

Town of New Durham, New Hampshire

**MASTER PLAN
CAPITAL IMPROVEMENT
PROGRAM**

2008 ~ 2017

(A Master Plan Implementation Program)



Prepared For the Town of New Durham Planning Board

Prepared by Town of New Durham Employees & Advisory Capital
Improvement Committee
in assistance to the New Durham Planning Board

Adopted:

***Town of New Durham, New Hampshire
Master Plan
Capital Improvement Program
2008 ~ 2017***

(A Master Plan Implementation Program)

This is to certify this Capital Improvement Program was prepared according to New Hampshire RSA 674: 5 ~ 7 , adopted & transmitted to the Board of Selectmen and the Budget Committee for their use in preparing the annual budget for the Town of New Durham.

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I. Introduction

A Capital Improvement Program (CIP) is a critical tool to implement the Town's Master Plan. In planning for the Town of New Durham, a 10-year cycle overview has been sought rather than the 6-year schedule. This schedule will identify projects required to construct or purchase needed capital facilities and/or equipment consistent with the continued growth and development of the Town. The plan identifies project cost estimates, and funding sources. It is to be updated annually by the Planning Board, and the Advisory Capital Improvement Committee, for the use of the Board of Selectmen and Budget Committee to prepare and adopt an annual budget. The goal is to link local infrastructure investments with the Master Plan policies and other implementation programs ~ see RSA 674: 5-8. Other benefits include: ~

1. Maintain Infrastructure and public facilities:

Programs for regular facility and equipment improvement save the community money and time. By planning ahead and allocating needed funds, costs can be reduced, and operational delays avoided.

2. Promote economic development and enhanced quality of life

Communities with sound fiscal health and quality facilities, infrastructure, and services are attractive to business and industry. System and service improvements that increase a community's quality of life attract corporate investment and the potential to increase jobs and tax base.

3. Promote Public Discussion

The CIP gives residents a clear and concrete view of the town's long-term capital improvements and a better understanding of the town's on-going needs for stable revenue sources to fund large and multi-year capital projects.

4. Promote Overall Financial Planning

A well-prepared CIP allows the Town to identify the most economical means of financing capital projects, coordinate the financial needs of governmental units and reduce overlap, and duplication. It helps the town focus attention on community objectives and fiscal capabilities.

5. Establish a prioritized and clearly defined project schedule

Projects are classified according to urgency and need for realization, linked with funding sources, and scheduled over time. Community needs are evaluated and may help identify opportunities for obtaining federal and state assistance.

6. Support Growth Management & Impact Fee Ordinance

New Development will bring an increased demand for municipal services. The CIP can be used to help the town better prepare for this growth. New Hampshire Revised Statutes Annotated (RSA) requires a community to have a CIP in place before implementing an impact fee ordinance.

2. Capital Improvements

2.1 What are Capital Improvements?

Capital Improvements are the “*bricks and mortar*” of the Town, streets, bridges, downtown improvements, community centers, schools, and major one-time acquisitions of equipment are all considered capital improvements. For this CIP, a capital improvement project is defined as:

- ❑ A physical public improvement involving a facility
- ❑ Acquisition of a parcel of land or easements
- ❑ A piece of major equipment and/or vehicle with a value exceeding \$10,000, and occurring no more frequently than every five years

Examples of Capital Improvements are: ~

- ❑ New public buildings, or expansion or renovation of existing buildings
- ❑ Land acquisition, development and/or major improvement for public purpose
- ❑ Major vehicle and equipment purchases or leases
- ❑ Road Maintenance
- ❑ Sidewalks & Street Tree Plantings

Note should be made that for the purposes of the 2007 review by the Advisory Committee, the capital cost base was raised to \$10,000 from the prior year’s baseline of \$5,000.

