



TOWN OF MOULTONBOROUGH

CAPITAL IMPROVEMENTS PROGRAM

COMMITTEE (CIPC)

TO: Board of Selectmen
FROM: CIPC Committee
RE: Review of Capital Reserves, including funding recommendations
DATE: April 13, 2025

In the FY26 CIPC report to the Board of Selectmen (BOS), our team identified the need for a more detailed review process of capital reserve funding to enhance stabilization of the tax rates wherever possible. Significant future potential costs for community capital expenditures, including continuing inflation, requires an aggressive approach to ensure funds are available when needed without dramatic fluctuations in the annual tax rate for capital needs. Quite frankly, various members of the BOS have expressed concerns about inadequate annual capital reserve funding in the past but, along with the CIPC, have not had a defined process to determine adequacy for Town Warrant recommendations or even fund usages. The CIPC believed that a long overdue and potentially one time deep dive into various elements of capital planning was needed with an initial focus on town/library needs. However, we should all be realistic that there must be an annual process that continually reviews all Capital Reserves to ensure they meet the ongoing needs of the community, are used appropriately, and that unneeded funds are closed. We appreciate the Boards full support of the CIPC in this endeavor.

To accomplish forward looking goals, our focus has been on five areas:

1. Segregation of existing Capital Reserve Funds into various groupings...ie: Intensive equipment and facilities capital needs, and Expendable Trust Funds.
2. Review of existing Capital Reserve fund creation documents, usage, expenditures, candidates for elimination or repurposing, etc. and coordination with Trustees where necessary.
3. Determination of the best financial model for annual and long-range Capital Reserve funding, including review of the Branley Report.
4. Data requirements from Department leaders for implementing long range Capital Reserve funding
5. Potential creation of a Town policy for Capital Reserves

Following are details, recommendations, and conclusions concerning each goal area:

1. Segregation of existing Capital Reserve Funds into various groupings...ie: Intensive equipment and facilities capital needs, Expendable Trust Funds, etc.

During our discussions, it became evident that reserve funds could be segregated into 2 specific groupings. We classified one group as "Tier I" reserves and defined them as large long term capital reserves where 10-year detailed plans are appropriate. Those funds are CR106-Fire Fighting Equipment, CR102-Public Works Equipment, CR104-Municipal Building Maintenance, and CR159-Library Building. You will note our rationale was to focus on reserves to maintain or even enhance the long-term viability of town buildings/facilities and reserves for large capital intensive equipment accounts. All other reserve

funds were deemed “Tier II” and include numerous accounts that operate as Expendable Trust Funds where annual appropriations are spent during the budget year and do not require long-term (ie: 10 year) capital planning. In addition, there are some reserves that might be eliminated with those costs included in operating budgets rather than Capital Reserves.

2. Review of existing Capital Reserve fund creation documents, usage, expenditures, candidates for elimination or repurposing, etc. and coordination with Trustees where necessary.

The BOS are agents to expend for all CR funds other than Fire Fighting, Public Works Equipment, and Municipal Building Maintenance (three of the four Tier I Capital Reserve Funds). The Library Trustees are agents to expend the Library Building fund. In light of the fact that there is no nomination of agents to expend on three reserve funds, the Committee is concerned as to the unlimited flexibility Town Meeting (ie: the voters) might grant to the BOS on these funds if they were to be named as agents to expend without impinging on the longstanding authority of the voters to determine whether specific projects should move forward and by how much. It is somewhat a risk/reward situation where there is a inherent risk of granting unlimited authority to expend that might result in projects funded without the legislative body approval (risk) or having unanticipated but necessary needs go unaddressed until the next legislative session (reward). Obviously the magnitude of funds in these three reserves is a significant concern, as boards change from time to time. It is the conclusion of the CIPC that these three reserves *should stay without agents to expend identified.*

The Committee reviewed each CR to determine what, if any, changes should be addressed. These reserves (split between Tier I and all other) are listed by dollars (high to low) at year end 12/31/2024.

