

THE MILTON 2022-2027 CIP RECOMMENDATION REPORT

On behalf of the Capital Improvements Program Committee, it is our pleasure to submit our proposed Capital Improvements Program Report for Fiscal Years 2022-2027 for your consideration. The sum total of all projects SUBMITTED is \$5,370,919.18 for the six-year program (capital spending year plus five planning years) with **\$839,682.19** of this potentially programmed for **2022**. This is a potential **increase** of **58.7%** from 2021. Please note that the annual state highway block grant amount, other grants and offsets, such as the school project amount, Police vehicle lease purchase (paid out of the Police General Fund budget), and roll-off truck purchase (paid out of Transfer Station fees), have been subtracted from these totals. However, the amount of unassigned fund balance proposed to be used has not been calculated at this time. The Board of Selectmen has used unassigned fund balance to pay down the tax levy portion of capital expenditures in the past; notably in 2020 in the amount of \$60,000, and in 2021 in the amount of \$129,718. It is not known if any of these funds will be used in 2022, therefore the potential increase from last year may well be overstated.

In the sixth year for preparing an annual CIP report, a new Capital Improvement Program Committee took the reins almost two months later in the process due to the following: 1. the Town had to wait until the Town Meeting results of the warrant asking that a Capital Improvements Program Committee be created, and 2. the search for volunteers for the committee took longer than anticipated, and 3. the need for CIP training time resulted in this late presentation of our recommendations to you in this report, the CIP spreadsheet, Master Plan Tie-ins, and the most important document, the Rating-Ranking-Recommendation Matrix.

We thank all the Department Heads for the presentations on their needs. Without their full cooperation, we could not have completed this document.

In many New Hampshire communities, the Capital Improvements Program Committee has the responsibility for the preparation of the capital improvement program. The Capital Improvements Program Committee must follow the statute RSA 674:5 through 674:8. The program is simply a recommended plan for capital spending in the upcoming budget year and a changeable plan for capital budgeting over the next five years. This is an advisory document. It is advice to the Selectmen and Budget Committee, carefully reviewed by the Committee under its charge from the Town voters and state statutes. The key of course, is that the Committee does not decide how capital projects move forward or are funded, its task is to simply submit a well-considered plan (the CIP) as a tool for the Board of Selectmen and the Budget Committee to use in crafting spending proposals that go to the voters. Only those two entities have the authority to approve sending warrants seeking approval for spending monies on capital projects to the voters.

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.

We held our first meeting this year in August, and after training, began to review the 27 project submittals for capital year 2022. Over the course of developing this Capital Improvements Program, we

heard presentations or received correspondence from Department Heads on their current facilities and equipment and perceived needs.

We reviewed financial reports. We reviewed project requests and, at times, requested additional information. The Master Plan was reviewed to see if each of the project submittals tied-in to it. The Board believes that all 27 projects reviewed have a general tie-in with Milton's Master Plan Chapters.

The Capital Improvements Program Committee reviewed and discussed each project and classified them in one of the following categories:

- 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

These classifications may be found in the Class & Rank column on the 2022-2027 CIP Spreadsheet.

The Board then reviewed and discussed each 2022 (capital spending year) project submittal, (and two projects that start in 2023) and using an agreed-upon criteria form, rated each project. The rating totals then formed the basis for our ranking that is our recommended prioritization for approving funding for them. Finally, we will present our Draft Capital Improvements Program Report at a public hearing to be held on December 15, 2021 and may revise and finalize the report for submission to the Board of Selectmen, School Board and Budget Committee. A second public hearing will be held if required by changes resulting from comments from the public.

Integral parts of this report are the CIP Six Year Spreadsheet (reflects submitted projects with the recommendations of the Capital Improvements Program Committee), the 2022 Project Rating-Ranking-Recommendation Matrix, the Master Plan Tie-In Matrix, and the CIP Charge and Policy document, all attached to this report.

RECOMMENDATIONS

The Capital Improvements Program Committee's most important recommendation is that all parties in Town government continue to plan and develop a cohesive **six year** Capital Improvement Program that results in balanced spending on projects that address our highest needs. This should start with real capital planning for those needs in the out planning years. Doing these things correlates to the strategy of incremental year-on-year savings into a capital reserve fund for future capital purchases. Incremental savings through the years for expensive purchases or projects avoids big spikes in the tax rate and results in a stable one.

The relative priority for this year's Capital projects was consistent among the committee with no real outliers. All are recommended as shown on the rating-ranking matrix. As funding decisions are made while allocating the unexpended fund balance, however, a longer-term view is warranted. The proportional impact on small versus large expenditures indicates that top to bottom straight-line funding

should be avoided. Incrementally funding "set sides" for future spending is a core purpose for capital planning. Today's increment prevents tomorrow's crisis.

Therefore, the Board recommends the incremental accumulation of required capital reserves to purchase equipment and vehicles using annual contributions that serves to smooth and level out the total capital amount coming from the tax levy year-on-year. The annual recommended contribution (ARC) for the capital funding required can be determined by using the Fire, Police and DPW Fleet Schedules that show the useful life of the vehicle or equipment. The future replacement cost is then divided by the number of years of useful life to calculate the ARC. The Capital Improvements Program Committee continues to recommend this level funding process.

