

CHAPTER VI: CAPITAL IMPROVEMENTS PROGRAMMING

PREFACE

This chapter is an update of the *Capital Improvements Programming Handbook* originally prepared by Southern New Hampshire Planning Commission and published in 1994. This former handbook served as a guide to the preparation of capital improvements programs for local planning boards and towns in New Hampshire. This update is an attempt at making the document more user-friendly and is being incorporated within *The Planning Board in New Hampshire: A Handbook for Local Officials* to reinforce the link between capital improvements programming and other planning board responsibilities and duties.

Special thanks to the original author of this chapter, Bruce C. Mayberry.

OEP would also like to thank Stephanie Alexander, Principal Planner with Central New Hampshire Regional Planning Commission, and Carol Ogilvie, former Community Development Director for the Town of Peterborough, for sharing some of their CIP material and for providing useful comments in the review of this chapter.

All tables presented in this chapter are available for download on the OEP website in a Microsoft Excel format. Formulas are included for ease of use.

The tables can be found on the Planning Board Handbook page:
<http://www.nh.gov/oep/planning/resources/planning-board-handbook.htm>.

The Purpose of this Chapter

This chapter is a guide to the preparation of capital improvements programs for local planning boards and towns in New Hampshire. A number of the state's cities have implemented ongoing, sophisticated processes of identifying and scheduling capital improvements. This chapter is intended as a "self-help" guide primarily for planning boards and/or capital improvements planning committees of smaller towns that want to prepare a capital improvements program that meets New Hampshire statutory requirements and is consistent with generally accepted planning practice.

In many municipalities, the combined talents of planning board members and other local residents comprise the basic skills and resources needed to prepare a capital improvements program without professional assistance. This chapter addresses the need for an organizational framework and offers sample forms to expedite the process by which voluntary boards and committees can prepare a capital improvements program tailored to unique local needs. Planning boards and/or CIP committees should feel free to develop their own approach and format for capital improvements programming, or to adapt the forms provided in this chapter to local needs.

Throughout the chapter, an attempt has been made to distinguish between those elements and procedures of capital improvements programming that are mandated by the New Hampshire statutes, and those that are recommended practices. For the smallest towns having few capital investment needs, a simplified process addressing minimum statutory requirements will be sufficient. In most cases, however, a capital improvements programming process should follow all recommended steps and procedures, especially where growth management or impact fee ordinances are to be implemented.

Why Prepare a Capital Improvements Program

The capital improvements program, known by the acronym CIP, is a valuable part of the community planning process. The capital improvements program links local infrastructure investments with master plan goals, land use ordinances, and economic development. A capital improvements program bridges the gap between planning and spending, between the visions of the master plan and the fiscal realities of improving and expanding community facilities.

Among the many incentives of a capital improvements programming effort are the following benefits to the community:

Preserving Public Health, Safety and Welfare

Providing the basic services that ensure citizen health and safety is a fundamental responsibility of local government. Programs of regular facility maintenance, upgrades, and expansion of government services to meet minimum federal, state and local standards are essential to any municipality. The cumulative effect of deferring major maintenance expenditures and basic improvement of essential services is often an expensive series of stopgap measures that fail to address comprehensive long-term needs.

Anticipating the Demands of Growth

When related to the master plan, the capital improvements programming process works to anticipate investments in community facilities needed to serve or shape the pattern of growth and development. The portions of selected capital improvements expenditures that are necessitated by growth may be eligible for funding by impact fees as authorized in RSA 674: 21.

Improving Communication and Coordination

Communication among the planning board, municipal departments, administrative officials, the budget committee, and citizens can result in cost savings and avoidance of duplication of facilities and expenditures. For example, certain local recreation needs might be addressed in the planning of a new school site. Schedules for road reconstruction projects might be modified where there are imminent plans for the installation of water and sewer utilities. Development of a centralized core of consolidated municipal offices might prove a better long-term solution than separate buildings planned independently by several municipal departments.

Avoiding Undue Tax Increases

Capital improvements programming is a means of avoiding the unpleasant surprise of expensive projects generating large property tax increases. While cost impacts cannot always be precisely determined in advance, the CIP fosters discussion of the distribution of the tax burden of new capital expenditures over time. A consequential benefit of fiscal stability and sound community facility planning may be an improved bond rating.

Developing a Fair Distribution of Capital Costs

The capital improvements programming process allows for a public discussion of the preferred means of distributing capital costs not only over time, but also among users of the facilities to be financed. Some municipalities prefer to pay for some capital costs out of current revenues and absorb a high but single year tax increase. Others prefer to establish annual appropriations to capital reserve accounts to save for future projects. Still others feel that construction should take place as needed and be funded by bonded debt, retired by both existing and future users of a facility. In some cases, user fees may be deemed more appropriate than property taxes. Federal or state funds may also be available to help finance specific project costs or the cost of infrastructure improvements in lower income neighborhoods.

Building a Foundation for Growth Management and Impact Fees

The development and formal adoption of a capital improvements program is a statutory prerequisite to the enactment of growth management and impact fee ordinances. A properly constructed CIP should be an integral part of a land use regulatory process that implements either type of ordinance. The CIP is the principal resource for determining the growth-related share of capital costs that may be chargeable as impact fees; a growth management strategy and ordinance may link future development approvals to the local schedule for installation of particular utilities or services. Unfortunately, some CIPs are being prepared as simple “shopping lists” and remain unrelated to land use planning or growth management strategies.

