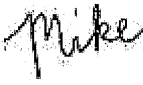


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**MEMORANDUM - OFFICE OF THE TOWN ADMINISTRATOR**

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**TO:** SelectBoard

**FROM:** Mike Branley, Town Fellow 

**RE:** Trust Funds

**DATE:** August 25, 2011

**CC:** C. Terenzini; H. Davis; Trustees of Trust Funds

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Similar to most other towns and cities across the state of New Hampshire, over the years Moultonborough has created a plethora of trust funds with a wide range of purposes. The charge of this effort was to take a big picture look at these trust funds and identify a policy for their use, consisting of:

- Annual Recommended Contributions (ARCs) based on quantifiable needs
- Ceilings, floors, and target ranges for all appropriate funds
- Guidelines as to when to establish a new fund
- Guidelines as to when to discontinue an existing fund

When I reached out to other communities in the state it was clear that Moultonborough is not alone in its lack of a consistent funding and use plan for its trust funds. While various towns had a hodgepodge of policies that contributed to putting together this effort, there was clearly no single “best practice” that guided municipalities’ trust fund approach. This report seeks to become an example of forward thinking and responsible fiscal planning that can be replicated across the state.

The overall goal of this policy is to put the Town in a more stable financial position. By identifying and closing out funds that have outlived their purpose, that money can be used to offset other needs. For a guideline of when to create a new trust fund and when to discontinue an existing fund, see Appendix J. By contributing to needed funds more rationally, the Town can avoid bonding to purchase anticipated capital needs by having the money reserved. The Town would also be in a better situation to manage an unforeseeable event, such as the unexpected replacement of a piece of capital equipment.

The focus of this project is on Town-related trust funds. Funds pertaining to the Moultonborough Public Library and School Administrative Unit 45 were not analyzed, due to their legally independent nature. Other educational funds, such as the Duclos Fund, were also

not scrutinized since the Town merely serves as a trustee and does not appropriate to or expend from them. I did not recommend policies for several other trust funds due to their specific purposes, which are not consistent with a traditional reserve fund. For a summary of all of the reserve funds in the Town see Appendix A.

## **I. Types and Tiers of Trust Funds:**

The three types of trust funds held by the town of Moultonborough are capital reserve, maintenance reserve expendable trusts, and revolving funds. Although these funds are typically used for slightly differing purposes, for the purposes of this report there is not a great amount of difference between the practical uses of these funds. See Appendix I for a brief description of each type of fund and the relevant RSAs.

When reviewing Moultonborough's trust funds three tiers were identified.

**1st tier funds** are those based around paying for capital equipment, such as the Firefighting Equipment Fund. The assumption for these funds is that the Town wants to use them as an account designed to save for and finance the purchase of as much of the equipment described under their purpose as possible.

**2nd tier funds** are those based around Town-owned buildings, such as the Municipal Building Fund. For these funds, the assumption is that they will be used for the maintenance and potential future replacement of current buildings, however any potential construction of new buildings will be financed separately.

**3rd tier funds** are all other miscellaneous Town funds that do not fit into the top two tiers. These funds range from those that are no longer needed to those that do have a current purpose but do not fit the mold for a traditional reserve fund and for the most part do not have a readily available method to rationally construct a contribution policy.

## **II. Inflation:**

When planning for trust funds, especially in the long-term, inflation is an important consideration. If one lays out a financially sound plan but does not account for how inflation may impact costs, the trust funds will still be lower than where they need to be and will not serve the desired purpose over the long term.

Over the last nine years,<sup>1</sup> inflation has averaged 2.35% annually. This number is significantly lower than the traditionally used figure of 3% for inflation, primarily because there was slight deflation in 2009. The median annual inflation during this same period was 2.68%, probably a

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<sup>1</sup> This nine year timeframe was used due to the availability of data.

more realistic figure.<sup>2</sup> Over this same time period the funds invested by the Trustees of Trust Funds saw an annual average return on investment (ROI) of 3.44%, with an annual median of 3.24%. Based on these two calculations, this report acts under the assumption that the difference between the Trustee's ROI and inflation will essentially be a wash; any increase will be beneficial but should not be counted on.

There was some concern among the staff that heavy equipment, such as construction and fire equipment, may have a significantly higher rate of inflation than the overall consumer price index. During the same nine year timeframe used above, the rate of inflation for construction machinery and equipment averaged 2.83% annually, with a median of 3.08%.<sup>3</sup> While this figure is higher than inflation, it should be mitigated with effectively enough by the 3% ARCs will be increased each year. Updated fleet replacement cost estimates should be provided at least every five years (or as often as the Board of Selectmen see fit) by all department heads who have regularly replaced capital equipment so the Town can ensure that enough money is being reserved.

While inflation does not need to be accounted for in terms of the fund balances, it does for the annual recommended contributions (ARC) outlined below. To account for the higher rate of inflation for heavy equipment, and to allow a single figure to be used across the board, ARCs should be increased 3% each year. That impact is outlined below, using the Firefighting Equipment Fund ARC as an example, and is indicated in Appendix B.

<u>Year</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
ARC	\$108,500	\$111,750	\$115,100	\$118,550	\$122,100
3% of ARC	\$3,250	\$3,350	\$3,450	\$3,550	

For more calculation relative to inflation and the Trustees' ROI see Appendix H.

### **III. Annual Recommended Contributions (ARC)**

1. 1st tier funds, which are those funds based around various equipment fleets, the ARC is based on two critical factors: the life of the asset and the replacement cost of the asset. Despite the availability of numerous methodologies and even software programs designed to make these determinations, for this report, taking into account the size of the organization and the amount of staff time required, relatively simply methodology was used taking

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<sup>2</sup> The median is often used instead of the average to mitigate outliers.

<sup>3</sup> This figure was calculated based on data provided by the Associated General Contractors of America.

advantage of readily available information. Excessively complicated and sophisticated processes may give slightly more accurate values, however they are not worth the cost in terms of software and staff time. The Town's funds are currently so far from where they need to be that these figures are enough of a step in the right direction at this time.

With that being said, for the purposes of calculating ARCs for capital equipment, this report used life cycles and replacement costs for assets as established by the user agency based upon their experience and industry standards. Again, although the user departments could contact multiple distributors and get exact replacement costs for every piece of equipment, this time spent would not provide a significantly better result worthy of the effort. ARCs are then calculated by dividing the assets value by the total life cycle. For example, for a fire engine with a replacement cost of \$425,000 and a life cycle of 25 years:

$$\text{ARC} = \$425,000 / 25 = \$17,000.00$$

These ARCs for each piece of equipment in the fleet are then added together to give the overall ARC for the fund. These ARCs for each fund are indicated in Appendix B, which outlines the recommended contributions to all funds for the next five years.

One of the major constraints of adopting a reserve fund policy is that such a policy is best implemented upon the creation of a new fleet, when all equipment has a full life ahead of it. Obviously this is not the case in Moultonborough, as several pieces of equipment are quickly approaching the end of their useful lives and the proper amount of money has not been reserved to help pay for them. While this situation presents a challenge, it is all the more reason why this fund policy should be enacted promptly. Fortunately, most funds are at least close to where they should be. For those that are not, they should be expended from as little as possible until they reach the proscribed target range.

2. For 2nd tier funds, or those that are based around the maintenance and potential future replacement of Town-owned buildings, the calculations are based on generally accepted practices for commercial mortgages. For these calculations a value of the building was needed. There were two potential figures readily available: the replacement cost of the building calculated by Vision Government Solutions for assessment purposes, and the value used by Primex for insurance purposes. After consulting with the Town Assessor, it was decided that Vision's replacement cost was the best choice, as this gives the most accurate figure in terms of how much money should be reserved for repairs and potential long-term replacement. Quite simply, if Vision's assessments are accurate enough to tax the property in Moultonborough, then they are good enough for this purpose.

