

THE MILTON 2024-2029 CIP RECOMMENDATION REPORT

The Capital Improvements Program Committee hereby submits its proposed Capital Improvements Program Report for Fiscal Years 2024-2029 for your consideration. The sum total of all projects SUBMITTED is \$4,798,233.18 for the six-year program (capital spending year plus five planning years) with **\$829,196.60** of this potentially programmed for **2024**. **This is a potential increase of 29.75% from 2023**. 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, the new ambulance lease payment, and the 2015 John Deere Grader lease payment have been added. However, the amount of unassigned fund balance proposed to be used has been suggested in the amount of \$200,000, and that amount has been subtracted from the total as a placeholder. 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. The Board did not use any unassigned fund balance funds in 2023. It is not known if these funds will be used in 2024, but that is what is recommended.

In the eighth 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.

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 or not, 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-two project submittals for capital year 2024. 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 submitted projects.

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-three 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

These classifications may be found in the Class & Rank column on the 2024-2029 CIP Spreadsheet.

The Board then reviewed and discussed each 2024 (capital spending year) project submittal, 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, the Committee presented its Draft Capital Improvements Program Report at a public hearing held on **September 20, 2023** and there were no public comments that required revisions. Therefore, this is the report for submission to the Board of Selectmen, School Board and Budget Committee. A second public hearing was not required.

Integral parts of this report are the CIP Six Year Spreadsheet (reflects submitted projects and costs), the 2024 Project Rating-Ranking-Recommendation Matrix that reflects a prioritized ranking and a project funding recommendation, the Master Plan Tie-In Matrix, DPW Fleet Matrix, Fire Dept. Fleet Matrix, ancillary documents, 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 avoid big spikes in the tax rate and results in a stable one. **Big ticket capital asset planning requires common sense funding for those big ticket expenditures. Common sense means planning ahead by a.) recognizing capital needs in advance, and b.) then saving a little at a time every year to have all the funds saved at the planned future date when the asset is required.** As funding decisions are made while considering the allocation of 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. Bold advance planning using common sense timeline decisions

(longer than a standard six-year cycle) are needed for big ticket capital vehicle and equipment purchases and expenditures.

Therefore, the Committee recommends the incremental accumulation of required capital reserves to purchase needed 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. One warrant article should be prepared for DPW vehicles, and one warrant prepared for DPW equipment. This is outlined in the ratings/rankings matrix. 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.

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. This has not been the case so far.

The relative priority for this year's Capital projects was consistent among the committee with only a few 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.

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 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 Committee recommends only the first twelve prioritized, submitted capital projects including the incremental amounts for future DPW vehicle and equipment expenditures for the 2024 capital year. Additionally, the committee recommends that a reduced amount of \$5,000 (from the requested \$50,000) be appropriated into a new Capital Reserve Fund specifically for saving funds for the design and construction of a new DPW Facility. These recommendations are reflected in the 2024 CIP Rating-Ranking-Recommendation Matrix.**

Following these recommendations results in savings of \$172,100 over the total submitted funding amount, bringing the total tax levy amount from \$781,996.60 down to \$609,896.60.

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

- The Committee recommends only the first twelve submitted capital projects including the incremental amounts for future capital expenditures for the DPW vehicles and equipment in the 2024 capital year as shown on the ratings/rankings matrix sheet with the exception of the following:
 - Reduce the amount on Line 4 of the CIP Spreadsheet from \$50,000 to \$25,000
 - Add a new project under Buildings entitled DPW Building Design & Construction (new CRF) with a \$5,000 initial incremental amount.
- In addition, the Committee strongly recommends that the Town raise \$120,000 in 2024 to fund the state mandated Town-wide Revaluation in 2024.
- The committee recommends that the Technology line increase to \$8,000 for 2024 to help offset coming computer, telephone system, and network upgrades for the Police Department. Police Chief reports that the server is over five years old, and it has a limited life span after that with an \$8,000 replacement cost. The Records Management System is coming to an end for updates. Prior to 2017, records are on an in-house, not on the shared County server at the Sheriff's office. When the upgrade to Strafford County occurs, these records will not be carried over. Chief Krauss recommended purchasing another server to keep these records. If RMS is not included in the technology line, there may not be money available. Some of this funding amount is catch-up from previous years of underfunding this line.
- 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 costing more than if is replaced.
- The committee recommends splitting the amount used from the unassigned fund balance between capital expenditures and lowering the tax rate should the BoS decide to use said balance and recommends the use of \$200,000.
- The Committee recommends that the BoS not fund the \$20,000 requested by the TPPA to control European Naiad for 2024.
- Recommends that the School District prepare their own Capital Improvements Program and coordinate with the Town's CIP annually.
- Recommends that DPW prepares a report for the committee on the deficiencies and shortfalls of the DPW Maintenance Building for next year.
- The 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.