Identifying “Scattered” and “Premature” Development

New Hampshire statutes allow planning boards to adopt subdivision regulations that provide against scattered or premature subdivision of land. The capital improvements program is one measure that a planning board may use to judge whether a development is scattered or premature based on an absence of essential public services, where the development could require excessive public expenditures to supply these services. The CIP may provide information needed for planning board policies requiring the provision of capital facilities or services by developers of property in unserved areas.

Supporting Economic Development

Municipalities having sound fiscal health and high quality facilities and services are attractive to business and industry. New corporate investment and reinvestment in a community may be influenced by improvements that enhance the quality of life for the chief executives and managers in a company, and for their area's labor force. Private decisions that bring jobs to an area and new tax base to a community are based not only on the availability of water and sewer utilities, but also upon the quality of local schools, public safety facilities, recreation opportunities, and other services.

STEPS IN THE PROCESS OF CAPITAL IMPROVEMENTS PROGRAMMING

The process of getting started in a capital improvements program illustrated in this chapter comprises a series of nine successive steps and a number of worksheets leading to a completed CIP. These steps form the remaining sections of this chapter:

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| Step 1. Organize for the CIP process. | ————→ | Recommended |
| Step 2. Define capital projects. | ————→ | Recommended |
| Step 3. Perform a fiscal analysis. | ————→ | Recommended |
| Step 4. Review the master plan. | ————→ | Mandatory |
| Step 5. Communicate with departments. | ————→ | Mandatory |
| Step 6. Review proposed capital projects. | ————→ | Mandatory |
| Step 7. Prepare a 6-year project schedule. | ————→ | Mandatory |
| Step 8. Adopt and implement the CIP. | ————→ | Recommended; mandatory to support growth management and impact fees. |
| Step 9. Update the CIP. | ————→ | Recommended |

By following each of the nine steps and using or modifying the model forms provided, the planning board can more efficiently complete the CIP and will generate a versatile document in the process. If schedules are followed and tasks are delegated to diligent participants, the CIP will yield many of the benefits cited above, will build citizen confidence in the value of long-term planning, and will promote public involvement in the budgetary process. Like the master plan, the CIP is not a static document, but an ongoing process. Once established, updating the CIP should become a routine annual practice for the planning board and related agencies.

STEP 1. ORGANIZE FOR THE CIP PROCESS

Get the process off to the right start by organizing a dependable team, deciding on a schedule, and sticking to it. Familiarize others with the fact that the CIP is an advisory document developed by the planning board or CIP committee.

Confirm Planning Board or CIP Committee Authorization

The New Hampshire statutes cite two prerequisites to the preparation of a municipal capital improvements program. First, the planning board must have adopted a master plan. Second, the local legislative body must have authorized either the planning board to develop the CIP or the governing body to appoint a capital improvements program committee. The board or committee should document the date of adoption of the master plan and cite the specific authorization given by the local legislative body for the planning board or the CIP committee to proceed with a CIP.

If the preparation of a CIP has not been specifically authorized, a resolution must be voted, similar to either one of the following sample warrant articles for a town meeting:

Sample Article Authorizing the Planning Board to Prepare a CIP

Article Number ____: To see if the Town, having a Master Plan adopted by the Planning Board on [date of adoption], will vote to authorize the Planning Board to prepare and amend a recommended program of municipal capital improvements projected over a period of at least 6 years, in accordance with RSA 674:5.

**Sample Article Authorizing the Governing Body
to Appoint a Committee to Prepare a CIP**

Article Number ____: To see if the Town, having a Master Plan adopted by the Planning Board on [date of adoption], will vote to authorize the governing body to appoint a capital improvements program committee to prepare and amend a recommended program of municipal capital improvements projected over a period of at least 6 years, in accordance with RSA 674:5.

Designate an Individual to Oversee Preparation

The New Hampshire statutes clearly place responsibility for preparation of the capital improvements program with the planning board or the formally appointed CIP committee. The planning board or CIP committee may wish to delegate certain parts of the CIP preparation to administrative personnel, to municipal departments, or to a consultant. However, the planning board or CIP committee performs the task of analysis.

Bear in mind that a CIP that shows no evidence of communication between the planning board or CIP committee and municipal departments, or no relationship to the master plan, will fall short of meeting minimum statutory requirements.

It is recommended that the planning board or CIP committee designate one of its members, town staff, or other volunteer to be the central coordinator in charge of the CIP process. That person should then serve as the primary contact for all CIP activities, ensuring that the planning board or committee's role is properly executed. The designee should maintain a file of all correspondence and meetings related to the CIP to document the process and prevent its fragmentation.

Develop a Schedule of Tasks and Completion Dates

The level of interest in capital improvements programming will rapidly deteriorate without strong leadership, assignment of tasks, and scheduling. Exhibit VI-1 provides a sample CIP planning schedule for outlining major events or actions in the CIP process, the date targeted for completion of that event or action, and the responsible party or lead person assigned to carry out the task. Discussion of such a schedule of events or actions should be accompanied by an organizational meeting involving the planning board or CIP committee and department heads so that all have a clear understanding of the rationale for the CIP process. By participating in the development of a CIP, each department may benefit from improvements in the quality of the facilities they operate and the services they provide.