2.2 Process

Capital needs assessments are identified by the department heads or commission chairs on an individual department basis. This program of capital needs affecting the town tax rate is outlined in Tables 5 ~ 10. Table 11 summarizes and consolidates on an annual basis all the departmental improvements for total capital needs.

2.2 Developing a Capital Improvement Program

The Master Plan and other planning and financial considerations drive what projects should be included in the CIP and in the town’s annual budgeting process. Policies, and guidelines for developing the CIP include but are not limited to the following: ~

- ❑ Capital Projects should be consistent with the town’s Master Plan
- ❑ Prevent the deterioration of the town’s existing infrastructure, and protect its investment in streets, buildings, land and utilities.
- ❑ Encourage and sustain economic development.
- ❑ Respond to and anticipate future growth in the town.
- ❑ Increase the efficiency and productivity of town operations.

- ❑ Capital projects should be responsive to the needs of the residents, within the constraints of reasonable taxes and fees.
- ❑ The impact of capital projects on the operating budgets should be prioritized when evaluating projects for inclusion in the CIP.
- ❑ Planning Board, Advisory Capital Improvement Committee, and the Board of Selectmen will review the CIP and make revisions as needed prior to adoption.
- ❑ Once the CIP is adopted, it is reviewed and updated annually by the Planning Board and their advisory committee with input from the Budget Committee and the Board of Selectmen. In 2007 a warrant article was successfully passed by the voters at Town Meeting to formulate an advisory CIP Committee to be composed of one (1) planning board member, one (1) budget committee member, two at-large citizens of the town, and a selectman representative.

III. PAST FINANCIAL TRENDS

Past financial trends were examined in order to understand the Town's past budget characteristics and to make projections for the future and estimated capital effects on future tax rates. In this analysis only town (municipal) expenses and revenues were considered. See tables 1, 2, 3A & 3B.

Expenditures Notation

It should be noted in this process that some of the projects in this program such as Fire Station improvements, and building additions are "Ball Park" or best guesses based on professional experience. In these instances further study or facility planning or bid packaging is needed before more reliable figures can be derived. Nonetheless it is important to have such projects identified as part of the financial horizon.

Past Expenditures

As outlined in Table 1, the town has experienced fluctuations in total expenditures as a result of past capital expenditures such as closure of the landfill and Salt & Sand Shed construction for conformance to storm water requirements.

Town operating expenses have increased dramatically for some departments and steadily in others possibly a reflection of the economy for some departments. The most dramatic increases are reflected in "Health & Welfare, Public Safety, and Sanitation (Solid Waste)."

Debt Service

The Debt Service (Table 1) indicated a dramatic rise in debt service to pay for past closure of the landfill over a short 5-year period from 2000 to 2005. This was fully paid in 2005. Outstanding debt, at this juncture, is for a lease payment schedule for a ladder truck (completed in 2009) and 20 year bond for the Salt and Sand Shed ~ final payment 2024. Existing debt schedules are attached.

At the time of writing this Executive summary, the Board of Selectmen has been formally requested by the Department of Environmental Services' Dam Bureau to provide an engineered plan to safely impound the water at Marchs Pond to full capacity. Therefore, in order to achieve such a plan for full capacity impoundment, it will be necessary to place a bond vote on the 2008 Town Warrant to borrow approximately \$350,000. Please note that there has been no finalization with respect to duration of the bond nor has a final cost been calculated through a professional bid offering. Nonetheless, an estimated calculation has been included in the current financial summary for rate impact purposes, but again, caution readers that no decisions have been made with respect to bond duration by the Board of Selectmen, nor have bids been sought at this time.

HISTORICAL SUMMARY OF REVENUES / ASSESSED VALUATIONS AND TAX RATES

- ❑ Depicted in Tables 3 A and 3 B.
- ❑ Revenue fluctuations are due to past receipts for bonding projects thus causing spikes. The instability of revenue sharing from the State of New Hampshire should also be taken into consideration when making predictions. There are no guarantees with state payments.
- ❑ As reflected in Table 3A, there was very little increase to New Durham's tax base until 2004 and 2005 when there was a significant increase following revaluation. The actual assessed valuation has increased from \$137,706,642 to \$408,480,930 in 2005. This represents an increase of \$270,774,288 or 197%. Growth up to the revaluation held an average annual increase of 2.75% ~ see Table 3B.

