



Town of Moultonborough, NH
CAPITAL IMPROVEMENTS PROGRAM
2016- 2021

PREPARED BY:
THE CAPITAL IMPROVEMENTS PROGRAM COMMITTEE
Final Report: September 15, 2015

Town of Moultonborough, New Hampshire

Capital Improvements Program 2015-2021

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How to Use This Manual

Sections III. through V. are largely devoted to introduction, process, benefits and generally accepted definitions. These sections are particularly valuable to readers who are not familiar with capital improvement programming generally, and the concepts as they are applied in Moultonborough. Sections VI. and VII. are more substantive and are specific to the current amendment cycle.

CAPITAL IMPROVEMENTS PROGRAM COMMITTEE

TO: Board of Selectmen
FROM: Jordan Prouty, Chairman
RE: Capital Improvements Program
DATE: 22 Oct 2015
CC: Walter Johnson, Town Administrator
Barbara Wakefield, Town Clerk



On behalf of the Capital Improvements Program Committee, I am pleased to submit herewith our proposed Capital Improvements Program Report for Fiscal Years 2016-2021 for your consideration. The sum total of all projects recommended is \$10,956,004 for the six year program (capital spending year plus five planning years) with \$1,718,341 of this programmed for 2016.

In our sixth year, our process of how we gather information and the process we utilize, including our method for rating and ranking the project requests was very efficient and assisted us with our recommendations to you contained in the accompanying report and CIP spreadsheet.

We thank all of the Department Heads for the presentations on their needs. Some of them returned to us, taking time from their daily workload, to answer questions and provide us with requested facts and figures. Without their full co-operation we could not have completed this document. Special thanks to Bruce Woodruff for his very helpful and professional guidance. His expertise and patience was invaluable.

Capital Improvements Program Committee:

Jordan Prouty, Community At-Large, Chairman
Enid Burrows, Community At-Large
Alan Ballard, Advisory Budget Committee
Joanne Farnham, Planning Board
Josh Bartlett, Board of Selectmen
Paul Punturieri, Selectmen Alternate
Fred Malatesta, Community At-Large Alternate
Heidi Davis, Finance Director (Ex-Officio Member)
Bruce Woodruff, Planner (Ex-Officio Member)

Respectfully Submitted,

Jordan S. Prouty, Chairman

SECTION II. Executive Summary

Annually, the Capital Improvements Program Committee (CIPC) is to review capital requests and recommend a program of capital improvement projects to address the needs of the Town over at least a six year period, with the first year being the capital year or year in which actual funds are expended and the remaining five years as the planning period. As a preface to the proposed Capital Improvements Program, it is important to note that:

1. Approximately \$10,956,004 of capital improvement projects have been proposed by the various town departments over the next 6 years. These various Town departments have requested \$1,768,341 of funding for 14 capital projects in the capital year, 2016.
2. The CIPC has recommended \$1,718,341 for 13 capital projects in the capital year, 2016, because one project was not recommended to be funded (refer to Section X, Committee Recommendations and the 2016 CIP PROJECT RATINGS/RANKINGS in Appendix A.) Further, there is the possibility of \$1-2 million in planned or proposed capital projects which have not yet been fully vetted by leaders within the community to address the long term vision for Moultonborough. The priority set for these recommendations may be seen in Appendix A, and also indicated in the CIPC spreadsheet Appendix B.
3. The CIPC also recommends continuing to follow a Capital Reserve Fund program linked to future Capital Project Requests as per the Capital Financing Plan Memorandum, dated October 20, 2011.
4. A policy of utilizing lease-purchase programs is advocated for large ticket purchases which will serve to spread rather than spike the costs.
5. All project costs were analyzed for their Master Plan tie-in.
6. The CIPC notes the potential increase of 6.81%, in capital requests for 2016 over 2015 Capital Expense. Of even deeper concern are the requests for the out years. For example, the proposed Capital requests for 2017 (one year out) are approximately a 36.9% increase over the recommended 2016 Capital Expenses, primarily due to requests from the Recreation Department. This does not include the potential for even greater increases due to Petition-originated requests at Town Meeting.
7. Further, although it is not in the scope of this CIPC, there is a general concern in light of some alarming news from the Carroll County administration, there may be some large, unplanned and perhaps ongoing costs coming to the Moultonborough Taxpayer.