A thorough study of the status and accounting of the Town's reserve and trust funds happened two years ago and was a first step towards instituting this policy. Warrant language still needs to be crafted that fulfills these recommendations regarding CRFs.

Additionally, since the CIPC does not know whether the Board of Selectmen will utilize some or any of the previous year's unassigned fund balance to offset general fund spending on capital projects, the Committee is not standing by its previously established recommended funding cap of approximately \$600,000 for CIP project spending because the total may be reduced if the Selectmen use these funds to some degree. Therefore, the CIPC recommends funding all 27 2022 capital projects, many of which are ARCs (annual recommended contributions) i.e., incremental savings and should continue without interruption. These recommendations are reflected in the 2022 CIP Rating-Ranking-Recommendation Matrix.

The Capital Improvements Program Committee is also recommending and/or concerned about the following:

- Recommend funding the requested \$7,400 incremental amount for the future purchase of a roll-off truck because the funding does not come from the tax levy, it comes from Transfer Station fees saved into a CRF.
- It is extremely important to continue to save incrementally for future capital funding because of previous years (2020 and 2021) lapses in such funding strategies due to failure of CIP warrants. These lapses increased the ARC in all the affected capital expenditures.
- Recommend getting the message out on all platforms convincing voters to approve warrants regarding the importance of incremental capital funding and how it avoids the pay me now or pay me more later (at once) syndrome.
- Recommend CIPC work with the Town on outreach and education strategies and on suggested warrant language for the CIP.
- The CIPC intends to update the CIP Spreadsheet with the actual amount of unassigned fund balance to be used once it is known so a clearer picture of the cost of the 2022 capital program is documented.
- The CIPC recommends the creation of a Town Beach Maintenance Capital Reserve Fund (CRF).
- The CIPC is concerned about fewer Detail funds flowing into the Detail Revolving Fund due to the Police Department being currently 50% staffed, resulting in the possibility of not saving enough to replace Cruisers one and two without using general fund monies.

- The CIPC and Department Heads recommend the creation of three new CRFs in 2022:
 - Public Safety Communications Radio Replacement Project
 - Police Boat Motor Replacement Project
 - Police Taser X2 Replacement Project

The Committee continues to strongly recommend that the Town work with the Strafford Regional Planning Commission (SRPC) and the UNH Technology Center to gather the necessary data and purchase the software for the RSMS (road surface management system) that will enable the DPW to prepare an annual Road Improvement Program which is an adjunct to this CIP. The program will prioritize roads in need of repair, rehabilitation or reconstruction and create an annual priority list of road projects in Town.

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 Board recommends a six-year program that fits within reasonable, fiscal constraints. Although a fiscally constrained CIP is not a statutory requirement, the Board feels that it is a very important element of a balanced program.

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 (no spikes!) can be achieved while decreasing the likelihood that action on needed capital improvements will be deferred. This stability can be accomplished by rating and ranking the project submittals, then recommending only those projects by ranked priority that fall within the Town's recommended funding total for capital spending in that year. Additionally, by determining equipment or facility life, an annual recommended contribution (ARC) to an established capital reserve fund may be calculated to incrementally save money each year until the replacement or new capital asset is required. These are the best methods to smooth out the tax levy amount and still pay for justified or urgent capital needs for the benefit of the Town's citizens.

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. The funding mechanisms chosen for individual capital projects are not within the purview of the Capital Improvements Program Committee, nor are these funding mechanisms part of our recommendation to the Board of Selectmen and Budget Committee.

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 in the aggregate at the bottom of the CIP Spreadsheet.

Expendable Trust and Capital Reserve Funds. The making of an annual recommended contribution (ARC) to an expendable trust or capital reserve fund for future withdrawal can be a useful tool to

“smooth” out the property tax levy. The Town began to undertake a complete review of its funds as to when it should establish one, how to establish, and how much to annually contribute, and should continue that evaluation in the coming year. The Capital Improvements Program Committee continues to recommend annual contributions to the capital reserve accounts and a percentage ceiling for capping the total capital year expenditures on an on-going basis. That percentage amount should range between 3 and 5% and should be reviewed every year.

FINAL THOUGHTS ON 2022-2027 CAPITAL IMPROVEMENTS PROGRAM REPORT

We want to thank everyone who worked through the process and the myriad of requests, questions, and discussions. We also thank those in the Milton Community who have shown interest and taken the time to ask questions which has helped to make a better recommended Plan.

The Capital Improvements Program Committee recommends approving this recommended program that provides annual appropriations for needed Capital expenses that is based on the need for individual projects and equipment balanced with a prudent assessment of the total cost of the yearly program and its effect on the Town’s financial health.

Considering our goal to keep year on year increases below 5%, looking backward four years while planning forward five years should be a key component of the program work annually. These recommendations are higher than the total amount from the previous year, but they do not reflect any use of unassigned fund balance.