TIER I

- **CR 106 Fire Fighting (\$985 K) (Tier I Fund)**: CIPC will prepare annual reserve needs over a 10-year horizon given the high-cost and sporadic nature of these capital expenditures.
- **CR 104 Municipal Building Maintenance (\$969 K) (Tier I Fund)**: CIPC will prepare annual reserve needs over a 10-year horizon given the high-cost and sporadic nature of these capital expenditures.
- **CR 102 Public Works Equipment (\$241 K) (Tier I Fund)**: CIPC will prepare annual reserve needs over a 10-year horizon given the high-cost and sporadic nature of these capital expenditures.
- **CR 159 Library Building (\$64 K) (Tier I Fund)**: CIPC, consulting with the Library Trustees, should consider needed funding over a 10-year horizon. The Committee noted that the Library has developed a thorough plan to address building renewal needs. However some requests are not capital and must be vetted.

TIER II

- **CR 134 Town Property Acquisition (\$517 K)**: Monitor only. No action needed at this time.
- **CR 150 States Landing Improvements (\$289 K)**: Still active. After funds are expended for the final phase of the project, the fund should be dissolved.
- **CR 138 Communications Technology (\$260 K)**: The Town Administration is considering how to repurpose this CR. CIPC will await a plan/recommendations for the account in the fall. However, due to the nature of the fund, the BOS may well consider the balance be transferred to the Municipal Building Maintenance Fund CR104.
- **CR 158 Pathway Phase III (\$237 K)**: After the CIPC recommended closure of this account in FY25 due to a number of years dormant, the pathway project appears to have new life and a “path” forward for an extension of the current pathway is currently under consideration. Recommend fund remain active until final BOS decision on plans are made. Then the fund should be discontinued.
- **CR 140 Milfoil Control (\$183 K)**: No CIPC action needed. However, the warrant article creating this fund is significantly restricted to only milfoil. We will have a discussion with the Milfoil

Committee in the fall to determine if changes to wording, such as “milfoil and other aquatic weeds” might be more constructive, given their efforts to maintain lake/pond water quality in Moultonborough. Would require a 2/3rds vote. The fund acts as a true Expendable Trust Fund.

- **CR 156 Roads Improvement (\$179 K)**: The team decided to give more thought on whether the fund should be used only to address a storm emergency, or as has been done in the past, all appropriated road funds should be deposited in the CR to ensure funds do not lapse if not encumbered during the fiscal year.
- **CR 164 Bridge Repair & Maintenance (NEW) (\$92 K)**: No action needed at this time. Will be funded through annual State bridge repair grants.
- **CR 116 Dry Hydrant & Cistern Fund (\$78 K) (irrevocable)**: Funds will be expended this year to build a new dry hydrant. The consensus of the Committee is to monitor the fund.
- **CR 112 Appraisal Fund (\$72 K)**: The CIPC had recommended that the fund be dissolved, but at Town Meeting the Appraisal Fund was retained by amendment, due to an error in calculating the FY26 budget for the Assessor's office. The Committee agrees the CR should be dissolved next year when the fund is fully expended (FY27) and any needed future funding be handled through annual operating budgets. Assessor concurs.
- **CR 162 Ambulance Contingency (NEW) (\$70 K)**: Future funding action to be determined.
- **CR 110 Historic Building Fund (\$66 K)**: The consensus was to get more information about the plans for this account.
- **CR 160 Police Cruiser Fund (\$50 K)**: No action needed. Fund will likely be funded at a level sufficient to pay for an emergency replacement of a single cruiser.
- **CR 120 Police Department Communications Equipment (\$49 K)**: Recent warrant articles for radios and the repeater location have not been funded out of this CR. The Committee recommends monitoring the need for the fund.
- **CR 122 Recreation (\$29 K)**: Per the Trustees records, the fund was created April 26, 2011 via a donation of \$22,346.94, and after a lot of research, we have determined with the help of Dan Sturgeon (including supporting documents) that the funds came from the Friends of Moultonborough Recreation 501(c)(3) dissolution. It appears CR122 was informally created before the funds were accepted by the BOS and the funds should have been classified as a “Trust” fund with donor instructions, not deposited in this non town meeting approved CR fund. Since the three original projects outlined in the funds may now be complete, the donors allowed other recreation uses. The Trustees and the BOS may need to take added actions to accept and place these funds in the correct place with redefined use, after which CR122 will disappear.
- **CR 152 Town Wide Information Technology (\$25 K)**: The consensus was to fund these projects from the annual Town operating budget and dissolve the CR.
- **CR 136 Community Substance Abuse (\$23 K)**: According to the Trustees report, no funds have been expended from the fund in the past four or five years. The CIPC recommendation is to dissolve the fund by donating the remaining balance to local organizations which have programs that address substance abuse.
- **CR 148 Community Senior Center (\$16 K)**: While a potential “hot bed” community issue, these funds should be deposited into the Municipal Building Maintenance Fund. The value of the fund is too small to maintain a separate account.
- **CR 128 Christmas Maintenance (\$3 K)**: The Committee recommends the fund be dissolved and any expenses be handled through the Town’s annual operating budget.
- **CR 126 Lee’s Mill (\$1 K)**: The Committee recommends dissolving the fund since the project has been completed. Note, 2009 Town Meeting voted to discontinue this fund but nothing happened.