EXHIBIT VI-1
CAPITAL IMPROVEMENTS PROGRAM PLANNING SCHEDULE

Town Meeting authorization granted to Planning Board to adopt CIP.
Planning Board appoints CIP subcommittee to prepare CIP.

Meeting 1

- Define capital improvements
- Develop project/purchase application
- Develop cover letter to boards/departments
- Designate your coordinator

Homework: Solicit applications; develop project spreadsheet of all applications received.

Meeting 3

- Hold interviews
- Determine project prioritization process
- Vote on process for prioritizing projects

Homework: Develop structure of the CIP (table of contents); write introduction chapter, write appendix chapter.

Meeting 5

- Hold interviews
- Review financial analysis chapter

Homework: Collect information for road management plan and write chapter.

Meeting 7

- Review municipal improvements schedule
- Review school improvements schedule
- Review project ranking chapter
- Review summary of projects chapter
- Review road management plan chapter

Homework: Write brief analysis of all data in the CIP; revise improvements schedules.

Meeting 2

- Review applications received
- Schedule interviews
- Schedule remaining committee meetings

Meeting 4

- Hold interviews
- Review CIP structure (table of contents)
- Review introduction and appendix chapters

Homework: Collect information for financial analysis and write chapter.

Meeting 6

- Complete interviews
- Prioritize the projects

Homework: Develop municipal improvements schedule; develop school improvements schedule; write project ranking chapter; write summary of projects chapter.

Meeting 8

- Finalize improvements schedules
- Finalize project prioritization
- Review final draft and agree on final revisions
- CIP subcommittee adoption of CIP
- CIP prepares to present CIP to Planning Board

Homework: Last revisions to document and schedules are completed; get on Planning Board agenda; develop public hearing notice; prepare advance copies of CIP for public and board viewing.

Planning Board Meeting

- Present CIP to Planning Board
- Planning Board Adoption of CIP
- Certificate of Adoption signed

Adopted CIP is copied and distributed to Board of Selectmen/Budget Committee for budgeting.
CIP is used by Planning Board to develop growth management ordinance or impact fees, if desired.
CIP is updated yearly, beginning in late summer (Aug/Sep).

(See Appendix G for an example of a table of contents for the town Capital Improvements Plan.)

NOTE: This CIP development process schedule was developed and provided by Central NH Regional Planning Commission.

STEP 2. DEFINE CAPITAL PROJECTS

Develop a local working definition of what “capital improvements” means. Distinguish between operating and capital costs, but avoid the “micro-management” of capital items having a negligible tax rate impact.

Criteria for Capital Costs

A clear local working definition of capital projects is needed to provide necessary guidance to department heads and others in identifying past and future capital projects and costs. Most definitions of capital projects are based on criteria related to one or more of the following:

- Large gross dollar amount of expenditure;
- Extended useful life of facility or equipment;
- Infrequent recurrence of the expenditure;
- Bonded debt needed for financing;
- Involves real property acquisition or development;
- Expands utility systems;
- Creates or expands a public building.

A simple definition of capital improvements, appropriate to a very small town, might include projects involving:

“Any expenditure for a project or facility having a useful life of at least 3 years and requiring a gross expenditure of at least \$5,000.”

For larger municipalities, a more complex definition might be appropriate, defining a capital project that is:

“A non-recurring expenditure for a project or facility having a useful life of at least 5 years, involving a gross expenditure of at least \$50,000, excluding scheduled vehicle replacement; or any project involving financing by bonded indebtedness; or the acquisition or development of any real property; or the extension of any utility service, regardless of its cost.”

The above are hypothetical sample definitions. Whatever definition is selected should fit within the municipality’s view of a “major expenditure” in the context of the size of the annual budget, and should include the types of projects that have potential for conflict, overlap, or potential influence on the pattern of growth and development. Different threshold criteria might be applied to municipal government versus school district and public utility capital costs. School and public works capital expenditures are often of a large scale, usually financed by long-term bonds.

Types of Capital Projects

Generally, a capital project creates a depreciable asset, while operating costs relate to the expenses of delivering services to persons and properties and the costs of operating and maintaining fixed capital assets. For example, the costs of engineering and constructing a sewage treatment plant upgrade are capital items; the costs of an additional plant operator or the expense of running the larger plant are operating costs.

However, not all capital expenditures involve physical facilities. They may involve special studies and analyses, town-wide property revaluation, engineering and design costs, or land acquisition or landfill reclamation/decommissioning costs. A sample list of possible capital projects is illustrated in Exhibit VI-2. Some “soft costs” such as planning studies and architectural and engineering costs may be capital costs whether or not they lead to the tangible development of a project.

This list is by no means exhaustive, and local definitions are the most appropriate. Providing department heads and the committee with such a list, however, may be useful in stimulating their thinking about the range of capital improvements projects that might be identified in the CIP.

