

EXECUTIVE SUMMARY

Annually, the Planning Board is to review capital requests and recommend a program of capital improvement projects to address the needs of the Town over at least a six-year period, with the first year being the capital year or year in which actual funds are expended and the remaining five years as the planning period. It should be noted that this CIP annual recommendation report for the Board of Selectmen and Budget Committee is mandated by NH RSA 674:5-8 and has as its basis the previous CIP document entitled; "Capital Improvements Program 2016-2023 Town of Milton 1st Draft October 26, 2015. The sole purpose and effect of this annual recommendation report shall be to aid the Selectmen and Budget Committee in their preparation of the annual budget for 2017. As a preface to the proposed Capital Improvements Program, it is important to note that:

1. Approximately \$3,914,984 of capital improvement projects have been proposed by the various town departments over the next 6 years (five of which are proposed plan years). These various Town departments have requested **\$457,777** of funding for **8 capital projects** in the capital year, **2017**.
2. When four previously approved, on-going capital projects spending slated for 2017 is added to the cost of the eight new capital projects, the total becomes \$801,709. The Town receives \$110,000 per annum as state Highway Block Grant. When this amount is subtracted, the total becomes \$691,709 for 2017.
3. The Board has recommended **\$432,777** for **6 capital projects** in the capital year, **2017**, while not recommending two for 2017 because ratings for those projects were very low (see the 2017 CIP PROJECT RATINGS/RANKINGS attached.) Further, with the Boat Ramp project, there is a possibility of the Town receiving additional grant monies that was not part of the submittal. Regarding the Library ADA Second Floor Access project there was testimony from other Town Officials that there are ample funds, including additional grant funding. **This reduces the recommended totals to \$666,709.19 for 2017** and \$3,864,984.95 for the six-year program.
4. The Board also recommends beginning to follow a Capital Reserve Fund program linked to future Capital Project Requests as per the Milton CIP-Establishing Fiscal Wellness document.
5. A policy of utilizing lease-purchase programs is advocated for large ticket purchases which will serve to spread rather than spike the costs.
6. All project costs were analyzed for their Master Plan tie-in.
7. The Board recommends that potential increases of no more than 3% for year over year total Capital Expense.
8. The Board strongly recommends that the Board of Selectmen review our project recommendations beginning on p.5 of this report.
9. Finally, the Planning Board respectfully requests that the Board of Selectmen advise us whether it has accepted our report in whole or in part, and what it shall submit for funding requests for capital projects as part of the coming fiscal year budget, in accordance with the CIP Charge and Policy document, attached to this report.

THE MILTON 2017-2022 CIP RECOMMENDATION REPORT

On behalf of the Planning Board, it is our pleasure to submit herewith our proposed Capital Improvements Program Report for Fiscal Years 2017-2022 for your consideration. The sum total of all projects recommended is \$3,864,984.95 for the six-year program (capital spending year plus five planning years) with **\$666,709.19** of this programmed for **2017**. Please note that the annual state highway block grant amount has been subtracted from these totals.

In our second year, our process of how we gather information and the process we utilize, including our method for rating and ranking the project requests was very efficient and assisted us with our recommendations to you contained in the accompanying report, CIP spreadsheet and Rating-Ranking Matrix.

We thank all of the Department Heads for the presentations on their needs. Some of them returned to us several times, taking time from their daily workload and personal time during the evening, to answer questions and provide us with requested facts and figures. Without their full co-operation we could not have completed this document.