Tax Rates

- ❑ The tax rates 1999-2006 are also shown in Tables 3 A & 3 B. The total actual tax rate including town, county, and school has increased from \$26.08 to a high in 2003 of \$31.10. The total tax rate fell accordingly as a result of the revaluation, which increased town values by 197%.

Bonding Capacity

- ❑ The New Hampshire Department of Revenue Administration controls bonding capacity. Entering into long-term debt requires a 2/3rds vote of the town under a town meeting form of government. A lease agreement is also considered as long-term debt, but provided the lease has an escape clause regarding multi-year appropriations then a majority vote is all that is required for passage.

Debt Limits

- ❑ Town 1.75% of the latest equalized assessment
- ❑ School 7.00% of the latest equalized assessment
- ❑ County 2.00% of the latest equalized assessment

Table 4 outlines outstanding bond commitments of the town, which are relatively low, and the available bonding capacity for the town, which is relatively high.

IV. REVENUE & EXPENDITURE PROJECTIONS ~ IMPACT ON TOWN TAX RATE

Table 13 outlines the revenue and expenditure projections based on the financial policies and assumptions as detailed in the notes for that table. Conservative assumptions were taken in developing these revenue (1% trending) and expenditure projections (8% trending), but based with some reality as to past historical trends as outlined in Tables 1 – 3A & B.

Assumptions articulated for the revenue and expenditure projections included the following:~

- ❑ The actual assessed valuation is based on the 2006 figure of \$422,622,660 (MS-1 Report to the State of NH) and was predicted to increase 2.0% annually until 2011 and 2.5% annually thereafter. The 2004 and 2005 valuation figure on Table 3B are as the result of the recent revaluation which brought assessment to reflect current market values
- ❑ Local revenue projections were based on the 2006 estimate with a 1.0% annual increase ~ very conservative.
- ❑ No federal funds were projected.
- ❑ State revenues were level funded due to the volatility of the state revenue (tax) structure and annual threatened cuts to Shared Revenues should the State Budget be reflective of deficits.
- ❑ Operating expenditures were based on the 2006 actual expenditures and based on Table Trends for Town Expenditures. Expenditures therefore based on history were projected to increase 8% thereafter ~ see Table 1. This percentile may be on the high side at this time but historical trending is indicative of the high growth factor that the town has experienced in the late 1990's and first 4 years of the new century.

It is important to note that the assumptions used in developing these very long range financial projections should be critically reviewed and should not automatically be assumed to justify annual budget increases. This document in trending expenditures is simply using the 8% percentile as a base line for forecasting and represents the highest point of the trending indicators. Budgets are a dynamic process from year to year open to the economic and labor market forces in any area of the State. This program is advisory only, but represents, in many cases of equipment replacement, the annual needs to defray the final acquisition of the proposed acquisition.

As stated previously, the costs estimates and bond assumptions for some of the projects will require further study to identify more reliable figures. The potential for the actual costs of building projects to be higher than best estimates is largely driven by the market conditions i.e. transportation and heating costs

V. PROJECTED BOTTOM LINE

Table 13 identifies the projected tax impact of funding the Capital Improvements as depicted and the existing debt service of past Capital projects outlined in Table 13. The impact on the town property tax rate for past and proposed capital expenditures ranges from a high of \$1.85 per \$1000 of assessed valuation in 2008 to a low of 75 cents per \$1000 of assessed valuation in 2017. This table clearly shows the impact of supporting the capital reserve mechanisms suggested and clearly depicts on the sliding capital tax impact scale what happens to the capital costs once planned savings are enacted and supported. The increases depicted to the overall town tax rates is indicative of low revenue projections of 1%, conservative trending for assessed valuations and high impact of 8% annual growth to the operating budget, and it could be suggested to represent worst case forecasting.