8. The CIPC strongly recommends that the Board review our project recommendations in Section X.
9. Finally, the Committee respectfully requests that the Board of Selectmen advise the CIPC whether it has accepted our report in whole or in part, and what it shall submit for funding requests as part of the coming fiscal year budget within 90 days of your receipt of the report, as per the Order Creating a Capital Improvements Program Committee Charge and Composition, Section 5.) Powers and Duties, c. Action by the Select Board.

SECTION III. Our Charge

Our charge was to recommend a Capital Improvement Program (CIP) covering a period of no less than the coming six (6) fiscal years, including a Capital Improvement Budget for the next fiscal year, and the financing thereof, to aid the Select Board in their financial planning and deliberations on annual budget requests.

The CIPC is to obtain the estimated cost of each project and indicate probable operating and maintenance costs and probable revenues, if any, as well as existing sources of funds or the need for additional sources of funds for the implementation and operation of each project. The program may encompass both projects being currently undertaken and future projects to be undertaken with federal, state, county and other funds. The CIPC shall classify projects according to their urgency and need for realization, shall recommend a time sequence for their implementation, and shall specifically comment on the relationship of the Program and budget to its consistency with the Town's Master Plan.

The program shall include only those capital projects and improvements involving tangible assets and projects which (1) have a useful life of not less than five years and (2) cost over \$10,000 [or such other sum which conforms to Statement #34 of the Governmental Accounting Standards Board (GASB34) or such future equivalent capitalization schedules].

SECTION IV. OUR PROCESS

The Capital Improvements Program Committee was formed in January 2010 by the Select Board under the authority of Article 10 of the Annual Town Meeting of 2009 (See Exhibit F). This body assumed authority for Capital Planning from the Planning Board with their full assent and support.

The Capital Improvements Program Committee is comprised of nine persons, with two of them being alternate members to act in the stead of a permanent member when they cannot be present and two ex-officio members.

These persons represent various constituencies and disciplines of:

One (1) from the SelectBoard,

One (1) from the Advisory Budget Committee,

One (1) from the Planning Board,

Two (2) from the at-large residents of the Town, and

Two (2) alternate members from the at-large residents of the Town. (Currently one alternate position is vacant.)

We held our first meeting this year on April 9, 2015 to discuss an overall format, process and schedule for the task at hand. Over the course of developing this Capital Improvements Plan, we heard presentations from Department Heads and the School on their current facilities and perceived needs. Some Departments and the Library indicated they do not currently have any capital project needs for the program period. We reviewed a number of town and financial reports. We reviewed project requests and, at times, requested additional information.

Finally, we will present our Draft Capital Improvements Program Report at a public hearing to be held on September 15, 2015. A second public hearing will be held if necessary on September 17, 2015. Finally, the Committee will meet on September 17, 2015 to revise the report as per the comments received at the public hearing(s).

SECTION V. BENEFITS OF A CIP

There are many benefits to the organization in the process of establishing a Capital Improvements Program:

1. Having a CIP recognizes the need to make and maintain an ongoing investment in the facilities, infrastructure, vehicles and equipment necessary to provide the services each community has

chosen as important to ensuring the quality of life it wishes to enjoy;

2. The CIP can be a plan to maintain a stable property tax rate by “smoothing” out expenditures. Major capital projects are planned within a framework designed to distribute the tax burden attributable to capital expenditures evenly over time. Untimely expenditures can generate unstable property tax impacts;
3. Successful community planning requires a series of incremental steps moving logically through the steps of project proposal to an end result. The CIP provides the linkage between each proposal and our spending;
4. The CIP can bring a central point of community focus, not driven by cost-cutting budget concerns, to the individual demands on funding and drives a call for cooperative project planning. This co-operation can result in the avoidance of duplication of effort and prioritization of expenditures and thus generate cost savings. Communication and coordination between Departments, Town and School officials is considered essential;
5. The CIP process is an open forum to make voters aware of proposed improvements that may be of particular interest and major proposals that will likely come before future Town or School District meetings. The discussion it generates is essential to community well-being through the creation of an informed, participatory decision making process; and
6. Communities demonstrating sound planning fiscal health and high quality facilities and services are attractive to investors of all kinds; homeowners, businesses and lending institutions. Decisions to invest in Moultonborough may be influenced by improvements that enhance the quality of life for our citizenry, work force and business owners. Capital improvement programming supports and compliments our broader community economic development objectives and well-being.