Instead of being based on useful life, ARCs for 2<sup>nd</sup> tier funds are calculated based on conversations with the Town Assessor. Based on these recommendations, 3% of the total replacement cost of each building should be held in reserve annually (5% for the Historical Society Fund buildings due to higher anticipated repair costs).

For example, the buildings covered by the Municipal Building Fund have a total replacement cost of \$9,662,150. Using this figure:

$$\text{ARC} = \$9,662,150 \times 3\% = \$290,000$$

3. For 3rd tier funds, no ARCs are calculated due to the unique purposes of these funds. The exception is the Appraisal Trust Fund, which will be dealt with in greater detail below.

#### IV. Ceilings, Floors, and Targets

- a) The fund's **ceiling** is the recommended level that a fund should not be above at the start of the year; if the ARC will bring the fund above the ceiling, the fund should be brought to the ceiling and the rest of the contribution should be appropriated to another fund that is in greater need. For example, if the Municipal Building Fund has a balance of \$1,350,000, a ceiling of \$1,450,000, and an ARC of \$300,000, \$100,000 should be appropriated to that fund and \$200,000 should be appropriated to the Firefighting Equipment Fund, which is the fund furthest below its floor. Unless all funds reach their ceilings, which is very unlikely, the bottom line of the dollar amount appropriated to these reserve funds should not change.
  - b) The fund's **floor** is the recommended level that a fund should not be below at the start of the fiscal year if possible.
  - c) The fund's **target** is the middle between the floor and the ceiling and is the ideal level for the fund.
1. For 1st tier funds, the ceiling is calculated at 30% of the replacement cost of the fleet. This balance will allow the fund to meet the Town's capital needs but will prevent the fund's from growing larger than necessary. For these funds, the floor is calculated at 20% of the replacement cost of the fleet covered by the fund. This figure is a round number which for all funds will allow the money reserved to cover the cost of the fleet's most expensive piece of equipment without issuing a bond. The target level is calculated at 25% of the replacement cost of the fleet. For example, calculations for the Firefighting Fund (the Fire Departments fleet has a total replacement cost of \$2,515,000) look like this:

Ceiling:  $\$2,445,000 \times 30\% = \$733,500$

Floor:  $\$2,445,000 \times 20\% = \$489,000$

Target:  $\$2,445,000 \times 25\% = \$611,250$

2. For 2nd tier funds, these calculations are based on figures provided by the Town Assessor. For these building-related funds, the ceiling is 15% of the buildings' total replacement costs, the floor is 10%, and the target is 12.5%. For example, calculations for the Municipal

Building Fund (the total replacement cost of these Town-owned buildings is \$9,662,150) look like this:

Ceiling:  $\$9,662,150 \times 15\% = \$1,450,000$

Floor:  $\$9,662,150 \times 10\% = \$966,000$

Target:  $\$9,662,150 \times 10\% = \$1,208,000$

3. For 3rd tier funds, no floors or ceilings are calculated due to the unique purposes of these funds. The exceptions are the Appraisal Trust Fund and the Dry Hydrant Fund, which will be dealt with in greater detail below.

## **V. Recommendations**

1. Establish a fund policy for the Firefighting Equipment fund with an ARC of \$108,500, a ceiling of \$733,500, a floor of \$489,000, and a target level of \$611,250. See Appendix C for more information regarding the Fire Department fleet.
2. Change the name of the Police Department Communication Equipment Fund to the Police Department Equipment Fund with a new purpose of “For the purchase of capital equipment for the Police Department.” Establish a fund policy for the Police Department Equipment Fund based on this new purpose with an ARC of \$48,333, a ceiling of \$76,500, a floor of \$51,000, and a target level of \$64,000. See Appendix D for more information regarding the Police Department fleet.
3. Change the name of the Highway Equipment Fund to the Public Works Equipment Fund with a new purpose of “For the purchase of public works equipment.” Establish a fund policy for the Public Works Equipment Fund based on this new purpose with an ARC of \$155,000, a ceiling of \$660,000, a floor of \$440,000, and a target level of \$550,000. See Appendix E for more information regarding the Public Works Department fleet.
4. Change the name of this fund to the Historical Building Fund to avoid confusion with the Moultonborough Historical Society, and establish a fund policy for the fund with an ARC of \$22,000, a ceiling of \$65,000, a floor of \$43,500, and a target level of \$54,250. See Appendix F for more information regarding the Historical Building Fund’s buildings.
5. Establish a fund policy for the Lee’s Mill Fund with an ARC of \$2,700, a ceiling of \$13,000, a floor of \$8,750, and a target level of \$11,000. The Lee’s Mill Facility has a replacement cost of \$87,500.
6. Establish a fund policy for the Municipal Building Fund with an ARC of \$290,000, a ceiling of \$1,450,000, a floor of \$966,000, and a target level of \$1,100,000. See Appendix G for more information regarding the Municipal Building Fund’s buildings.

7. Establish a fund policy for the Playground Improvement Fund with an ARC of \$2,700, a ceiling of \$13,000, a floor of \$8,750, and a target level of \$11,000. The Playground has a replacement cost of \$87,500.
8. Establish a fund policy for the Appraisal Trust Fund with an ARC of \$57,600, a ceiling of \$288,000, no floor, and a target level of \$200,000. This fund is used to cover the expense of the Town's contract with Vision Government Solutions, which calculates the Town's property values each year. The principal reason that this fund is needed is because the cost of the contract with Vision is back-loaded. For example, in the current five year contract running through 2013 the cost is \$22,000 per year for the first four years and then \$200,000 (or \$135,000, depending on if Vision does a walk-around of all properties or not) for the final year when Vision does a complete valuation update, as opposed to the analytical value update done the other years. Rather than appropriate the money as it is paid to Vision, the tax rate is better stabilized by reserving the total amount evenly over the lifetime of the contract. While it is difficult to predict the future needs of this fund beyond the current contract with Vision, between the four year agreement from 2005 to 2008 and the five year agreement from 2009 to 2013, the annual cost increased 28%. As such, a similar price increase is accounted for in Appendix B, although the figures should be recalculated after the next contract is agree to. The ARC is calculated by dividing the total cost of the contract by the number of years. The ceiling is equivalent to the total cost of the current contract and the target is the highest possible cost of the final year. No floor is prudent because typically at the end of a contract this fund should be close to empty.
9. Establish a fund policy for the Dry Hydrant Fund with no ARC, a ceiling of \$10,500, a floor of \$4,500, and a target level of \$7,500. Due to the high level of the Dry Hydrant Fund, the balance above \$7,500, approximately \$27,000, should be returned to the General Fund. According to the Fire Chief the approximate cost of labor and materials for a dry hydrant is \$3,000. He stated that according to his records dry hydrants are installed rather infrequently, with only three in the past decade. Over the course of the last three years, \$25,000 (\$5,000 in 2008, \$10,000 in 2009, and \$10,000 in 2010) has been appropriated to this fund and only \$2,700 has been expended from it.
10. Close out the Rangeway Fund and return the balance, approximately \$36,339.16, to the General Fund. According to the Town Assessor this fund is not currently being used and if the Town wants to spend money on this purpose then it should be appropriated annually.
11. Close out the Resource Recovery Park/Waste Management Facility Fund and return the balance, approximately \$23,681.60, to the Municipal Building Fund. This fund's need can be covered by the Municipal Building Fund's recently changed purpose and this building's replacement cost has been used for that fund's calculations.