Table 13 also shows based on the aforesaid trending factors that it may take between a high percentile for capital costs and debt service of 32% to a low of 9% of the projected town tax rate, depending on the year, to pay for all the proposed Capital Expenditures and the debt service for the capital projects. Again the up front loading for the years of 2008 through 2012 for catch up payments in the existing reserves and creation of new reserves is indicative of the lack of financial planning in the past.

The Town currently has unresolved projects, which at this time of composition of the Capital Improvement Plan will require further initiative and work during 2008 and beyond, to resolve the planning aspects, needed citizen input and financial building blocks. These projects will have a major financial impact, which may involve bond issuance notes or a substantial savings plan in the form of a Capital Reserve Fund. Last year, the summary raised the specter of Marchs Pond Dam repair. This project is now under emergency order with no savings to buffer the costs, and thus, allows no room for planning. The remaining unresolved projects are: ~

- ❑ Facilities planning.
- ❑ Reconstruction of Davis Crossing Road.
- ❑ School Building Issues.

Issues surrounding facilities planning, especially for the town's safety services are largely unresolved, but nonetheless are on the town's radar screen. The questions loom in various scenarios as to whether the town requires a new fire station, a new fire station/police complex, renovation of the existing firehouse for the short term and perhaps, long term, sub station firehouse construction cited on the Kings Highway, and most vital of all, the site for such building(s) proposals should the community support new construction. At this time, discussions engaging the Advisory CIP committee with Fire Department personnel has indicated a building plan which favors

increasing the building usage capacity at the current firehouse location in the town center. The advisory CIP Committee majority supported this premise financially over a two-year timeline as depicted in Table 5A. In a similar vein, the committee, following a tour of town facilities, noted their sense that the Highway Department building does require expansion and refurbishment. However, in light of the State of New Hampshire's Dam Bureau request to provide a plan, which would safely impound water on Marchs Pond Dam and voter approval for the activation of the same, it was the considered good opinion of the Advisory CIP Committee that voter sensitivities needed to be paramount, and that two bond articles may be overwhelming. As a result, the committee supported the continued Capital Reserve Building Fund for the Highway Department Table 6B, but recognized the current working environment, indicating their sympathy that the space needs and refurbishment needs should be revisited during the next CIP planning cycle.

The Committee also recognized the aging of the town's current fire trucks and therefore, supports the fire chief's recommendation to acquire a pumper/rescue truck through a municipal lease in 2008 Table 5. The Committee applauds the Fire Officers for combining two trucks into one, and recognizes their leap of faith into the acquisition proposal of a good, nearly new, second hand combination truck.

The overriding question still remains of what the citizens would support in their taxes to improve some of the basic governmental facilities of the community. Once this question is resolved good planning and prioritization can follow within the guidelines of this plan. Questions were raised regarding a suggestion for acquisition of another building for the growing needs of the community. Another meeting area is needed given the stresses on the library space and the lack of meeting space in Town Hall, thus the Committee has allocated a funding source suggestion i.e. undesignated fund balance also known as "surplus" within the plan for a proposed acquisition.

The Davis Crossing Road project is an infrastructure issue, which the town is pursuing in another funding source with the State of NH on a 50/50 split given the current "dry" state of Hazard Mitigation funds. With current savings, town labor and FEMA funds, the town could meet it's 50% obligation should the State accept the project. However, the town is struggling, at this stage, to receive State relief in the form of grants, but due to the costs of this project it is worth staying the course for another year.

Finally, the school building issue, although not a town project, will have an impact to the tax base of the town and may impact the municipality's ability to forward the town's own facilities planning.

Respectfully submitted
New Durham's Advisory CIP Committee

