

THE MILTON 2023-2028 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 2023-2028 for your consideration. The sum total of all projects SUBMITTED is \$4,370,269.18 for the six-year program (capital spending year plus five planning years) with **\$639,046.60** of this potentially programmed for **2023**. **This is a decrease of 16.32% from 2022.** 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, and the Fire Station bond payment and the 2015 John Deere Grader lease payment have been added. 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 2021 in the amount of \$129,718, and in 2022 in the amount of \$180,750. It is not known if any of these funds will be used in 2023, therefore the potential decrease from last year may well change and become more of a decrease.

In the seventh year for preparing an annual CIP report, the Capital Improvement Program Committee prepared its recommendations to you in this report which includes the CIP spreadsheet, Master Plan Tie-ins, DPW and Fire Depts. Fleet Matrices, 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 prioritized, 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 timely, proactive, and practical.

We held our first meeting this year in May, and after organizing, began to review the twenty-six project submittals for capital year 2023. Over the course of developing this Capital Improvements Program, we heard presentations or received correspondence from Department Heads, the Town Administrator, and School officials on their current facilities and equipment and perceived needs.

We reviewed financial reports. We reviewed project requests and, at times, requested additional information. The project submittals were reviewed to verify that they tied-in to the Master Plan. The Board believes that all twenty-six 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 2023-2028 CIP Spreadsheet.

The Board then reviewed and discussed each 2023 (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 **October 13, 2022** 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 substantial changes resulting from comments from the public.

Integral parts of this report are the CIP Six Year Spreadsheet (reflects submitted projects and costs), the 2023 Project Rating-Ranking-Recommendation Matrix, the Master Plan Tie-In Matrix, DPW Fleet Matrix, Fire Dept. Fleet 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 next most crucial point the Committee makes is including EVERY capital project or purchase in the CIP process even if said project or purchase is an emergency or unplanned. This means that the CIPC must review these off-schedule capital expenditures and weigh in with its recommendation to the Governing Body, Budget Committee, and School Board.

The relative priority for this year's Capital projects was consistent among the committee with no real outliers, however the ranking does reveal that some projects/purchases are more important than others from a safety and welfare of the citizens is concerned. All projects are being recommended as shown on

the rating-ranking matrix given the influx of additional grant funding coupled with the aforementioned decrease in funds being requested from last year's amount.

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 Committee 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 and DPW Fleet Matrices 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 three years ago and was a first step towards instituting this policy. Warrant language still needs to be crafted that fulfills these recommendations regarding Capital Reserve Funds (CRFs). The Committee recommends a thorough analysis of the need for and fine detail of each CRF used to save the incremental funds raised each 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.

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. **Given the cash infusion (for one year) of \$109,000+ for the Highway Block Grant, and \$130,000+ for Bridge construction, with a possibility of some pay-down on capital projects using unassigned fund balance amount, the Committee recommends all twenty-six of the submitted capital projects including the incremental amounts for future capital expenditures for the 2023 capital year. These recommendations are reflected in the 2023 CIP Rating-Ranking-Recommendation Matrix.**

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

- 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.

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FINAL APPROVED 9/21/2022

Public Hearing to be held on October 13, 2022

- The Committee strongly recommends that the Town raise by warrant article in two increments \$60,000 in 2023 and \$60,000 in 2024 to fund the state required Town-wide Revaluation in 2024. It's better for the tax rate to pay for this in two annual increments than to raise the funds all at once in one year since doing so will spike the tax rate.
- Consider increasing the Police cruiser lease time from three to five years to help offset annual costs as recommended by the Police Chief.
- Committee agrees with the Police Chief that there are upcoming network, computer and telephone system needs for his department that point to continuing the Technology line at \$6,000 for 2024 and beyond to help offset those future expenditures.
- Committee recommends the Selectmen decide at the time of delivery whether leasing or purchasing outright the needed ambulance is the correct path to take. Fire Chief did not request any funds be raised for saving into the CRF for 2023 but did ask for and receive \$30,000 in 2022.
- The Committee strongly requests much more data be submitted by Fire, Police and DPW on the maintenance and repair costs of vehicles to track when each vehicle or equipment is more cost effective to replace rather than to repair.
- Committee recommends using not less than \$150,000 from the unassigned fund balance to pay down the cost of the 2023 capital expenditures to keep the tax rate lower.
- The Committee heard about the serious weed problem on Spaulding Pond and recommend that some of the funds that go to TPPA to eradicate European Naiad be used there as well. A proportionate amount could be allocated between both water bodies IF an organization is created to manage the funding and the work.
- Recommends that the School District prepare their own Capital Improvements Program and coordinate with the Town's CIP Committee annually.
- Recommends that DPW prepare a report for the committee on the deficiencies and shortfalls of the DPW Maintenance Building for next year.
- The updated Fire and DPW Fleet Matrices indicate the Town is falling behind in what it is asking for in vehicle replacement ARCs (Annual Recommended Contributions) for saving up incrementally through the life cycle of a vehicle in order to replace it when needed. Use the updated Fleet Matrix Sheets to adjust the ARCs beginning next year.
- Committee recommends BoS and Dept. Heads take longer lead times into account to order large vehicles and begin to pay for them incrementally farther out as well.

- Committee recommends waiting on Phase III & IV for Line 16-Dawson & Silver St. Project because it is in the State TIP for future 80% federal funding in 2023 or 4.
- Committee recommends that the TPPA present an expenditure report and invoices to the CIPC and BoS when requesting funding beginning next year.
- Committee continues to recommend that a report be prepared that identifies how much and where funds targeted for capital expenditures on the CIP go in the CRFs. The MS-9 Report of the Trust Funds does not have enough specific detail for committee use.
- The Committee still recommends that the Town buy the RSMS (Road Surface Management) software, contract with SRPC (at member rate) to collect the data so the RSMS can be used to develop a Road Capital Improvement Program based on real data and science. The program will prioritize roads in need of repair, rehabilitation or reconstruction and create an annual priority list of road projects in Town.
- 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. This avoids large spikes in the tax rate!
- 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 2023 capital program is documented.
- 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.

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 an especially 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, 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.

FINAL THOUGHTS ON 2023-2028 CAPITAL IMPROVEMENTS PROGRAM REPORT

We want to thank everyone who worked through the process and the myriad of requests, questions, and discussions which has helped to make a better recommended Plan.

The Capital Improvements Program Committee recommends following 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 lower than the total amount from the previous year, and they do not reflect any use of unassigned fund balance.