EXHIBIT VI-2
Types of Capital Improvements Projects

Administration Building	Police Station
Airport	Public Safety Buildings
Architectural Costs	Public Works Buildings
Bridge Construction and Reconstruction	Recreation Facilities
Cemeteries	Recycling Buildings & Equipment
Community Centers	Redevelopment Projects
Community Development	Revaluation of Property
Computer Equipment	School Construction, Additions
Conservation – Acquisition	Sewage Treatment Plant
Consultant Expense – Special Studies	Sewer Mains
Drainage Facilities	Sidewalks & Curbs
Engineering Costs	Site Preparation Costs
Fire Station	Solid Waste Facilities & Equipment
GIS Equipment	Storm Drains
Highway Garage	Street Lights
Highway Reconstruction	Swimming Pool
Historic Preservation Projects	Tax Map Revision
Industrial Park Development	Town Hall
Land Acquisition	Transfer Station
Landfills and Closeout Costs	Vehicle Purchase/Replacement
Library	Water Mains
Master Plan Development	Water Supply Development
Parks	Water Treatment Plant
Playgrounds	

STEP 3. PREPARE A FISCAL ANALYSIS

A fiscal analysis of municipal and school capital expenditures and revenues is a recommended but optional task in the CIP process. The fiscal analysis will help the planning board or CIP committee develop a more complete understanding of the structure of local costs and revenues while creating a capital spending history, and may reveal the need for coordination or targets for potential cost savings. This step will become essential if the CIP is intended to support an impact fee ordinance.

The major components of a fiscal analysis should include:

- Review of the history of capital expenditures (capital reserves, expendable trusts, capital leases, bond projects);
- Identification of the source of revenue applied to capital expenditures;
- Computation of the typical level of capital spending as a proportion of total expenditures in past years;
- Review of growth in the tax base and the net tax expense of municipal and school services;
- Forecasts of future tax revenue availability;
- Recommendations for a target amount of annual capital expenditure for general planning purposes; and
- Review of statutory debt limits for capital projects.

Become familiar with how much capital spending has gone on in the past and how much is reasonable as part of the annual tax dollar. Establish a fiscal goal and develop a gross estimate of the size of the annual capital expenditure the community can support under reasonable taxation.

Review Past Capital Expenditures and Dedicated Revenues

Municipal Capital Projects. Having defined capital projects in Step 2, the next step is to develop a 6-year history of capital expenditures and the sources of revenue applied to specific capital costs on an annualized basis. The structure of such an analysis is illustrated by the worksheet in Exhibit VI-3.

Municipal Capital Expenditures. Exhibit VI-3 is designed for the recording of a 10-year history of capital expenditures by department. These expenditures may be identified by utilizing the working definition of capital cost and extracting actual capital expenditures from town and school district reports. The gross amount of the expenditure for each year should be entered in the appropriate row and column. Appropriations to capital reserve accounts and principal and interest payments on long-term debt should also be included.

Revenues Dedicated to Capital Projects. Directly below the expenditure entries should appear bond proceeds, capital reserve withdrawals, and other non-current-year property tax dollars that were applied directly to the capital expenditures listed above. Total capital outlay, less total dedicated revenues, equals the net capital expense borne on the property tax rate for that year.

Taxes Raised for Municipal Capital Projects. The net assessed valuation (after exemptions) upon which taxes were raised in a given year should be entered in the “assessed valuation” line of Exhibit VI-3. The approximate tax rate needed to support capital projects in each year can be computed in terms of the rate-per-thousand valuation as indicated according to the method shown in Exhibit VI-3.

On the next line, the total municipal tax rate for that year (excluding county and school rates assessed) should be entered. On the bottom line, enter the computation of the approximate proportion of the municipal tax rate (or net tax expenditures) that supported past capital expenditures.

This analysis and the analysis in Exhibit VI-4 outlining the school district costs is especially important to the CIP process in a municipality developing its program for the first time, or where there is some local resistance to the process. The 10-year fiscal history is likely to reveal that:

- Capital spending does not represent something new to the municipality and eventually occurs whether planned or not;
- Patterns of past expenditures reveal some inefficiencies, stopgap measures, or overlap; and/or
- Levels of capital expenditure and investment have been “lumpy” in some years, causing instability in the tax rate.

Such findings may be cited by the planning board or CIP committee in its rationale for developing the CIP and explaining the need for the process to the public.

