CAPITAL IMPROVEMENT PROGRAM COMMITTEE
RECOMMENDED 2018 CAPITAL FUNDING
November 14, 2017

STRUCTURE and SCOPE of WORK:

The Committee refined and updated the Excel workbook covering those Capital Reserves, Expendable Trusts and Revolving Funds that related to capital expenditures. Each germane account then was analyzed for expected expenditures over the six years 2018 to 2023, with notations for large items expected for the following six years. Beginning with December 31, 2017 balances, estimated funding needs were calculated for the initial six-year period were determined. Where appropriate, proposed bonds and/or leases financings were added. Summaries of those detail accounts is presented at the front of the workbook. Contributions for 2017 were noted and compared to proposed 2018 contributions.

The Comments page of the workbook also offers observations on certain funds as well as certain budgeting process issues. The Committee strives for a program to fund capital at a sustainable, but predictable and orderly manner.

Our numbers, at present, do not assume inflation and interest rate changes, but of which will become factors in future years. The focus of this year's effort was to refine and update the basic model.

The Year-over-Year analysis shows detail and comments for certain items. The 7-year analysis shows actual contributions for 2016 and the proposed following six years together with debt service (principal + interest) for all present and contemplated debt, including leases.

Whereas the 'battle' is this year, the 'war' is the longer term. The Committee urges all to review and consider the six-year plan and beyond. It is easy to weakly defer to satisfy the next election cycle, it only serves to exacerbate future critical requirements.

OVERVIEW:

Overall 2018 cash appropriation current funding is increased by $84,500 (a 17% increase) from 2017:

- General Comments:
    - Three areas remain "known unknows." All are assumed bond funded:
        - New and/or significant renovations to neither:
            - Town Hall, nor
            - Center (#2) Fire Station

      are included as specific studies are incomplete. It is presumed that each would be long-term bonded, which also is <u>not reflected</u>.

        - A 2019 'place-holder' Town Dam bond was included as the State currently mandates it, despite the exact requirements being unresolved, but numbers presented are believed to be a 'worst case' scenario.
    - A reduced scale (commercial chassis) replacement for Engine #3 (West Station) bond issue as well as a cardiac monitors lease were also included.
    - The Future Fire Station Fund was presumed to be repurposed to all fire station renovations/major repairs via 2018 warrant article(s). (See Fire Specific Comments)
    - The Road Grader was indefinitely deferred. (See DPW Specific Comments)
    - Unanimously, the Committee voted to zero fund Conservation Fund Acquisition and Whitcomb Hall, believing more urgent critical service needs must prevail at this time.
    - The Committee recommends that the 2018 Warrant Articles be delineated by:
        - Capital items recommended by CIPC,
        - Expense items under General Fund operational budgets, and
        - Items of special interest, e.g., Carpenter Home, Whitcomb Hall, Conservation Acquisitions, etc.
    - The Committee unanimously recommended that the Recycling Center Revolving fund balance of approximately $500,000 be retained pending development of a new longer-range Recycling Facilities plan. However, the Committee by 5-3 vote recommended that future contributions after 2017 to the Revolving Fund be terminated as the fund is currently funded more than foreseeable Recycling Center capital needs. Such funds would be returned to the General Fund.
    - The Committee will consider special studies for the 2019 budget year for both Recycling and Roads.

- Comments Analyzing 2018 on a Net Departmental Basis:

    - DPW – A large $100,000 increase in Road Rehab was offset by (1) 2016's salt shed spike (Facilities) and reduced Town Dams current year funding. The Road Grader was also deferred out to post 2023 based upon the need for further study. If not deferred, approximately $20,000 per year should be added to the reserve and at least one contemplated 2018 replacement pushed to a future year.
    - Emergency Communications – A (*circa* 2022) need for nearly complete replacement fire and police radios was identified, resulting in a recommended $15,000 increase.
    - Fire – The assumed repurpose of the Future Fire Station Fund effectively pays for needed renovations to all three stations over the next six years. It was agreed that any new facility would require bonding; however, budget provisions were made for architecture and planning work for resolution of Station #2 issues. Without this repurpose, Fire Station Maintenance would have to be increased by approximately $50,000 per year.
    - Town Hall – The $70,000 increase represents most of the total net increase for 2018.
    - Carpenter Home – The $50,000 (new) Capital Reserve increase for code-related and other cost efficient/necessary renovations is offset by the Whitcomb Hall decrease.

Note is taken that a significant Whitcomb Hall 2017 request was made without any documentation, either capital or demonstration of viable operational support, despite several requests.

SUMMARY:

Following is a summary of seven-year inclusive costs.

	(in $ thousands)						
	2017	2018	2019	2020	2021	2022	2023
Expected Cash Contribution	$ 537	$ 626	$ 577	$ 574	$ 564	$ 564	$ 549
Bond Annual Debt Service:							
Police	24	47	47	47	47	47	47
Fire Trucks	-	20	39	39	93	93	93
Town Dams	-	-	82	82	82	82	82
Town Bridges	-	-	-	-	-	-	-
Total Regular Reserves	561	693	745	742	786	786	771
Leases:							
SCBAs	32	32	32	32	-	-	-
Fire Tools	-	-	8	8	8	8	8
	593	725	785	782	794	794	779
Special Facilities Bonds:							
Town Hall	-	-	-	-	-	-	-
Fire Station #2	-	-	-	-	-	-	-
Inclusive Total	$ 593	$ 725	$ 785	$ 782	$ 794	$ 794	$ 779

In addition, interest rates are now trending higher with an expected Federal Reserve rate increase later this year. Rates used are estimates.

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The Committee recognizes that some of these complex recommendations may be controversial. Our intent is to be responsible, educational and transparent to the Town of Swanzey. There are grave deferred needs resultant from years of underfunding that must be addressed. The intent is the establishment a procedural model that will be carried forward and refined each year on a fully accountable basis.

The Committee would also like to thank town staff, department heads and other committees for their assistance in preparing this report.

For the Committee,

Steven Bittel, Chair
Bruce Bohannon
Larry Crowder
Deborah Davis
Francis Faulkner
Jane Johnson (Planning Board Rep.)
Sly Karasinski (Selectmen's Rep.)
Don Skiba