

Capital Improvement Program, 29 august 2012

Members Present: Steve Felton, Jennifer Ogden, Dave Toth, Paul Branscombe

Members Absent: Jeanette Stewart (excused absence)

Others Present: Alan Cilley, Sandra Coleman, Lee Nichols, Christine Austin, Bob Boyle, and John Hughes

The meeting was called to order at 7:00 PM in the Town Hall Conference Room.

### Approval of Minutes

P. Branscombe made a motion to approve the minutes of July 18, 2012. J. Ogden seconded the motion. Minutes were approved (4-0).

### Discussion of the CIP with the Electric Department and Water and Sewer Department

S. Felton explained the role of the CIP Committee to representatives from the Electric Department and the Water and Sewer Department. The purpose of the CIP is to plan and save for future capital projects. The committee works to identify future capital project needs, determine costs, establish priorities, and identifies funding sources to meet those expenses. The CIP Committee is an advisory group to the Select Board, commissioners, school and the budget committee.

S. Felton explained the critical need for planning and saving for expenses since the town has not put away reserves to meet long-term expenses and has limited capacity to borrow funds. The Capital Improvement Plan (CIP) will define capital projects, project expenses for a 6-10 year period. The committee will be working with each of the agencies and departments to develop the plan. This year the committee will develop an initial plan and update the plan on a yearly basis. The committee will send a letter to the Electric Department and the Water and Sewer Department that identifies the specific information needed to help the CIP develop the plan.

The letters to the departments and agencies will contain the following basic information:

- Project info sheet for projects to be included in the CIP and should have a gross cost of \$25,000
- Projects should have a useful life of at least 3-years
- Costs should be non-recurring (not part of the annual budget)
- Projects that require bond financing.

### Ashland's Current Financial Situation

S. Felton discussed Ashland's current financial situation. The town needs to repair the Fire Department roof but currently has limited resources and limited options to pay for the roof. The roof is only one of the long-term capital expenses the town is facing.

S. Felton explained that according to the GFOA, responsible long-term financial planning requires that towns maintain a balance of 8% – 17% of annual municipal expenditures in unassigned general funds to deal with emergencies like the Fire Department roof and to ensure stable tax rates. Based on the town audit dated 12/31/11, Ashland should have between \$492,169 and \$1,045,860 in unassigned funds in the general fund. According to the audit (p. 5 and p. 32), the unassigned fund balance was \$10,791. (The undesignated fund balance is \$427,699, but because \$416,908 is deferred property tax revenue that was not expected to be collected within 60 days, the unassigned fund balance is \$10,791.) Even if all of the deferred tax revenues were collected, the town would still have less than the recommended 8% in unassigned reserves.

Capital Reserves as of 12/31/12 are effectively \$0.00. There is a \$1,500 capital reserve fund to repair the town clock.

The town passed Warrant articles to establish a capital reserve of \$50,000 for the Fire Department roof, and \$125,000 for roads. The money for these reserves will probably not be deposited until the end of the fiscal year.

The town took out a \$300,000 Tax anticipation Note (TAN) earlier this year to ensure we had cash on hand to meet our financial obligations. The TAN has not been paid back yet.

The town could borrow money to meet its financial obligations. Ashland's long-term debt was at 80% of our municipal expenditures in 2008 and appears to be over 65% currently. The average for towns in New Hampshire is 10%.

## CIP Process

S. Felton reviewed the steps involved in developing the CIP.

- Organize the CIP Process
- Define capital projects
- Perform a fiscal analysis
- Communicate with departments
- Review and coordinate with the master plan
- Review proposed capital projects
- Develop 10-year project plan
- Adopt and implement the CIP
- Update CIP plan on a regular basis

The committee will use the Capital Improvement Planning Handbook prepared by the New Hampshire Office of Energy and Planning (NHOEP) as a guide for developing Ashland's CIP.

## Additional Discussion

The committee defined a capital project as any project costing \$25,000 or more.

The committee determined that the CIP should encompass a 10-year period.

P. Branscombe made a motion made to add 2 members to the CIP committee.  
D. Toth seconded the motion. The Committee voted to approve the motion (4-0).  
S. Felton will communicate the vote to the select board and arrange to post the request on the town website.

## Action Items

J. Ogden and P. Branscombe to identify the parts of the Master Plan that should be included in the Master Plan.

P. Branscombe and J. Stewart will develop the financial analysis. The focus will be on the history of the capital expenditures.

S. Felton will develop a timeline for preparing the CIP.

S. Felton will work with the utilities to fill out the CIP forms.

P. Branscombe will secure the fire department for the next meeting on Sept. 19<sup>th</sup>

Adjournment

The meeting was adjourned at 8:42 PM.