## **VI. Bottom Line**

On the whole, the Town of Moultonborough's trust funds are far from where they need to be. For the funds identified in Appendix B, currently there is \$1,233,437.44 reserved compared to the recommended target level of \$2,734,750.00. This figures out to about 45% of the target level. Committing to following these recommendations will not always be easy; however not doing so will have noticeable negative consequences. Continuing to under-fund these trust funds will either lead to significant tax increases in future years or will have significant impacts on how the Town delivers critical services, such as maintaining safe roads and adequate fire coverage.

I have provided you with the roadmap to trust fund financial wellness, now it is up to you to commit to following it. You will not get to where you need to be right away; this is a map of a marathon, not a sprint. Committing to this plan and following it in 2012 is the first step towards this long-term goal.



# Appendix A: Summary of Moultonborough's Trust Funds

## Funds overseen by the Trustees of Trust Funds

Article	Town Meeting	Statute	Type	Fund Name	Purpose	Agent to Expend	7/29/11 Balance
	1993	35:1	CR	Appraisal Trust	For appraisal by DRA appraisers or such other appraisers of the real estate in the Town		\$56,379.68
				Chelle Environmental	Memorial		\$15,615.88
22	2002	39:19-a	MRET	Christmas Maintenance	Christmas wreath additions, repairs, or replacement	BoS	\$2,394.14
				Common Trust Library			\$89,979.76
				Common Trust Cemetery			\$16,466.97
				Communications Technology	Communication equipment		\$91,955.38
16	2009	35:1	CR	Community Center/ Senior Center	None stated	BoS	\$102,953.14
29	2007	35:1	CR	Community Substance Abuse	Providing for prevention and education programming to combat drug and alcohol abuse	BoS	\$5,361.70
42	1994	31:19-a	MRET	Dry Hydrant	Installing dry hydrants	BoS	\$34,499.31
				Duclos Fund	Memorial		\$10,544.75
	1989	35:1	CR	Firefighting Equipment	For the purchase of firefighting equipment		\$85,080.18
	1989	35:1	CR	Highway Equipment	For the purchase of highway equipment		\$103,093.97
45	1994	31:19-a	MRET	Historical Society	Maintaining the Old Town House & Middle Neck School	BoS	\$57,993.28
20	2002	31:19-a	MRET	Lee's Mill	To maintain the Lee's Mill facility	BoS	\$9,444.58
				Milfoil Control Trust	Eradication and control of milfoil		\$46,252.96
				Miller Environmental Education	Memorial		\$44,069.17
				Moultonborough Recreation	Private money from Friends of Moultonborough Recreation		\$22,399.97
				Moultonborough Children's Christmas			\$24,825.69
16	1993	35:1	CR	Municipal Building	Designing, developing, constructing, furnishing & equipping, & making capital improvements & replacements upon Municipal Buildings & Facilities		\$803,867.02
31	2007	35:1	CR	Personnel Liability	To provide funds to offset the liabilities incurred through accrued employee benefits	BoS	\$59,035.33
47	1994	31:19-a	MRET	Playground Improvements	Playground improvements	BoS	\$4,586.08
26	2002	35:1	CR	Police Department Communication Equipment	For the purchase of Police Department communication equipment	BoS	\$46,168.04
46	1994	31:19-a	MRET	Rangeway	Locating and mapping rangeways in the Town	BoS	\$36,339.16
35	1997	35:1	CR	Resource Recovery Park/ Waste Management Facility	The purchase of necessary containers & equipment for the Town Resource Recovery Park	BoS	\$23,681.60

# Appendix A: Summary of Moultonborough's Trust Funds

## Funds overseen by the Trustees of Trust Funds (Continued)

44	1994	31:19a	MRET	Road Sealing	Road sealing	Bos	\$89,472.43
				SAU #45 School Building	Renovations and buildings		\$528,020.66
				SAU #45 Special Education	Special Education		\$228,878.21
27	2005	35:1	CR	Town Property Acquisition	To purchase property for the town through the provisions of RSA 41:14 a-c	Bos	\$40,281.30
				Visiting Nurse Services	Visiting Nurse Services		\$49,544.21
							\$2,729,184.55

## Funds overseen by the Treasurer

Article	Town Meeting	Statute	Type	Fund Name	Purpose	Agent to Expend	12/31/10 Balance*
				Conservation Commission	Conservation Commission		\$32,461.00
50	1994	35-B:2	Revolving	Recreation Revolving	Recreation services		\$163,739.00

Total reserved \$2,925,384.55

\* Because a large percentage of these funds are invested in CDs and the information for them mid-year is not readily available, the balance as of the end of 2010 is a more accurate picture or their value.

## Appendix B: Reserve Fund Funding for 2012-2016

Fund	7/29/11 Balance	Ceiling	Floor	Target	2012	2013	2014	2015	2016
<b>1st Tier Funds</b>									
Firefighting Equipment	\$85,080.18	\$733,500.00	\$489,000.00	\$611,250.00	\$105,200.00	\$108,300.00	\$111,400.00	\$114,400.00	\$117,500.00
Police Department Equipment	\$46,168.04	\$76,500.00	\$51,000.00	\$64,000.00	\$48,300.00	\$49,750.00	\$51,200.00	\$52,700.00	\$54,300.00
Public Works Equipment	\$75,398.51	\$660,000.00	\$440,000.00	\$550,000.00	\$155,000.00	\$160,000.00	\$165,000.00	\$170,000.00	\$175,000.00
<b>2nd Tier Funds</b>									
Historical Buildings	\$57,993.28	\$65,000.00	\$43,500.00	\$54,250.00	\$21,750.00	\$22,400.00	\$23,050.00	\$23,700.00	\$24,350.00
Lee's Mill	\$9,444.58	\$13,000.00	\$8,750.00	\$11,000.00	\$2,600.00	\$2,700.00	\$2,800.00	\$2,900.00	\$3,000.00
Municipal Building	\$803,867.02	\$1,450,000.00	\$966,000.00	\$1,208,000.00	\$290,000.00	\$299,000.00	\$308,000.00	\$317,000.00	\$326,000.00
Playground Improvements	\$4,586.08	\$13,000.00	\$8,750.00	\$11,000.00	\$2,600.00	\$2,700.00	\$2,800.00	\$2,900.00	\$3,000.00
<b>3rd Tier Funds</b>									
Appraisal Trust	\$56,379.68	\$288,000.00	\$0.00	\$200,000.00	\$57,600.00	\$57,600.00	\$73,000.00	\$73,000.00	\$73,000.00
Dry Hydrant	\$34,499.31	\$10,500.00	\$4,500.00	\$7,500.00	(\$27,000.00)	\$0.00	\$0.00	\$0.00	\$0.00
Rangeway	\$36,339.16	-	-	-	(\$36,339.16)	-	-	-	-
Resource Recovery Park...	\$23,681.60	-	-	-	(\$23,681.60)	-	-	-	-
	\$1,209,755.84	\$3,309,500.00	\$2,011,500.00	\$2,717,000.00	\$596,029.24	\$702,450.00	\$737,250.00	\$756,600.00	\$776,150.00

Key: Unformatted = amount appropriated to trust fund; figures in parentheses are values to be expended from funds (excluding expenditures for needs) and are subtracted from unformatted values in 2012 to give the total amount appropriated to funds .

### Tier 1 Funds Calculation Method

ARC = replacement cost / # of years of useful life  
(increased by 3% each year for inflation)

Ceiling = replacement cost of fleet x 30%

Floor = replacement cost of fleet x 20%

### Tier 2 Funds Calculation Method

ARC = replacement cost of buildings x 3% (5% for  
Historic) (increased by 3% each year for inflation)

Ceiling = replacement cost of building(s) x 15%

Floor = replacement cost of building(s) x 10%

### Tier 3 Funds Calculations

Vary depending on fund.