EXHIBIT VI-3: TEN-YEAR HISTORY OF CAPITAL EXPENDITURES FOR MUNICIPAL GOVERNMENT DEPARTMENTS

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL
DEPARTMENT											
General Government	\$3,000			\$17,000		\$12,000	\$26,000	\$140,000	\$375,000	\$74,000	\$647,000
Public Safety											
Police	\$6,000	\$17,000		\$18,000		\$12,000	\$25,000			\$21,000	\$99,000
Fire & Rescue			\$102,000					\$501,000	\$21,000		\$624,000
Highways and Streets	\$8,000	\$19,000						\$27,000	\$29,000	\$11,000	\$94,000
Solid Waste				\$30,000			\$1,068,000	\$27,000			\$1,125,000
Health & Welfare											\$0
Parks & Recreation											\$0
Library				\$10,000						\$8,000	\$18,000
Conservation					\$30,000			\$362,000	\$20,000	\$142,000	\$554,000
Housing & Community Devel											\$0
Sewer & Sewage Treatment											\$0
Water Supply & Treatment											\$0
Appropriations to Capital Reserves	\$23,000	\$29,000	\$38,000	\$40,000	\$13,000	\$13,000		\$15,000	\$66,000	\$104,000	\$341,000
Principal & Interest - Bonded Debt	\$0	\$0	\$0		\$15,000	\$14,000	\$13,000	\$151,000	\$182,000	\$207,000	\$582,000
TOTAL CAPITAL EXPENDITURES	\$40,000	\$65,000	\$140,000	\$115,000	\$58,000	\$51,000	\$1,132,000	\$1,223,000	\$693,000	\$567,000	\$4,084,000
Revenues Applied to Project Costs (excluding current year property taxes)											
Federal Funds								\$182,000			\$182,000
State Funds									\$14,000	\$15,000	\$29,000
Capital Reserve Withdrawal		\$14,000	\$52,000	\$60,000				\$41,000	\$67,000	\$9,000	\$243,000
Bond Proceeds			\$52,000				\$1,068,000	\$501,000			\$1,621,000
Impact Fee Accounts											\$0
Gifts/L.U. Change Tax/Other									\$332,000	\$117,000	\$449,000
TOTAL AVAILABLE REVENUES	\$0	\$14,000	\$104,000	\$60,000	\$0	\$0	\$1,068,000	\$724,000	\$413,000	\$141,000	\$2,524,000
NET ANNUAL CAPITAL EXPENSE (Funded by Current Year Property Tax)	\$40,000	\$51,000	\$36,000	\$55,000	\$58,000	\$51,000	\$64,000	\$499,000	\$280,000	\$426,000	\$1,560,000
ASSESSED VALUATION On Which Taxes are Raised	\$65,000,000	\$60,000,000	\$69,000,000	\$72,000,000	\$78,000,000	\$81,000,000	\$84,000,000	\$85,000,000	\$210,000,000	\$230,000,000	
TAX RATE IMPACT FOR CAPITAL PROJECTS Compute:	\$0.62	\$0.85	\$0.52	\$0.76	\$0.74	\$0.63	\$0.76	\$5.87	\$1.33	\$1.85	
(Net Annual Capital Expense/(Assessed Valuation/\$1,000)) = Tax Rate Impact Per Thousand Valuation											
TOTAL MUNICIPAL TAX RATE (Exclude County & School Rates)	\$3.00	\$4.00	\$4.50	\$7.00	\$7.00	\$6.50	\$5.50	\$7.00	\$3.00	\$3.50	
CAPITAL PROJECT SHARE OF TAX Compute:	20.5%	21.3%	11.6%	10.9%	10.6%	9.7%	13.9%	83.9%	44.4%	52.9%	10-yr Avg. 28.0%
(Tax Rate for Capital Projects/Total Tax Rate) = Capital Project Impact as % of Total											

SCHOOL DISTRICT CAPITAL COSTS

School district capital costs will generally involve long-term debt. Because school district budgets and capital needs are often more extensive than those of the municipality, dollar amount thresholds for defining capital projects may be higher for schools than for the municipality. In addition, the municipal share of school district capital costs will vary from one community to another based on local funding formula and differing eligibilities for state aid to the district for capital costs. Exhibit VI-4 provides a worksheet for analyzing the history of school district bonded capital expenditures, allowing for a number of bond issues to be included. Total annual debt service is computed as the sum of the principal and interest payments of all bonded debt for the district.

The next step in Exhibit VI-4 is to deduct state building aid provided to the district as a percent of annual principal. Known actual amounts received should be entered if available. If unknown, they can be estimated based on the district's eligibility for capital cost reimbursement as determined by the NH Department of Education. Depending upon the number of towns in the district, this proportion may range from 30 to 55 percent of annual principal payments. The *net capital expense* to the school district, after state aid reimbursement, is then computed by subtracting the state building aid amount from the district's total bond payment.

The local government share of the net capital expense to the district can then be shown by either entering actual dollar amounts, if known, or by computing the amount based on a percentage formula that reflects local school district cost apportionment policies. Apportionment of costs is usually defined according to the municipality's share of the district's equalized assessed valuation, its share of average daily membership (attendance or enrollment), or a combination of these factors. A percentage approximating the town's share should be obtainable from school administrative officials.

Local Taxes Raised for School Capital Projects. The net local assessed valuation is then entered on this sheet just as it was in the municipal expenditure summary (see Exhibit VI-3). The portion of the local school tax rate supporting capital projects may be computed by formula based on local assessed valuation. The total school tax rate may then be entered (usually found in Town Reports), excluding municipal and county rates. As with the municipal capital projects, the school tax rate needed to support capital debt service costs may be computed as a percentage of the total school tax rate.

OUTCOME OF CAPITAL EXPENDITURE ANALYSIS

The completion of worksheets in Exhibits VI-3 and VI-4 generates the following information:

- A history of capital outlay;
- A history of revenues available to finance capital projects;
- Annualized net capital expense borne by the tax rate; and
- An indication of the amount of annualized capital expenditure supported by the community in the past.