Finally one must have a CIP in place in order to adopt a local ordinance requiring the payment of impact fees to offset the public costs incurred from development projects, (RSA 674:21 V).

What A CIP Is Not

It is equally important to understand the limitations of a Capital Improvement Program:

1. The CIP process is not meant to micro-manage the budget development process. Preparation of the Town and School District annual budgets is the responsibility of elected officials and

professional administrators;

2. The CIP process is not an allocation of funding for “wish list” projects that are neither needed nor likely to receive public funding and support;
3. Although the program provides a framework to guide activity, the CIP should not be rigid and inflexible. The CIP process cannot anticipate unusual changes in growth, economic conditions, political behavior, emergencies, non-tax revenue sources and opportunities not predictable enough to schedule;
4. Although the recommended CIP fits within reasonable fiscal constraints, it does not guarantee a level tax rate. There are many variables that determine the total tax rate (i.e., tax base, operating costs, revenues, etc.). Capital expenditures constitute a relatively small portion of total, local spending; and
5. Although it may assign projects to a broad ranking category, it does not provide a means of rationing capital between projects beyond that initial categorization.

SECTION VI. CIP PROJECT DEFINITION

Capital Improvements for the purpose of the CIP are defined as having the following characteristics:

1. Projects or improvements that are typically non-recurring in nature;
2. Projects or improvements that have a useful life of at least five years;
3. Projects or improvements that cost \$10,000 or more (or such higher sum as GASB34 requires)

Capital Improvements meeting the above criteria can be generally categorized as follows:

- Construction and reconstruction of public infrastructure such as roadways, sidewalks, and storm water systems;
- The purchase, construction, rehabilitation, and/or replacement of public buildings, land, parking lots, boat ramps, paths and the like;
- The purchase or lease of new or replacement of equipment such as police cruisers, fire trucks, dump trucks, loaders, etc.;
- Major software systems and computer installations; and
- The acquisition or lease of land.

Finally, in order to be included in the CIP all items must meet the following standards:

1. All projects for improvement, repair, replacement, or upgrade should be included in the current municipal asset inventory.
2. All elements of a project should be included as part of a single project, (i.e. water, road and storm water).
3. If the project is one element of a larger plan, such as a section of roadway but not the full length, there must be an indication of how the full project unfolds to show this element is consistent with the other phases and does not negate them or require an unreasonable “re-work” to accommodate future phases.
4. The expenditure, operating cost impact, potential revenue and an analysis of options of the proposed project (i.e. refurbish vs. replace a piece of equipment) should be included.
5. Historical records are to be included for the last 2 years or for the duration of the projects that remain open.
6. Projects carried forward from one year to another shall retain the original project # for tracking.
7. Town debt service information shall be submitted so that the high and low capital years can be synchronized with the high and low debt service years.
8. All cost estimates must have some basis either from an actual cost estimate, vendor estimate, or historical data.

SECTION VII. CIP PROJECT SELECTION CRITERIA

New Hampshire RSA 674:6 requires that the Capital Improvements Program Committee (CIPC) classify projects according to urgency and need and to contain a time sequence for their implementation. The Moultonborough CIPC adopted a classification system that uses seven (7) possible classifications as outlined below. In deliberations leading up to the CIPC’s proposed capital allocations, each submitted project for the capital year 2016 was rated by each committee member using a score sheet form, then each submittal was ranked by the average score. Using these rankings as a guide, members then assigned a class to each project submittal.

Class 1= Urgent Need-immediately for health & safety needs
Class 2= Justified Need-to maintain basic level & quality services
Class 3= Desirable-to improve quality & level of service
Class 4= Unprogrammed-not enough info provided to evaluate need
Class 5= Prior Approved Expense
Class 6= Not Considered
Class 7= Not Recommended

Note: Costs for Class 4 and Class 7 are not included in totals.