# Appendix C: Town of Moultonborough Fire Department Fleet (2011)

Year	Type	ID #	Make/Model	Cycle	2011 Replacement Cost*	ARC	Remaining Yrs**	Proj. Replacement Yr.
1986	Utility	1	Chevrolet 3/4 Ton 4x4 ^	10	\$15,000.00	\$1,500.00	4	2015
1987	Rescue	1	International	30	\$450,000.00	\$15,000.00	2	2013
1990	Rescue	2	Ford F250 4x4	10	\$70,000.00	\$7,000.00	5	2016
2007	Rescue	3	Ford Expedition	10	\$55,000.00	\$5,500.00	3	2014
1971	Forestry	1	American General Forestry Truck***	30	\$55,000.00	\$0.00	N/A	N/A
1985	Forestry	2	Chevrolet 1-ton 4x4 ^	10	\$25,000.00	\$2,500.00	4	2015
2007	Engine	1	HME	25	\$425,000.00	\$17,000.00	20	2031
1981	Engine	2	Ford	25	\$350,000.00	\$14,000.00	5	2016
1993	Engine	3	Freightliner	25	\$350,000.00	\$14,000.00	1	2012
2001	Engine	4	HME	25	\$425,000.00	\$17,000.00	14	2025
2004	Car	1	Chevrolet Suburban 4x4	10	\$45,000.00	\$4,500.00	6	2017
2011	Boat	1	IMP	25	\$180,000.00	\$7,200.00	25	2036
TOTAL					\$2,445,000.00	\$105,200.00		

\* This figure is a rough estimate of the 2011 replacement cost of the currently projected replacement vehicle, which may or may not be the same as the current vehicle. This figure is just for the purpose of this report and should not be construed as an accurate figure for future purchases to be compared to.

\*\* This number is based on current projections, not necessarily the equipment's originally projected useful life.

\*\*\* This truck was donated by the State for use by the Moultonborough FD and the Chief indicated that this vehicle will not be replaced when it goes out of commission.

^ These trucks can be replaced for significantly less than the cost of buying a new truck by transferring trucks from the DPW fleet, assuming that fleet is kept on schedule. Otherwise, these replacement would each cost \$55,000.

# Appendix D: Town of Moultonborough Police Department Fleet (2011)

Year	Vehicle	ID #	Use	Mileage (07/11)	Cycle	2011 Price*	ARC	Remaining (Yrs)	Proj. Replacement Year
2007	Ford Crown Vic.	2	Marked Patrol - K9	92,000	5	\$35,000.00	\$7,000.00	1	2012
2008	Ford Crown Vic.	81	Marked Patrol	105,000	4	\$35,000.00	\$8,750.00	1	2012
2009	Ford Crown Vic.	91	Marked Patrol	65,000	4	\$35,000.00	\$8,750.00	2	2013
2009	Ford Crown Vic.	92	Marked Patrol - supervisor	46,000	5	\$35,000.00	\$7,000.00	3	2014
2010	Ford Crown Vic.	101	Marked Patrol	41,000	5	\$35,000.00	\$7,000.00	4	2015
2007	Ford Expedition	6	Marked Patrol - SRO	50,000	9	\$40,000.00	\$4,444.44	5	2016
2008	Chevy Impala	82	Unmarked chief	33,000	9	\$35,000.00	\$3,888.89	6	2017
2005	Ford Taurus	8	Unmarked detective	80,000	N/A	N/A	\$0.00	N/A	Not being replaced**
N/A	Radio System					\$5,000.00	\$1,500.00	3	2014-2016
TOTAL						\$255,000.00	\$48,333.33		

\* These figures are a rough estimate of the currently projected replacement vehicle's cost, which may or may not be the same as the current vehicle, for the purpose of this fund and should not be construed as an accurate figure for future purchases to be compared to.

\*\* This vehicle was a gift and will not be replaced when it goes out of commission.

## Appendix E: Town of Moultonborough Department of Public Works Fleet (2011)

Year	Sub-Dept	Vehicle	Cycle	2011 Price*	ARC	Remaining (Yrs)	Replacement Year
1997	Hwy	GMC Dump Truck (Recond)	13	\$150,000.00	\$11,538.46	0	2010
2001	B&G	GMC sierra 4x4 PU	10	\$40,000.00	\$4,000.00	1	2012
1999	Hwy	Sterling Dump Truck	14	\$150,000.00	\$10,714.29	2	2013
2000	Hwy	GMC Dump Truck	13	\$150,000.00	\$11,538.46	3	2013
1994	B&G	Ford Tractor	20	\$25,000.00	\$1,250.00	3	2014
2004	Hwy	Ford, F550 4x4	10	\$85,000.00	\$8,500.00	3	2014
2006	B&G	Snapper Zero Turn Mower	8	\$10,000.00	\$1,250.00	4	2014
2005	B&G	Ford Ranger PU 4x4	10	\$25,000.00	\$2,500.00	5	2015
1995	WM	Komatsu WA-250 Loader	20	\$220,000.00	\$11,000.00	5	2015
2006	Hwy	GMC, Sierra HD 2500 4x4	10	\$40,000.00	\$4,000.00	5	2016
2004	Hwy	Ford, F350 4x4, P/U	12	\$40,000.00	\$4,000.00	6	2016
1991	Hwy	Tripple Trailer	25	\$5,000.00	\$200.00	6	2016
2003	Hwy	GMC Dump Truck	13	\$150,000.00	\$11,538.46	6	2016
2009	B&G	Snapper Zero Turn Mower	8	\$10,000.00	\$1,250.00	8	2017
2010	B&G	Dodge Grand Caravan	7	\$25,000.00	\$3,571.43	7	2017
2009	Hwy	Ford F550 Dump	10	\$85,000.00	\$8,500.00	9	2017
1993	Hwy	Case 1845C	25	\$32,000.00	\$1,600.00	7	2018
2010	Hwy	Ford F550 Dump	10	\$85,000.00	\$8,500.00	9	2018
2003	Hwy	Woods, Snoblower, SS60	15	\$25,000.00	\$1,666.67	8	2018
1999	Hwy	A-Tel-33 DC Arm Lift	20	\$50,000.00	\$2,500.00	9	2019
2004	WM	Case 60XT	15	\$32,000.00	\$2,133.33	14	2019
2001	Hwy	Komatsu Loader WL180-3MC	20	\$185,000.00	\$9,250.00	11	2021
2007	Hwy	Peterbilt Dump Truck	15	\$150,000.00	\$10,000.00	12	2022
2008	WM	Forklift	15	\$30,000.00	\$2,000.00	13	2023
2010	Hwy	John Deere 310SG Backhoe	15	\$103,000.00	\$6,866.67	15	2025
2010	Hwy	Morbark R12 chipper	15	\$35,000.00	\$2,333.33	15	2025
2009	Hwy	John Deere 772G Grader	20	\$250,000.00	\$12,500.00	19	2029
2009	Hwy	Hudson 6T trailer	25	\$7,500.00	\$300.00	24	2034
1968	B&G	Zamboni	5	\$1,500.00	\$300.00		
<b>TOTAL</b>				<b>\$2,196,000.00</b>	<b>\$155,301.10</b>		

\* These figures are a rough estimate of the currently projected replacement vehicle's cost (which may or may not be the same as the current vehicle) for the purpose of this fund and should not be construed as an accurate figure

