and Town (also Water and Sewer but they net out to zero)
- 2) CIP Focuses on a 6 year future to smooth out the expenditure path, Town and School

- 3) Selectmen naturally focus on next year only Town CIP expenditure
- 4) CIP went to the Planning Board in 2007 with a 20.77% increase from 2006 in Town CIP Expenditure but it was only 10.7% Town and School combined.
- 5) CIP could perhaps have pushed a little more off into 2008, but didn't have an easy target to do so.
- 6) From last year's Town and School projection, A natural target might be in the \$6.3 million range.
- 7) For Town only, a natural target might be in the \$4.7 million range. (Add up 2006-2012 Planning Board approved, divide by 7)
- 8) This is automatic food for conflict as compared to 2007 voter approved \$3,447,448 as it is a target about 36% higher.
- 9) If \$600,000 cut out of the road program in 2007 is added back in for targeting purposes only, this reduces the increase percentage to about 17.5 (\$4.7 / \$4.0)
- 10) Town and School functions have gotten very good at the CIP Process, but not perfect. The CIP Committee expects the falloff in expenditures, Town and School. in 2012 to be lack of perfect planning rather than a real falloff in capital expenditure requirements
- 11) The CIP Committee does not act as a Budget Committee and will not be as sharp with a pencil, but the CIP Committee does believe that the majority of that which appears on the matrix are legitimate town and school needs.