- The MS-9 Report of the Trust Funds does not have enough fine detail for committee use. The committee continues to recommend that a report be prepared by the Finance Director for the CIP committee that identifies how much and where funds targeted for capital expenditures on the CIP go in the CRFs.
- Since the Church St bridge replacement project now requires our match to be \$370,000, and the Winding Hill bridge replacement project now requires our match to be \$297,220, it is very important to not fund these bridge CRFs this year because doing so raises the tax levy total substantially over the committee's approximate \$600,000 cap, but begin funding those two capital expenditures in the next two years for the Milton Bridges CRF (balance only \$120,996) and the Milton-Maine Bridges CRF (balance only \$133,930). Given the perceived schedules for the bridge projects that show the projects commencing around 2025 and beyond, there is still time to fund these requirements next year and the years after that.
- The committee agrees with the Police Chief that the Town should place a down payment deposit from the police budget to help pay down the cost of leasing cruisers and extend the lease from 4 to 5 years for the 3 cars.
- The Committee agrees with the Town Administrator that the Sewer Utility Capacity & Expansion Analysis study/sewer expansion construction will be a priority when the Town is mandated by the US EPA and the NH DES to remove as much Nitrogen and Phosphates from the plant as possible. The total amount has yet to be determined and may be corroborated by sampling from a grant-funded Milton Three Ponds Watershed Management Plan. The Town will need operating capital to receive these funds in a timely manner, but the committee does not recommend that the funding begin this year.
- The committee agrees with the Public Works Director that a warrant article be drafted to establish a separate CRF for the purpose of planning, design, engineering and building a new public works facility, and to add a separate capital project in the CIP. The amount of \$50,000 initially has been recommended by the Director, however the committee recommends an initial amount of \$5,000 be requested in the warrant article. There has never been a commitment from the town to start any planning at this point. Building concept plans to support the on-going savings should be developed, and a schedule for how long it takes to reach the estimated amount should also be prepared.
- The committee agrees with the Police Chief that the existing 2014 Police Department Computer & Radio 2014 Purchasing & Replacing Computers, Servers & Radios Common CRF with a balance of \$1,232.73 should be used for the purchase of needed monitors this year, and then request that the Town Administrator add onto the Select Board's agenda to prepare a warrant article eliminating the 2014 Police Department Computer & Radio 2014 Purchasing & Replacing Computers, Servers & Radios CRF with any remaining balance added to the Town Technology line which is for "on going technology upgrades" for "All Depts.". The committee agrees that having one overall CRF is better for the Town that will keep it cleaner and simpler. It will just require all departments to work together for what is in the best interest of all departments and the Town. The committee suggests that the Town Administrator add it on to the list of things

requested from Department heads in November towards next year's budget. An inventory and/or lifespan of computers would be helpful from each department and then the Town Administrator would know how much money will have to come out of the Town Technology CRF each year and how much to put away.

- The future plan of the library's 2nd floor access by either an elevator lift or a LULA lift should be firmed up by planning for the LULA which is approximately half the cost of the elevator, and it will serve the same purpose. More planning appears to be needed in this request. There may be a LCHIP grant awarded that will assist funding.

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 contribute annually, and should continue that evaluation in the coming year.

FINAL THOUGHTS ON 2024-2029 CAPITAL IMPROVEMENTS PROGRAM REPORT

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

The Committee wants 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 higher than the total amount from the previous year, are needed, so should require some serious discussion on the use of the unassigned fund balance.