SECTION VIII. DEVELOPMENT OF THE CIP

In many New Hampshire communities the Planning Board has the responsibility for the preparation of the capital improvement program. In Moultonborough, after consultations with the Planning Board, the Select Board sought and obtained the approval of the legislative body to create a separate entity to carry out this responsibility not withstanding this difference in structure the CIPC still must follow the statute RSA 674:5 through 674:8.

The Capital Improvements Program must also be responsive to the uncertainties that are inherent in all aspects of community development. It is important that the program be reviewed on an annual basis to remain both proactive and practical.

Review of Town Meeting. The annual review and update process begins in the spring of each year with a review of the decisions made at the Moultonborough Town meeting. This review examines the capital improvement related decisions that were acted upon by the voters.

Meetings with Project Sponsors. Throughout the spring, the Committee meets with Boards, Commissions, Committees and Department Heads to discuss any updates to existing information, and to review and discuss any newly identified projects.

Formulation of CIP Recommendations. In the summer, the CIPC conducts final meetings with project sponsors if necessary. By consensus the CIPC develops its recommendations for the

ensuing six year program period. The Master Plan provides background information and provides guidance to the Committee processes.

CIP Adoption. The CIPC presents its Draft recommended program to the community at a public hearing. This is an opportunity for the public to comment on the CIP prior to its adoption. The Draft is then formalized based upon the comments received. The notification and hearing requirement processes the CIPC follows are the same process used for the adoption of a Master Plan, provided for in RSA 675:6. Once adopted, the CIP is filed with the Town Clerk and the NH Office of Energy and Planning.

CIP and the Budget Process. The adopted CIP is forwarded to the Board of Selectmen, with copies to the Advisory Budget Committee, School Board and Library Trustees for their consideration as part of the budget development processes. As the respective entities hold their budget workshops and hearings, the public has additional opportunities to comment on capital improvements. We expect to place a copy on the Town Website for easy access to members of our community.

One of the goals of the CIP is to recommend a stable program of improvements in terms of the associated tax rate impact. Although capital improvements represent a relatively small portion of Town appropriations, they can be easily targeted for budget reduction purposes. It is important that public officials consider needed capital expenditures within the context of the bigger spending picture. To the extent this process is accomplished reasonably, tax rate stability can be achieved while decreasing the likelihood that action on needed capital improvements will be deferred.

Town Meeting. The budget processes culminate with the consideration of budgets presented by the Board of Selectmen with comments by the Advisory Budget Committee to the Town Meeting. It is at the Town Meeting vote where actual appropriations are made to fund capital improvements.

Public Participation. The people of Moultonborough have the opportunity to participate in the development of the program and to review and comment on the setting of community needs and priorities. The value of public participation lies not only in allowing the project beneficiaries and taxpayers to express their desires, but also in obtaining continued public support for future investments in our community.

SECTION IX. PROGRAM FINANCE

As mentioned previously, the CIP forecasts major capital projects within a flexible framework designed to distribute the tax burden attributable to capital expenditures over time. Towards this end, the Committee recommends a six-year program that fits within reasonable, fiscal constraints. Although a fiscally constrained CIP is not a statutory requirement, the Committee feels that it is a very important element of a balanced program.

Project Financing. Financing mechanisms will vary by project and circumstances including general fund revenues, special assessments, grant funding, private donations, Capital Reserve funding, lease/purchases, and short and long-term borrowing.

Non-Property Tax Revenue Offsets. Non-property tax revenues such as federal and state grants are identified in relation to specific projects. These projected revenue offsets are applied to project costs.

Expendable Trust Funds. The making of an annual contribution to an expendable trust fund for future withdrawal can be a useful tool to “smooth” out the property tax levy. The community is currently undergoing a complete review of its trust funds as to when it should establish one, how to establish, how much to annually contribute, and what the “floor” (i.e. minimum level) and “ceiling” (i.e. maximum level) should be. The CIPC recommends adhering to the annual recommended contributions to the reserve accounts and the percentage ceiling for capping the total capital year expenditures on an on-going basis as outlined in the Capital & Reserve Financing Plan Memorandum dated, October 20, 2011 (also endorsed by the Board of Selectmen).

SECTION X. COMMITTEE RECOMMENDATIONS

The CIPC recommends the accumulation of capital reserves to provide a smoothing out of capital funding required to meet the town’s needs on a long-term basis as per the October 20, 2011 Memo Report prepared by the Town Fellow. The CIPC recommends this level funding process that includes the Capital Reserve philosophy adopted by the BOS in 2011.