EXHIBIT VI-4: MUNICIPAL SHARE OF SCHOOL DISTRICT CAPITAL COSTS (LONG-TERM DEBT)

Year			2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL
SCHOOL DISTRICT BONDED CAPITAL EXPENDITURES													
Yr. Issued Purpose Payments:													
1	2002 - State Guaranteed	Principal	\$27,000	\$27,000	\$27,000	\$27,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000	\$240,000
		Interest	\$26,000	\$24,000	\$22,000	\$20,000	\$18,000	\$17,000	\$15,000	\$13,000	\$12,000	\$10,000	\$177,000
		Total	\$53,000	\$51,000	\$49,000	\$47,000	\$40,000	\$39,000	\$37,000	\$35,000	\$34,000	\$32,000	\$417,000
2	2002 State Non-Guaranteed	Principal	\$12,000	\$12,000	\$12,000	\$12,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$90,000
		Interest	\$9,000	\$8,000	\$8,000	\$7,000	\$6,000	\$5,000	\$5,000	\$5,000	\$4,500	\$4,000	\$61,500
		Total	\$21,000	\$20,000	\$20,000	\$19,000	\$13,000	\$12,000	\$12,000	\$12,000	\$11,500	\$11,000	\$151,500
3	2004 - Construct Addition	Principal	\$32,000	\$32,000	\$27,000	\$27,000	\$27,000	\$27,000					\$172,000
		Interest	\$13,000	\$11,000	\$9,000	\$7,000	\$5,500	\$4,000					\$49,500
		Total	\$45,000	\$43,000	\$36,000	\$34,000	\$32,500	\$31,000	\$0	\$0	\$0	\$0	\$221,500
4	2007 - New Construction	Principal									\$305,000	\$305,000	\$610,000
		Interest								\$201,000	\$275,000	\$260,000	\$736,000
		Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$201,000	\$580,000	\$565,000	\$1,346,000
Total	Principal Payments	\$71,000	\$71,000	\$66,000	\$66,000	\$56,000	\$56,000	\$29,000	\$29,000	\$334,000	\$334,000	\$1,112,000	
	Interest Payments	\$48,000	\$43,000	\$39,000	\$34,000	\$29,500	\$26,000	\$20,000	\$219,000	\$291,500	\$274,000	\$1,024,000	
	Total Debt Service	\$119,000	\$114,000	\$105,000	\$100,000	\$85,500	\$82,000	\$49,000	\$248,000	\$625,500	\$608,000	\$2,136,000	
STATE BUILDING AID REIMBURSEMENT TO DISTRICT At 30% of Annual Principal			\$21,300	\$21,300	\$19,800	\$19,800	\$16,800	\$16,800	\$8,700	\$8,700	\$100,200	\$100,200	\$333,600
SCHOOL DISTRICT NET CAPITAL EXPENSE After State Aid Reimbursement			\$97,700	\$92,700	\$85,200	\$80,200	\$68,700	\$65,200	\$40,300	\$239,300	\$525,300	\$507,800	\$1,802,400
LOCAL ASSESSED VALUATION On Which Taxes Are Raised			\$65,000,000	\$60,000,000	\$69,000,000	\$72,000,000	\$78,000,000	\$81,000,000	\$84,000,000	\$85,000,000	\$210,000,000	\$230,000,000	
SCHOOL TAX RATE FOR CAPITAL PROJECTS Compute: (Net Annual Capital Expense/(Assessed Valuation/\$1,000)) = Tax Rate Impact Per Thousand Valuation			\$1.50	\$1.55	\$1.23	\$1.11	\$0.88	\$0.80	\$0.48	\$2.82	\$2.50	\$2.21	
TOTAL SCHOOL TAX RATE (Exclude Municipal and County Rates)			\$35.50	\$37.00	\$40.50	\$39.00	\$39.00	\$42.00	\$46.00	\$47.00	\$17.00	\$19.00	
CAPITAL PROJECT SHARE OF SCHOOL TAXES Compute: (Tax Rate for Capital Projects/Total Tax Rate) = Capital Project Impact as % of Total			4.2%	4.2%	3.0%	2.9%	2.3%	1.9%	1.0%	6.0%	14.7%	11.6%	10-Yr. Avg. 5.2%

REVIEW PAST OPERATING EXPENDITURES AND REVENUES

Operating Expenditures

The balance of municipal expenditures and those revenues not earmarked for specific capital projects may be considered as operating expense and operating revenue. The worksheet in Exhibit VI-5 provides for entries of operating expenditures by department or function for the past 10 years. Any capital expenditures identified earlier in Exhibit VI-3 should *not* be included in the amounts designated as operating expenditures in Exhibit VI-5. The total of all operating costs for municipal services can then be calculated.

The local costs for operating expenditures for schools can be determined simply by entering the total school district costs assessed to the town for the given year, and then subtracting the local debt service portion from the total.

Similarly, the town's county tax assessment dollar amount can be entered in the same manner as a lump sum in Exhibit VI-5. Total gross operating costs may then be determined as the sum of municipal and local school district operating expenses, plus county assessments.

Operating Revenues

Exhibit VI-6 provides a worksheet for determining the amount of non-property tax revenues that are applied to operating expenses. The entries should exclude all specific dollar amounts listed previously as dedicated revenues for capital projects entered earlier in Exhibits VI-3 and VI-4. Total municipal non-property revenues may then be totaled.