The Committee held a brief discussion of the tradeoffs of putting money aside annually in Capital Reserves versus funding an expensive project through NHBB bonding. We noted the advantageous

terms of last year's School bond (bond premiums returned to the SAU to reduce debt repayments, etc.) and feel that, with goals of tax rate stabilization, large capital projects might be better funded using bonding. We will continue to explore this option in developing the 10-year capital plans for the four Tier I accounts and bonding might be more realistic than trying to estimate future fund needs for abnormal but significant projects. The first one that may be up for bonding consideration is improvements to the Transfer Station, especially when there may be very favorable future interest rates.

3. Determination of best financial model for annual and long range Capital Reserve funding, including review of the Branley Report.

As a refresher, the Branley Report was issued Aug. 25, 2011 and at the time, "Moultonborough had 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, and Guidelines as to when to discontinue an existing fund". At the time, "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."

Despite the lofty goals and recommendations included in the final Branley report, Moultonborough, through its CIPC, BOS, Town Administrator, and even ABC, never implemented any of the recommendations. As a matter of fact, per a lengthy discussion with the Chair of the Swanzey NH CIPC, it was disclosed that for the 10 years (2015-2025) Mr. Branley was a TA in Swanzey NH, there was never any implementation of the principles contained in this report nor was there any recollection of any discussion of these concepts in the past. While "forward thinking and responsible fiscal planning that can be replicated across the state" was a hopeful theory, we can find no instance where this model was implemented. It is what it is...a concept for consideration. Unfortunately, even sections of the report with guidelines for when to establish a new fund or when to discontinue an existing fund found no takers.

The Committee found the Branley Report to be helpful as a jumping off point for deliberate planning of Capital Reserve funding, but concluded the approach is not appropriate for most Moultonborough capital items, which are recurring capital requests such as Milfoil or Historic Buildings, and funded annually. The Branley report is also a static approach to planning that does not meet the needs of a community to annually review and adjust the capital plan, and the impact of spending on the tax rate. Nor does the Branley Report take into account that it may be much more efficient to fund longer term needs through bonding rather than setting aside taxpayer dollars for many years prior to actual project initiation/construction.