In many New Hampshire communities, the Planning Board has the responsibility for the preparation of the capital improvement program. The Planning Board must follow the statute RSA 674:5 through 674:8. The program is first and foremost a recommended plan for capital spending in the upcoming budget year and a recommendation for tentative capital budgeting of the next five years. The key of course is that the Board does not decide how capital projects move forward, their task is to simply put forth a well-considered plan (the CIP) as a recommendation to the Board of Selectmen and the Budget Committee. 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 March to discuss an overall format, process and schedule for the task at hand. The Board prepared and approved a CIP Charge and Policy document at the end of May. Over the course of developing this Capital Improvements Plan, we heard presentations or received correspondence from Department Heads and the School on their current facilities and perceived needs. Some Departments indicated they do not currently have any capital project needs for the program period, most notably the Sewer Department. We reviewed a number of town and financial reports. We reviewed project requests and, at times, requested additional information. The Master Plan was reviewed extensively to see if each of the project submittals tied-in to it. We 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

The Board then reviewed and discussed each 2017 (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, we will present our Draft Capital Improvements Program Report at a public hearing to be held on August 30, 2016. A second public hearing will be held if necessary. Finally, the Committee will meet on September 20, 2016 to revise the report as per the comments received at the public hearing(s) if required.

Integral parts of this report are the **CIP Six Year Spreadsheet, the Master Plan Tie-In Matrix, the 2017 Project Rating and Ranking Matrix, and the CIP Charge and Policy document**, all attached to this report.

Review of Town Meeting. The annual review and update process begins in the spring of each year with a review of the decisions made at the Milton Town meeting. This review examines the capital improvement related decisions that were acted upon by the voters and looks at the status of one time and continuing capital projects and their spending.

Meetings with Project Sponsors. Throughout the spring, the Planning Board meets with Boards, Commissions, Committees and Department Heads to discuss any updates to existing information, and to review and discuss any newly identified or revised capital projects.

Formulation of CIP Recommendations. In the summer, the PLANNING BOARD conducts final meetings with project sponsors if necessary. By consensus, the PLANNING BOARD develops its recommendations for the ensuing six-year program period. The Master Plan provides background information and provides guidance to the Board as it determines whether there is a strong, normal or weak tie-in to the Master Plan.

CIP Adoption. The PLANNING BOARD presents its Draft recommended program to the community at a public hearing. This is an opportunity for the public to comment on the CIP prior to its adoption by the Board as its official recommendation to the Board of Selectmen. The Draft is then formalized based upon the comments received. The notification and hearing requirement processes the PLANNING BOARD follows are the same process used for the adoption of a Master Plan, provided for in RSA 675:6. Once adopted, the CIP is filed with the Town Clerk and the NH Office of Energy and Planning.

CIP and the Budget Process. The adopted CIP is forwarded to the Board of Selectmen, with copies to the Budget Committee, School Board and Library Trustees for their consideration as part of the budget development processes. As the respective entities hold their budget workshops and hearings, the public has additional opportunities to comment on capital improvements. We expect to place a copy on the Town Website for easy access to members of our community.

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 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.

Town Meeting. The budget processes culminate with the consideration of budgets presented by the Board of Selectmen and the Budget Committee to the Town Meeting. It is at the Town Meeting vote where actual appropriations are approved or not to fund capital improvements.

Public Participation. The people of Milton have the opportunity to participate in the development of the program and to review and comment on the setting of community needs and priorities. The value of public participation lies not only in allowing the project beneficiaries and taxpayers to express their desires, but also in obtaining continued public support for future investments in our community.

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 Committee 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.

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 Planning Board, 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.

Expendable Trust and Capital Reserve Funds. The making of an annual contribution 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 should undertake a complete review of its funds as to when it should establish one, how to establish, how much to annually contribute, and what the "floor" (i.e. minimum level) and "ceiling" (i.e. maximum level) should be. The PLANNING BOARD recommends moving towards annual recommended contributions to the reserve accounts and the percentage ceiling for capping the total capital year expenditures on an on-going basis as outlined in the **Milton CIP-Establishing Fiscal Wellness document**, also attached to this report.

RECOMMENDATIONS

The PLANNING BOARD recommends the accumulation of capital reserves to provide a smoothing out of capital funding required to meet the town's needs on a long-term basis as per the **Milton CIP-Establishing Fiscal Wellness document**. The PLANNING BOARD recommends this level funding process that includes the Capital Reserve philosophy recommended in the above document. A thorough study of the status and accounting of the Town's reserve and trust funds should be a first step towards instituting this policy. Additionally, The Board recommends that the Board of Selectmen, after careful fiscal analysis, utilize some of the previous year's unexpended fund balance to offset general fund spending on capital projects.