The CIPC is recommending thirteen of the fourteen projects for the Capital year 2016, ranked as priorities one (1) through thirteen (13) on CIP Ranking (Appendix A). Project ranked 14 was not

recommended by the CIPC for funding.

All project requests were analyzed for their Master plan tie-in, as a part of the rating process.

Asset Management Plan

The DPW, Fire Dept., and Police Dept. have tracked all rolling stock maintenance records since 2013, so that reports by specific piece of equipment are available each year. The process uses existing software to track repair work plus regular maintenance. This process provides added objectivity to the performance of per-vehicle cost analysis to help determine whether a continued repair option or replacement option is the more cost effective for an upcoming budget cycle.

The CIPC also recommends an equipment replacement planning approach that uses manufacturer recommended replacement schedules as the long-term planning guide and depends on actual serviceability of equipment at appropriate cost levels for year to year determination when the target year is reached (if it isn't broken, we shouldn't replace it).

CIPC Commentary on Capital Projects Plan 2016 Projects

The Capital Planning process continues to mature and improve. Submittals by the Department Heads are markedly improved in terms of depth of request, rationale and supporting data. We commend and thank each individual who worked through the process and the myriad of requests, questions and discussions. We also thank those in the Moultonborough Community who have shown interest and taken the time to ask questions which has helped to make a better Plan.

The CIPC recommends continuing the program to build the Capital Reserve Funds to levels that can provide multi-year smoothing of annual appropriations needed for Capital expenses. In light of our goal to keep increases below 5%, of concern is the potential increase of 6.81% in Capital Requests for 2016 over the approved 2015 Capital Expense. Of even deeper concern are the requests for the out years. For example, the planned Capital Requests for 2017 (one year out) are a 36.9% increase over the recommended 2016 year Capital Expense. It is recognized that these planning years are subject to a year by year review in order to reassess needs and smooth the annual cost over the life of the program, and that this process will occur for 2017.

The CIPC recommendations are grouped into Priority Classifications as identified previously in this report and on various charts. Projects identified as priority 1 (Urgent Need – immediately for health and safety needs) and Priority 2 (Justified Need – to maintain basic level and quality of services) are not included in this commentary as they are fully supported and recommended by this Committee. We may provide comments on lesser ranked priority items only, such as Priority 3 (Desirable-to improve quality & level of service), Priority 4, and Priority 7 (Not Recommended). In some cases, Priority 4 (Unprogrammed – not enough info provided to evaluate need) has been used. Our desire is to obtain

the missing information so as to properly classify each project and give it full consideration vs. all other projects before us.

Priority Code 4: Unprogrammed-Not Enough Info Provided To Evaluate Need

#4 Public Safety Building Slab Replacement/Repair WITDRAWN - NOT INCLUDED

It is thought by the Members that the need has not been clearly identified, as the stated need seems to be less than urgent. The slab problem does not seem to be further deteriorating, and although it is a nuisance, perhaps a less drastic and less expensive solution should be considered.

Priority Code 7: Not Recommended

#64 – Construction of Building. w/gym, program space, offices, storage (Recreation Department Request) (engineering design study)

With the consideration of the new facility for the Recreation Department pending approval by the voters and exploration of the potential lease of a facility, as well as the reluctance of the CIPC to recommend an expense to design a facility before the requirements are fully vetted, the CIPC members did not think this was a prudent use of the Taxpayer's money. A project and facility of this magnitude should be carefully considered – the expense of construction of this facility has been estimated at \$3,800,000 to \$5,000,000 and the ongoing operating costs have not been carefully explored. This request was not recommended in the 2014 CIPC report. Please see that report and commentary for further explanation.

In general, it is thought by this committee that prudence dictates the careful consideration of any extraordinary project. With some upcoming large projects, such as the State's Landing, Neck Pathway, possibly expensive repair of the Public Safety Building, and the looming County Tax increases, the CIPC believes their responsibilities outweigh the desirability of several future projects.

Appendix A. Committee Project Rankings (see attached, page 15)

Appendix B. CIPC SPREADSHEET (see attached, page 16)