# Appendix F: Town of Moultonborough Historical Building Fund Information

	Address	Replacement Cost
	973 Whittier Hwy	\$193,542
	953 Whittier Hwy	\$240,238
Total		\$433,780
Ceiling		\$65,067
Floor		\$43,378
Target		\$54,222
ARC		\$21,689

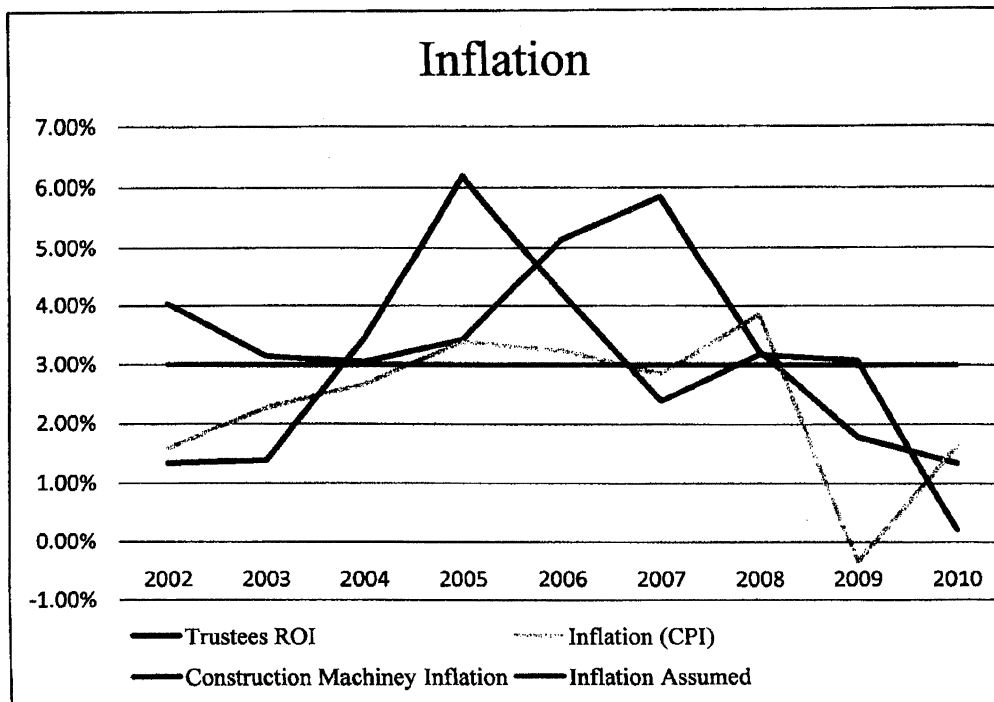
**Appendix G: Town of Moultonborough's  
Municipal Building Fund Information**

	<b>Address</b>	<b>Description</b>	<b>Replacement Cost</b>
	4/6/10 Holland St.	Town Hall	\$1,223,791
	4/6/10 Holland St.	Public Library	\$4,637,341
	4/6/10 Holland St.	Old Fire Station	\$120,935
	4/6/10 Holland St.	Community Center	\$306,314
	4/6/10 Holland St.	Public Safety Building	\$2,302,687
	68/30 Highway Garage Rd.	Highway Garage	\$287,734
	253 Holland St.	Waste Management Facility	\$367,035
	139 Old Route 109	Lion's Club Property	\$416,313
<b>Total</b>			<b>\$9,662,150</b>
<b>Ceiling</b>			<b>\$1,450,000</b>
<b>Floor</b>			<b>\$966,000</b>
<b>Target</b>			<b>\$1,200,000</b>
<b>ARC</b>			<b>\$290,000</b>



## Appendix H: Inflation and Trustees' ROI

Year	Trustees ROI	Inflation (CPI)	Construction Machinery Inflation	Inflation Assumed
2002	4.03%	1.59%	1.34%	3.00%
2003	3.14%	2.27%	1.39%	3.00%
2004	3.05%	2.68%	3.46%	3.00%
2005	3.43%	3.39%	6.18%	3.00%
2006	5.14%	3.24%	4.22%	3.00%
2007	5.84%	2.85%	2.39%	3.00%
2008	3.24%	3.85%	3.17%	3.00%
2009	1.79%	-0.34%	3.08%	3.00%
2010	1.35%	1.64%	0.21%	3.00%
9 year average	3.44%	2.35%	2.83%	
	5.84%	3.85%	6.18%	
	5.14%	3.39%	4.22%	
	4.03%	3.24%	3.46%	
	3.43%	2.85%	3.17%	
<b>MEAN:</b>	<b>3.24%</b>	<b>2.68%</b>	<b>3.08%</b>	
	3.14%	2.27%	2.39%	
	3.05%	1.64%	1.39%	
	1.79%	1.59%	1.34%	
	1.35%	-0.34%	0.21%	



## Appendix I: Types of Reserve Funds

Although there are similarities across the board, all trust funds are not created equally. The trust funds in Moultonborough fall into three different categories: capital reserves, maintenance reserve expendable trusts, and revolving funds.

### **I. Capital Reserve Funds**

Capital reserve funds are established under RSA 35:1 to finance capital projects, capital acquisitions, revaluations, legal fees, and to fund maintenance or operation costs. These funds are designed as a way to put money aside either for an event that is easily predictable or completely unforeseeable. For example, a capital reserve would be used both to put away money over the life of a 30 year dump truck to finance its replacement and also to prepare in case a Town building is destroyed. For more information see the applicable RSAs found below.

### **TITLE III TOWNS, CITIES, VILLAGE DISTRICTS, AND UNINCORPORATED PLACES CHAPTER 35 CAPITAL RESERVE FUNDS OF COUNTIES, TOWNS, DISTRICTS, AND WATER DEPARTMENTS**

#### **Section 35:1**

**35:1 Establishment of Reserves Authorized.** – Any town, school district, village district, or county, as provided by RSA 35:3 may raise and appropriate money for the establishment of a capital reserve fund for the financing of all or part of the cost of:

I. The construction, reconstruction or acquisition of a specific capital improvement, or the acquisition of a specific item or specific items of equipment; or

II. The construction, reconstruction, or acquisition of a type of capital improvement or the acquisition of a type of equipment; or

III. A reappraisal by appraisers of the department of revenue administration or such other appraisers, appraisal firms or corporations approved by the commissioner of revenue administration, of the real estate in such town for tax assessment purposes; or

III-a. The acquisition of land; or

IV. The acquisition of a tax map of said town; or

V. Extraordinary legal fees and expenses related to present or foreseeable litigation involving the town or its officers and employees; or

VI. Municipal and regional transportation improvement projects including engineering, right-of-way acquisition and construction costs of transportation facilities, and for operating and capital costs for public transportation.

**Source.** 1943, 160:1. RSA 35:1. 1973, 51:2. 1983, 42:2. 1985, 285:2, eff. Aug. 10, 1985. 1998, 4:3, eff. May 17, 1998.

#### **Section 35:1-a**

**35:1-a Reserve Fund in Anticipation of New Fiscal Year.** – Any county, city or town may establish a reserve fund in anticipation of the optional fiscal year pursuant to RSA 31:94-a through 94-d.

**Source.** 1973, 96:1, eff. June 23, 1973.

#### **Section 35:1-b**

**35:1-b Reserve Fund for Education of Persons With Disabilities.** – Any school district may establish a reserve fund under RSA 35:1 to meet the expenses of educating children with disabilities.