The PLANNING BOARD is recommending **six of the eight projects for the Capital year 2017**, ranked as priorities one (1) through six (6) on CIP Ranking (**2017 Project Rating and Ranking Matrix**). Projects ranked 7 & 8 are not recommended by the PLANNING BOARD for funding in the upcoming capital year.

All project requests were analyzed for their Master plan tie-in, as a part of the rating process.

Asset Management Plan

It is recommended that the DPW, Fire Dept., and Police Dept. track all rolling stock maintenance records beginning in 2017, so that reports by specific piece of equipment are available each year. The process can use existing software to track repair work plus regular maintenance. This process will provide added objectivity to the performance of per-vehicle cost analysis to help determine whether a continued repair option or replacement option is the more cost effective for an upcoming budget cycle.

The PLANNING BOARD also recommends an equipment replacement planning approach that uses manufacturer recommended replacement schedules as the long-term planning guide and depends on actual serviceability of equipment at appropriate cost levels for year to year determination when the target year is reached (if it isn't broken, we shouldn't replace it). The DPW, Fire Dept., and Police Dept. have all developed Fleet Replacement matrices as an initial step towards this and towards determining annual recommended contributions (ARCs) to reserve funds.

PLANNING BOARD COMMENTARY ON 2017 CAPITAL PROJECTS

The Capital Planning process has a steep learning curve and we continue to mature and improve by taking a step by step process in reviewing each year's program. Submittals by the Department Heads are markedly improved in terms of depth of request, rationale and supporting data. We commend and thank each individual 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 PLANNING BOARD recommends beginning a program to build the Capital Reserve Funds to levels that can provide multi-year smoothing of annual appropriations needed for Capital expenses. In light of our goal to keep year on year increases below 3%, looking backward one year while planning forward five years should be a key component of the program work annually. Of concern in the current

program are the requests for 2022, which almost doubles the relatively smooth total amounts (\$692,000 to \$896,000) for the current year and the four succeeding planning years. The Board does recognize however, that these planning years are subject to a year by year review in order to reassess needs and smooth the annual cost over the life of the program, and that this process will occur again for 2018 and annually thereafter.

The PLANNING BOARD recommendations are grouped into Priority Classifications as identified previously in this report and on various charts. Projects identified as priority 1 (Urgent Need – immediately for health and safety needs) and Priority 2 (Justified Need – to maintain basic level and quality of services) are not included in this commentary as they are fully supported and recommended by the Planning Board. We may provide comments on lesser ranked priority items only, such as Priority 3 (Desirable-to improve quality & level of service), Priority 4, and Priority 7 (Not Recommended). In some cases, Priority 4 (Unprogrammed – not enough info provided to evaluate need) has been used. Our desire is to obtain the missing information so as to properly classify each project and give it full consideration vs. all other projects before us.

Priority Code 4: Unprogrammed-Not Enough Info Provided to Evaluate Need

There are no Priority Code 4 for 2017 as the Board was satisfied that they were given all the information needed to make an assessment and rating of the projects submitted.

Priority Code 7: Not Recommended

There are no Priority Code 7 for 2017 as the Board was satisfied that all the projects submitted had a genuine need, however two projects are not recommended for funding in this upcoming capital year. The projects ranked number 7 and 8, Boat Ramp Repair and Reconstruction and Library ADA Second Floor Access were given Priority Code 3, but the Board recommends that these two projects be slipped to a future year to be determined in the next iteration of this process and report. Further, with the Boat Ramp project, there is a possibility of the Town receiving additional grant monies that was not part of the submittal. Regarding the Library ADA Second Floor Access project there was testimony from other Town Officials that there are ample funds, including additional grant funding.