In addition, municipalities receive state school foundation aid targeted to help pay for school costs. (This is a different fund than that which provides direct reimbursement to *school districts* for eligible capital costs.) For CIP purposes, it is recommended that school foundation aid be considered as an offset to school *operating* costs.

In the bottom portion of Exhibit VI-6, the net property tax expense to the municipality may be determined by subtracting the *revenues* identified in Exhibit VI-6 from the *expenditures* for the same categories identified at the bottom of Exhibit VI-5. The result is the net property tax expense for locally-funded municipal, school district and county operating costs.

OUTCOME OF OPERATING COST AND REVENUE ANALYSIS

The completion of worksheets in Exhibits VI-5 and VI-6 will produce:

- An understanding of municipal, school and county operating expenses and trends, with municipal expenditures identified by department;
- A history of revenue availability from the federal, state and local sources in support of municipal and school operating expenditures over the past 10 years; and
- A capacity for analyzing past changes in local costs and revenues, providing a basis for future projections.

EXHIBIT VI-5: HISTORY OF OPERATING EXPENDITURES BY FUNCTION

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Change From 2006 to 2015	
											Dollars	%
DEPARTMENT												
General Government	\$194,000	\$216,000	\$214,000	\$218,000	\$294,000	\$294,000	\$323,000	\$342,000	\$375,000	\$442,000	\$248,000	127.8%
Public Safety												
Police	\$116,000	\$115,000	\$124,000	\$137,000	\$150,000	\$197,000	\$190,000	\$199,000	\$228,000	\$260,000	\$144,000	124.1%
Fire & Rescue	\$34,000	\$36,000	\$36,000	\$36,500	\$35,000	\$36,000	\$39,000	\$41,000	\$48,000	\$50,000	\$16,000	47.1%
Ambulance	\$44,000	\$48,000	\$51,000	\$53,500	\$53,500	\$54,000	\$55,500	\$58,000	\$84,500	\$87,000	\$43,000	97.7%
Highways and Streets	\$140,000	\$184,000	\$156,000	\$170,000	\$200,000	\$265,000	\$191,000	\$228,000	\$237,000	\$325,000	\$185,000	132.1%
Solid Waste	\$56,000	\$59,000	\$60,500	\$64,500	\$111,000	\$106,000	\$95,000	\$102,000	\$109,000	\$137,000	\$81,000	144.6%
Health & Welfare	\$25,000	\$22,000	\$21,000	\$27,000	\$22,500	\$24,000	\$28,000	\$22,000	\$22,000	\$27,500	\$2,500	10.0%
Culture & Recreation	\$41,000	\$45,500	\$45,000	\$54,000	\$65,000	\$69,500	\$77,500	\$76,500	\$26,500	\$106,000	\$65,000	158.5%
Interest - Tax Anticipation	\$5,100	\$4,800	\$5,600	\$0	\$0	\$0	\$0				-\$5,100	-100.0%
Miscellaneous	\$17,500							\$4,800	\$18,000		-\$17,500	-100.0%
Sewer Department											\$0	
Water Department											\$0	
TOTAL OPERATING COSTS:												
Municipal Services	\$672,600	\$730,300	\$713,100	\$760,500	\$931,000	\$1,045,500	\$999,000	\$1,073,300	\$1,148,000	\$1,434,500	\$761,900	113.3%
SCHOOL DISTRICT ASSESSMENT												
Excluding Debt Service Costs	\$2,380,000	\$2,670,000	\$2,610,000	\$2,943,000	\$3,126,000	\$3,253,000	\$3,814,000	\$3,742,000	\$3,615,000	\$3,892,000	\$1,512,000	63.5%
COUNTY TAX ASSESSMENT												
	\$160,000	\$164,000	\$166,500	\$190,000	\$207,000	\$211,000	\$205,000	\$212,000	\$240,000	\$244,000	\$84,000	52.5%
TOTAL OPERATING COSTS												
	\$3,212,600	\$3,564,300	\$3,489,600	\$3,893,500	\$4,264,000	\$4,509,500	\$5,018,000	\$5,027,300	\$5,003,000	\$5,570,500	\$2,357,900	73.4%

EXHIBIT VI-6: HISTORY OF NON-PROPERTY TAX REVENUES AND NET LOCAL TAX COSTS

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Change From 2006 to 2015	
											Dollars	% Change