**Source.** 1983, 106:1. 1990, 140:2, III, X, eff. June 18, 1990. 2008, 274:31, eff. July 1, 2008.

#### **Section 35:1-c**

**35:1-c Non-Capital Reserve Funds Authorized.** – Any town, school district, county, or village district may establish a reserve fund for the maintenance and operation of a specific public facility or type of facility, a specific item or type of equipment, or for any other distinctly-stated, specific public purpose that is not foreign to its institution or incompatible with the objects of its organization. Such funds shall be subject to all provisions and limitations of this chapter as are applicable to capital reserve funds. The legal validity of such a fund properly established shall not be affected by its designation as a "trust," "reserve," "capital reserve," or any other designation.

**Source.** 1995, 20:6, eff. June 11, 1995.

#### **Section 35:2**

**35:2 Custody of School District Reserves.** – Whenever any capital reserve of a school district is established the same shall be held in custody by the trustees of trust funds of the town wherein the school district lies or, in case of school district embracing 2 or more towns, by the trustees of trust funds of that town which the voters of the school district may elect.

**Source.** 1947, 8:2, eff. Feb. 26, 1947.

#### **Section 35:3**

**35:3 Meetings.** – Except as provided in RSA 35:7, the authority granted by RSA 35:1 shall be exercised only by a majority vote of the legal voters present and voting at an annual or special meeting in the case of a town, school district, or village district. The warrant for a town, school district, or village district meeting, to consider the establishment or discontinuance of such a reserve, shall include an article distinctly stating the purposes for which such reserve is to be established or was established as appropriate. In the case of a county, the authority granted in RSA 35:1 shall be exercised by a majority vote of the county delegation after a public hearing on the budget as required by RSA 24:23, RSA 24:13-c, IV, or RSA 24:14-a. The public notice of such hearing shall include a statement distinctly stating the purpose for which such reserve is to be established.

**Source.** 1943, 160:2. RSA 35:3. 1977, 287:2. 1991, 167:1, eff. July 26, 1991.

#### **Section 35:4**

**35:4 Exception.** – The authority hereby granted shall not be exercised by any city, except as may be necessary in connection with the authority granted by RSA 35:7.

**Source.** 1943, 160:3, eff. May 5, 1943.

#### **Section 35:5**

**35:5 Payments Into Fund.** – There may be paid into any such capital reserve fund, except as provided in RSA 35:7, such amounts as may from time to time be raised and appropriated therefor, from any source other than money given to the town, district, or county for charitable purposes. Such amounts shall be within the limits as provided in RSA 35:8, and any such town, district or county may also vote to transfer to said fund, under a proper article in the warrant in the case of a town or district, any of its unencumbered surplus funds remaining on hand at the end of any fiscal year.

**Source.** 1943, 160:4, eff. May 5, 1943. 2000, 224:4, eff. July 31, 2000.

#### **Section 35:6**

**35:6 Funds Received in Eminent Domain Proceedings.** – Any town, school district, village district or county which may receive funds from the United States or any agency thereof in eminent domain proceedings for the taking of its property or other public facilities or in settlement for such taking or of claims for damages to its property or other public facilities, may vote to use said funds, under a proper article in the warrant in the case of a town, school district or village district or by vote of the county delegation in the case of a county, to establish a capital reserve fund under this chapter. Funds so received shall not be subject to restriction as to investments prescribed in RSA 35:9 and may be invested in the same manner as trust funds under RSA 31:25. Funds so received may, if so voted, be used to retire existing indebtedness as well as for the purposes specified in RSA 35:1. In cases in which the United States or any agency thereof shall acquire a flowage easement in highways or bridges under the jurisdiction of a town, the town, if it votes to establish a capital reserve fund out of the funds received therefor from the United States or any agency thereof, may use such fund not only for capital improvements and capital expenditures as provided in RSA 35:1, but also for the maintenance, repair and reconstruction of the particular highways and bridges in which easements have been acquired or of such highways and bridges as may be provided in substitution therefor.

**Source.** 1947, 91:1. 1951, 106:1, eff. May 11, 1951.

#### **Section 35:7**

**35:7 Water Departments.** – Any water works or sewer department of a city or town, organized by general law or special act of the legislature and financed principally by water or sewer rentals, may, by unanimous vote of the body charged with the administration thereof, whether the local governing body, water board, or a board of water or sewer commissioners, establish a capital reserve fund for said department for the purposes as provided in RSA 35:1. Such reserve shall be established only from surplus from water or sewer rentals and no part thereof shall be made from appropriations by said city or town.

**Source.** 1943, 160:5. 1994, 95:1, eff. July 8, 1994.

#### **Section 35:8**

**35:8 Limitations on Appropriations.** – No town, school district, or village district shall raise and appropriate in any one year for such reserve an amount in excess of 1/2 of one percent of the last base valuation for debt limit computed pursuant to RSA 33:4-b of said town or district; no county shall raise and appropriate for such reserve an amount in excess of 1/100 of one percent

of the last base valuation for debt limit computed pursuant to RSA 33:4-b for all municipalities included in said county.

**Source.** 1943, 160:6. 1945, 35:2. RSA 35:8. 1993, 176:6, eff. Aug. 8, 1993.

#### **Section 35:9**

**35:9 Investment.** – Each capital reserve fund shall be maintained separately on the books of the town. The assets of such funds may be pooled in order to invest in a broader range of investments to maximize growth and mitigate risk. Said capital reserve funds shall be invested only in deposits in any federally or state-chartered bank or association authorized to engage in a banking business in this state, or in bonds or notes of this state, in such stocks and bonds as are legal for investment by banks and associations chartered by this state to engage in a banking business, or in participation units in the public deposit investment pool established pursuant to RSA 383:22, or in obligations with principal and interest fully guaranteed by the United States government. The obligations may be held directly or in the form of securities of or other interests in any open-end or closed-end management-type investment company or investment trust registered under 15 U.S.C. section 80a-1 et seq., if the portfolio of the investment company or investment trust is limited to such obligations and repurchase agreements fully collateralized by such obligations. When so invested the trustees hereinafter named shall not be liable for the loss thereof. Any interest earned or capital gains realized on the moneys so invested shall accrue to and become a part of the individual funds on a pro rata basis. Deposits in federally or state-chartered banks and associations shall be made in the name of the town, district, or county which holds the same as a reserve, and it shall appear upon the books thereof that the same is a capital reserve fund. Any person who directly or indirectly receives any such capital reserve funds for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the town, school district, village district, or county depositing or investing such funds. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral. The trustees shall formally adopt an investment policy for all investments made by them or by their agents for any trust funds in their custody in conformance with the provisions of applicable statutes. The trustees shall review and confirm the investment policy at least annually. A copy of the investment policy shall be filed with the attorney general.

**Source.** 1943, 160:7. RSA 35:9. 1961, 136:8. 1991, 268:7; 383:4. 1995, 20:7, eff. June 11, 1995. 1996, 209:9, eff. Aug. 9, 1996. 2001, 54:6, eff. Jan. 1, 2002. 2007, 164:3, eff. Aug. 17, 2007. 2010, 52:1, eff. July 17, 2010.

#### **Section 35:10**

**35:10 Trustees of Funds.** – The trustees of trust funds of a town or city shall have custody of any capital reserve of a town, district or water departments therein, the trustees of trust funds as provided in RSA 35:2 shall have custody of such capital reserve of a school district, and the county treasurer of a county shall have custody of any capital reserve of his county. Said trustees or treasurer shall give bond in such amount and in such form as the commissioner of revenue administration shall prescribe, and any such trustee or treasurer who shall make any payment of income or principal from any such capital reserve fund before the approval of his bond in writing by the commissioner of revenue administration shall be personally liable to the town, district,

department or county for any loss resulting from such payment, to be recovered for the town, district, department or county at the suit of any citizen. The expenses of said trustees or treasurer in said capacity and the expense of their bonds shall be charged as incidental town, district, department or county charges.