The Committee concluded that traditional cash flow models would be more efficient than using floors, ceilings, and targets. One of the issues with the Branley Report is that it is structured to only be forward looking for capital needs based on where a town may be in equipment life cycles which may or may not provide adequate funding for future needs. Similar calculations for buildings reflect full replacement at the end of cycles vs. potential annual upgrades to maintain longevity. As a result, the Committee believes a traditional approach to cash flow needs using a 10-year rolling cycle with allowances for inflation, abnormal product market price adjustments, as well as fund earnings, can more accurately project cash flow needs and annual capital reserve funding. We started using a traditional model when ensuring adequate fund availability for the Fire Engine 1 replacement and found it to be very adequate, especially when there were multiple cash payments across two or more fiscal years. This was probably the most complex cash model we have produced but found it to be very adequate and was the basis for our recommended \$350K Capital Reserve Funding for FY26 fire equipment at town meeting.

Any program of annual cash infusions into capital reserve accounts using traditional cash flow models must be made on a disciplined approach where warrant articles for capital purchases are made from fund balances and new fund cash additions are made with a separate warrant article to fund deposits. It is a two-step process and should not be deviated from for simplicity purposes. In this regard, it is vital that department forecasts for capital needs be accurate, disciplined, and inclusive, but reserve fund balances must also allow some flexibility for unanticipated needs. We believe we can accomplish this using traditional methods. In looking at the current reserve fund landscape, it appears that maybe four significant reserve funds will require this type of detailed cash flow analysis...Fire Equipment, DPW Equipment, Municipal Building Maintenance, and the Library Building.

In addition to the above, there may be instances where the cost of a particular item is so excessive that short-term leasing or even longer term bonding might make better sense than trying to “save” in advance of purchasing, especially when trying to stabilize tax rate impacts.

4. Data requirements from Department leaders for implementing long range Capital Reserve funding

The Committee turned next to a discussion of the information the CIPC will ask the departments to submit for next year’s (FY27) budget cycle. The time horizon for the capital plan will be changed from 6 to 10 years to plan for Capital Reserve funding in the four Tier I accounts. The discussion focused on DPW equipment as an example, including the need for vehicle mileage, maintenance expenses, hours of equipment usage, options for leasing rather than owning equipment, and, for near-term items, quotes to support the request. It is suggested that the bar for justifying a project should be higher for projects that expand town services, such as adding a roof to the ice rink. Departments also need to be able to demonstrate that the project has the strong backing of the residents and taxpayers.

For the FY27 cycle, the CIPC is also planning late summer to make actual site visits to DPW, Fire, Police, all Building Facilities, and the Library in advance of their submitting long range plans. We will also be strongly requesting various committees to meet with CIPC to provide the details for their FY27 requests rather than past practices where some have circumvented our review.

5. Potential creation of a Town policy for Capital Reserves

Rather than creating a draft policy at this juncture, the CIPC would recommend we use the upcoming FY27 planning process to fine-tune procedures and then provide a recommended policy for the BOS if it is deemed necessary. It is too early in the process to develop a policy without testing our planned initiatives. However, the committee feels strongly that ANY future Capital Reserve or Expendable Trust Fund creation or modification article for Town Meeting must include the specific CR number within the motion for future identification. We have spent way too much time trying to find past articles. We also caution the BOS to avoid, wherever possible, a new proliferation of reserve accounts.

Other Items:

The Committee noted that Trustees of the Trust Funds intend to shift their annual reporting to the Town’s fiscal year. This is extremely important to match current reserve funding and expenditures with Town Meeting actions. We fully support this change.

The CIPC wishes to sincerely thank Alanna Schiller, Alison Kepple, Andrea Picard, Mary Bengtson, Dan Sturgeon, Bob Watts, and Paul Daisy for their consultation and assistance in various aspects of this report. We also appreciate the ongoing support from the BOS to allow us to do a deep dive into Capital Reserves in general and trust that your expectations have been met.

Respectfully submitted:

The CIPC Committee

Frederick Van Magness, Chair

Cody Gray, Vice Chair

Mary Phillips, Clerk

Chuck McGee, BOS representative

Peter Claypoole, Planning Board representative

CC: Carter Teranzini, Interim Town Administrator

Dari Sassan, Town Planner

Paul Daisy, Trustees

Andrea Picard, Finance Director