**Source.** 1943, 160:8. RSA 35:10. 1973, 544:8, eff. Sept. 1, 1973.

#### **Section 35:11**

**35:11 Payments From Surplus.** – Whenever any town shall have voted to transfer any accumulated surplus to the capital reserve fund, the town clerk shall forward to the board of selectmen and to the town treasurer, within 10 days of the adoption of such vote, a certified copy of the same. The selectmen shall then draw an order on the town treasurer for the amount of surplus set forth in said vote. The town treasurer shall on receipt of the order immediately transfer to the trustees of trust funds of the town the amount specified in the order, or in the case of an optional fiscal year town, within 10 days of the determination of surplus following the close of the fiscal year.

**Source.** 1947, 91:2, par. 8a. RSA 35:11. 1993, 176:7, eff. Aug. 8, 1993.

#### **Section 35:12**

**35:12 Appropriation.** – Whenever the vote of the town is to appropriate any sum for the capital reserve fund, the same duties shall devolve upon the town clerk, selectmen, and town treasurer, as specified in RSA 35:11, except that the order must be drawn, and the sum transferred on or before December 31 following the vote, or, in the case of an optional fiscal year town, after July 1, but no later than June 30, of the fiscal year for which the sum was appropriated.

**Source.** 1947, 91:2, par. 8b. RSA 35:12. 1993, 176:8, eff. Aug. 8, 1993. 2000, 224:5, eff. July 31, 2000.

#### **Section 35:13**

**35:13 School or Village District.** – When a capital reserve fund is established by a school or village district, the same duties shall devolve upon the clerk of the school or village district, the members of the school board or the commissioners of the village district, the treasurer of the school district or the treasurer of the village district, as are prescribed in RSA 35:11 and 35:12 for the corresponding town officers.

**Source.** 1947, 91:2, par. 8c, eff. April 15, 1947.

#### **Section 35:14**

**35:14 Penalty.** – Any of the above officers failing to perform the duties above set forth, shall be guilty of a violation for every week said failure shall continue.

**Source.** 1947, 91:2, par. 8d. RSA 35:14. 1973, 531:9, eff. Oct. 31, 1973, at 11:59 p.m.

#### **Section 35:15**

##### **35:15 Expenditures. –**

I. Persons holding said capital reserve funds in trust, as provided in this chapter, shall hold the same until such time as the town, district or county shall have voted to withdraw funds from such capital reserve fund or shall have named agents of the town, district or county to carry out the objects designated by the town, district or county, in the manner prescribed by RSA 35:3.

II. Expenditures from any fund established for the acquisition of land pursuant to RSA 35:1 shall be made only as authorized:

(a) By a majority vote of the legal voters present and voting at an annual or special meeting, in the case of a town, school district or village district, or by majority vote of the county delegation, in the case of a county, or

(b) By the selectmen, appointed as agents pursuant to RSA 41:14-a, provided that the selectmen shall not have authority to expend any sum in excess of the amount contained in any capital reserve account created for the purchase of land other than any grant moneys which may be received.

III. (a) Notwithstanding the prohibition of debt retirement fund establishment in RSA 33:2, capital reserve funds may be used for multiple payments under a financing agreement for the purpose for which the capital reserve was established. If the financing agreement is a lease/purchase agreement the following shall apply:

(1) The lease/purchase agreement does not contain an "escape clause" or "non-appropriation clause"; and

(2) The lease/purchase agreement has been ratified by the legislative body by a vote by ballot of 2/3 of all the voters present and voting at an annual or special meeting.

(b) If agents have been named according to RSA 35:15, then no further vote is required to disburse funds following the initial vote which ratified the financing agreement.

IV. In the case of a water works or sewer department, as provided in RSA 35:7, the governing body, water board, or the water or sewer commissioners if any, shall determine when expenditures from said reserve shall be made.

V. In all cases, expenditures from a capital reserve fund shall be made only for or in connection with the purposes for which said fund was established or as amended as provided in RSA 35:16.

**Source.** 1943, 160:9. RSA 35:15. 1985, 285:3. 1991, 167:2. 1994, 95:2, eff. July 8, 1994. 1998, 43:1, eff. July 4, 1998. 2001, 187:1, eff. Sept. 3, 2001. 2007, 178:3, eff. Aug. 17, 2007.

#### **Section 35:16**

**35:16 Change of Purpose.** – After the purpose for which a capital reserve fund is established has been determined, no change shall be made in the purpose for which said fund may be expended unless and until such change has been authorized by a vote of 2/3 of all the voters present and voting at an annual town or district meeting, in the case of a town or district, or by vote of 2/3 of the entire membership of a county delegation, in case of a county, or by unanimous vote of the water board or commissioners of the water department, in the case of a water works department, as provided in RSA 35:7.

**Source.** 1943, 160:10, eff. May 5, 1943.

#### **Section 35:16-a**

**35:16-a Discontinuing Fund.** – Any town, school district, village district or county which has established a capital reserve fund pursuant to the provisions of this chapter may, as provided by RSA 35:3, vote to discontinue such capital reserve fund. If such fund is discontinued, the trustees of the trust fund holding the account for said fund shall pay all the monies in such fund to the town, district or county treasury as applicable.

**Source.** 1977, 287:1, eff. Aug. 26, 1977.

### **Section 35:17**

**35:17 Audit; Records.** – The accounts of the persons holding capital reserve funds shall be audited annually by the auditor of the town, in the case of a town, district, or water works department, or by the commissioner of revenue administration, in the case of a county, the securities shall be exhibited to said auditor or commissioner, and said auditor or commissioner shall certify the facts found by the audit and the list of all securities held. Said persons holding said funds shall keep a record of all such capital reserve funds in a record book, which shall be open to the inspection of all persons of their town, district, or county respectively.

**Source.** 1943, 160:11. RSA 35:17. 1973, 544:8, eff. Sept. 1, 1973.

### **Section 35:18**

**35:18 Disbursements.** – No person holding in custody such capital reserve fund shall make any payment of income or principal or authorize the same to be done except in accordance with the provisions hereof. Whoever violates the provisions of this section shall be guilty of a misdemeanor if a natural person, or guilty of a felony if any other person.

**Source.** 1943, 160:12. RSA 35:18. 1973, 529:5, eff. at 11:59 P.M., Oct. 31, 1973.

## **II. Maintenance Reserve Expendable Trust Funds**

Maintenance reserve expendable trust funds are established under RSA 31:19-a, most often being used to ensure that money is available in the event of building failure. While capital reserves are established to fund a project several years down the road, expendable trusts are established to address needs that arise throughout the fiscal year. For these funds it is wise to designate an agent to expend so that funds can be accessed without needing to wait until the next town meeting. For all of these funds in Moultonborough, the Board of Selectmen has been named as the agents to expend. For more information see the applicable RSAs found below.

## **TITLE III**

## **TOWNS, CITIES, VILLAGE DISTRICTS, AND UNINCORPORATED PLACES**

### **CHAPTER 31**

### **POWERS AND DUTIES OF TOWNS**

#### **Trust Funds**

#### **Section 31:19-a**

##### **31:19-a Trust Funds Created by Towns. –**

I. A town may at any annual or special meeting grant and vote such sums of money as it deems necessary to create trust funds for the maintenance and operation of the town; and any other public purpose that is not foreign to the town's institution or incompatible with the objects of its organization. The town may appoint agents to expend any funds in the trust for the purposes of the trust. An annual accounting and report of the activities of the trust shall be presented to the selectmen and published in the annual report.

II. Trust funds created pursuant to this section shall be revocable by majority vote of the legal voters present and voting at any annual meeting, unless the vote creating the trust expressly



provides that the trust shall be irrevocable, and upon revocation the trustees of trust funds holding the account for said trust shall pay all the moneys in such fund to the town treasurer.

III. Notwithstanding any other provision of this chapter, any trust fund created under this section shall be subject to the same provisions concerning custody, investment, expenditure, change of purpose, and audit as are reserve funds established under RSA 34:1, 34:1-a, 35:1 or 35:1-c. The legal validity of such a fund properly established shall not be affected by its designation as a "trust," "reserve," "capital reserve," or any other designation.

IV. The local legislative body may authorize the acceptance of privately donated gifts, legacies, and devises to be utilized for the same purposes as a trust fund created under this section; provided, however, that such gifts, legacies, or devises shall be invested and accounted for separately from, and not commingled with, amounts appropriated under paragraph I, and shall be subject to the custody and investment provisions applicable to trust funds accepted under RSA 31:19.

V. A trust fund created under the provisions of this section that is established for the purpose of maintaining health insurance funds for the benefit of employees and retired employees of any town shall be exempt from the provisions of RSA 35:8 or 34:4, and, when so established, the town may name its own trustees who may expend any funds in the trust for the payment of health claims or health insurance premiums for the benefit of any employees or retired employees of the town. An annual accounting and report of the activities of the trust shall be presented to the selectmen and published in the annual report.

**Source.** 1983, 264:2. 1991, 231:1. 1993, 176:1, 2. 1995, 20:2, 3, eff. June 11, 1995. 1998, 44:1, eff. July 4, 1998.

### **III. Revolving Funds**

Revolving funds are established under RSA 31:95-h. These funds are held in the custody of the Town Treasurer and serve as a fund where specific revenues can be collected and then expended for the stated purpose throughout the year. In Moultonborough, the only revolving fund is for recreational programs. For more information see the applicable RSAs found below.

## **TITLE III**

### **TOWNS, CITIES, VILLAGE DISTRICTS, AND UNINCORPORATED PLACES**

#### **CHAPTER 31**

#### **POWERS AND DUTIES OF TOWNS**

##### **Miscellaneous**

##### **Section 31:95-h**

#### **31:95-h Revolving Funds. –**

I. A town may, by vote of the legislative body, establish a revolving fund. Each revolving fund shall be limited to one of the following purposes:

- (a) Facilitating or encouraging recycling as defined in RSA 149-M:4;
- (b) Providing ambulance services;

(c) Providing public safety services by municipal employees or volunteers outside of the ordinary detail of such persons, including but not limited to public safety services in connection with special events, highway construction, and other construction projects;

(d) Creating affordable housing and facilitating transactions relative thereto;

(e) Providing cable access for public, educational, or governmental use; or

(f) Financing of energy conservation and efficiency and clean energy improvements by participating property owners in an energy efficiency and clean energy district established pursuant to RSA 53-F.

II. If a town establishes a revolving fund for any of the purposes listed in paragraph I, it may deposit into the fund all or any part of the revenues from fees, charges, or other income derived from the activities or services supported by the fund, and any other revenues approved by the legislative body for deposit into the fund. The money in the fund shall be allowed to accumulate from year to year, and shall not be considered part of the town's general surplus. The town treasurer shall have custody of all moneys in the fund, and shall pay out the same only upon order of the governing body, or other board or body designated by the local legislative body at the time the fund is created; provided, that no further approval of the legislative body, if different from the governing body, shall be required. Such funds may be expended only for the purposes for which the fund was created.

III. The legislative body may, at the time it establishes a revolving fund or at any time thereafter, place limitations on expenditures from the fund including, but not limited to, restrictions on the types of items or services that may be purchased from the fund, limitations on the amount of any single expenditure, and limitations on the total amount of expenditures to be made in a year. No amount may be expended from a revolving fund established hereunder for any item or service for which an appropriation has been specifically rejected by the legislative body during the same year.

IV. The provisions of this section shall not preclude the establishment of a revolving fund for any other purpose authorized by law.

**Source.** 2005, 79:1, eff. Aug. 6, 2005. 2008, 68:1, eff. July 20, 2008; 391:1, eff. Sept. 15, 2008. 2010, 215:3, eff. Aug. 27, 2010.

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## Appendix J: Guidelines for Creating New Funds and Discontinuing Old Funds

### I. New Funds

A new trust fund should only be created when there is a demonstrated need for a reserve fund for a specific purpose that no other existing funds come close to covering. There are several important questions worth asking before creating any trust fund based on this rule.

1. First, is there a demonstrated need? Needs can be either required in the statutes or determined by the townspeople. This need should be captured in the fund's purpose. If the recommenders of the creation of a reserve fund have trouble stating the purpose beyond a general title, this is probably a sign that the fund is not truly needed.
2. Second, is a reserve fund the best way to deal with the need? Just because money is needed for some purpose does not mean that there needs to be a reserve fund. A reserve fund is only needed when the need will last longer than one fiscal year. If this is not the case, the warrant is better off to just raise and appropriate money for a specific purpose, rather than create a trust fund. A perfect example of a fund being created without asking this question is the Rangeway Fund. Instead of just appropriating an amount of money to be spent to locate and map the Town's Rangeways, a fund was created. This fund, which has sat idle for over a decade, should never have been created.
3. Third, is there another fund that currently covers this need? Even a need for a fund to cover a specific purpose is not a good enough reason to create a new fund if an existing fund already covers that need, or if its purpose can be altered slightly to cover it. For example, the Town does not need capital reserve funds for individual buildings, such as the Resource Recovery Park/ Waste Management Facility, when the Municipal Building Fund covers the maintenance and capital improvements of all of the Town's buildings. As such, the Resource Recovery Park/ Waste Management Facility Fund should never have been created, or at least it should have been discontinued after the purpose of the Municipal Building Fund was broadened.
4. An example of a fund that was recently created for a valid reason is the Milfoil Control Trust Fund. The people of Moultonborough identified a clear need, the control of milfoil, which could not be solved in a single fiscal year and was not at all related to a currently existing fund. As such, a separate fund was created and hand money raised and appropriated to it for the stated purpose.

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## **II. Discontinuing Funds**

As is often the case, even a fund that was well thought out and created appropriately as outlined above may eventually outlive its need. Money that remains in trust funds past their need often stagnates, gaining modest interest, however not serving any purpose. As such, the Town should periodically examine its trust funds and seek to answer the same questions asked when a fund is created. Is there still a need for this fund? Does Moultonborough really need a fund for this purpose or can the people just appropriate money annually for it? Is there another fund, perhaps whose purpose has changed, that also covers this need? This review should be done with a zero-based approach seeking to answer whether based on current needs this fund would be created or not today. If not, there is likely no need to retain this fund.

These questions probably do not need to be asked annually, however trust funds should be examined from time to time and not allowed to multiply out of control. For the most part, Moultonborough has shown a willingness to eliminate funds which have outlived their purpose, although there are some examples of funds that have avoided reassessment. The fact that a fund has not been expended from for a few years may be a sign that the fund is no longer needed, although it should not be taken as a certainty. While this may mean that the funds need should be reassessed, on its own it is not sufficient justification to discontinue a fund.

When it is determined that a fund should be discontinued, the fate of the reserved balance also must be considered. If a fund is being eliminated because there is another fund with a similar purpose, the assets of the disbanded fund should be transferred to the surviving fund when possible. If a fund is being discontinued because its purpose no longer exists, the balance should be returned to the General Fund.