SOURCES OF REVENUE

Taxes: non-property	\$79,500	\$107,500	\$131,000	\$115,000	\$114,000	\$104,000	\$117,000	\$226,000	\$303,000	\$79,000	-\$500	-0.6%
Licenses, Permits & Fees	\$197,000	\$220,000	\$271,000	\$308,500	\$345,500	\$377,000	\$416,000	\$527,500	\$579,500	\$691,000	\$494,000	250.8%
Intergovernmental - state	\$124,000	\$117,500	\$135,000	\$136,000	\$145,500	\$148,500	\$188,000	\$113,500	\$163,000	\$146,000	\$22,000	17.7%
Intergovernmental - federal		\$2,500			\$11,000	\$82,500	\$34,500	\$125,500		\$85,500	\$85,500	N/A
Charges for Services	\$28,500	\$25,500	\$17,000	\$13,000	\$18,500	\$12,500	\$22,000	\$26,000	\$30,500	\$30,500	\$2,000	7.0%
Interest		\$15,500	\$15,500	\$27,500	\$46,500	\$60,000	\$77,000	\$71,000	\$58,500	\$74,500	\$74,500	N/A
Miscellaneous	\$102,500	\$61,500	\$83,000	\$37,500	\$47,000	\$58,500	\$46,000	\$31,000	\$63,000	\$32,500	-\$70,000	-68.3%
Sewer User Fees											\$0	
Water User Fees											\$0	
TOTAL NON-PROPERTY REVENUES For Municipal Services	\$531,500	\$550,000	\$652,500	\$637,500	\$728,000	\$843,000	\$900,500	\$1,120,500	\$1,197,500	\$1,139,000	\$607,500	114.3%
NET PROPERTY TAX EXPENSE												
MUNICIPAL	\$141,100	\$180,300	\$60,600	\$123,000	\$203,000	\$202,500	\$98,500	-\$47,200	-\$49,500	\$295,500	\$154,400	109.4%
SCHOOL DISTRICT	\$2,380,000	\$2,670,000	\$2,610,000	\$2,943,000	\$3,126,000	\$3,253,000	\$3,814,000	\$3,742,000	\$3,615,000	\$3,892,000	\$1,512,000	63.5%
COUNTY	\$160,000	\$164,000	\$166,500	\$190,000	\$207,000	\$211,000	\$205,000	\$212,000	\$240,000	\$244,000	\$84,000	52.5%
TOTAL	\$2,681,100	\$3,014,300	\$2,837,100	\$3,256,000	\$3,536,000	\$3,666,500	\$4,117,500	\$3,906,800	\$3,805,500	\$4,431,500	\$1,750,400	65.3%

FORECAST FUTURE OPERATING COSTS

Future Municipal Expenditures

There are a number of ways to project future operating expenditures for the municipality. It is recommended that forecasts be done on a department-by-department basis for two reasons: (1) changes in the cost of services may differ radically by department; and (2) some costs remain relatively fixed over time while others vary with growth.

For example, a municipality that has been growing primarily along existing highways may experience increases in school, government, and public safety costs, but not in highway maintenance. Also, changes in the cost of administration, including legal and insurance costs, may show a range of fluctuating costs unrelated to the rate of growth in personnel or the rate of inflation. The annual changes determined from analysis of Exhibit VI-6 data for the past 10 years may be used as a guide to project future operating expenditures, developed with the increases being computed by one of several methods:

- Average annual lump sum dollar increases;
- Average annual percentage changes;
- Changes based on base-year per capita or per-housing unit costs, applied to the projected residential growth of the community; and
- Projections prepared independently by the chief fiscal officer, the budget committee, or the departments.

These forecasts should then be entered as estimated dollar amounts on the Exhibit VI-7 worksheet.

Programmed Municipal Debt Service

After annual operating costs have been projected, future scheduled principal and interest payments to debt service for existing facilities should be entered. Future bonded debt schedules may be obtained from the municipal offices and are often found in the annual financial audit within a town or school district annual report.

The forecast of total municipal expenditures (excluding new capital items) is then determined by the sum of the projected operating costs and programmed debt service, and entered on the Exhibit VI-7 worksheet.

School District Expenditures

The local share of school operating costs may also be forecast based on the historical changes evident from Exhibit VI-6, or based on interviews with school officials. Once these projections are made, amounts should be added in the next row representing the local share of programmed school district debt service (after allowing for offsetting state aid to the district for capital costs). The total of projected local shares of school operating costs and programmed debt should be equivalent to the projected local appropriation to the school district, without the addition of any new capital projects.

County Appropriation

The county tax assessment may be forecast based on past trends, or based on interviews with the County Administrator or Commissioners. The county tax assessments to municipalities are primarily a function of the municipal share of the total county equalized assessed valuation. A

forecast of the community's share of the county total may be entered, based on interviews with county officials, or based on the extrapolation of past trends.

The total of operating costs and debt service commitments for municipal, school, and county costs borne by the municipality may then be computed and entered at the bottom of Exhibit VI-7.

FORECAST FUTURE REVENUES

Non-Property Tax Revenues

Exhibit VI-8 provides a worksheet for estimating future revenues. These revenues may be forecast based on the results obtained in the worksheet from Exhibit VI-6, and/or relying upon the judgment of municipal and school district administrative staff, boards and budget committees. If based on past trends, forecasts are likely to reflect increasing reliance on local revenues such as licenses, permits, fees and charges for services, and a declining dependence on federal and state revenues.

Non-property tax revenues that are to be *specifically dedicated* to future capital projects *should not* be included in this worksheet.

These sources will be incorporated later into the 6-year capital program in which available project-specific revenues are applied to offset project capital costs.

In addition to general operating and intergovernmental revenues, a separate line item has been provided for the school building aid or other school funding programs. The school building aid program provides financial reimbursement for the cost of construction or substantial renovation of school buildings. School districts may receive up to 60% of the cost of construction, land acquisition, planning and design, furniture, fixtures, and equipment. The total of non-property revenues available to support municipal operating expenses, plus school foundation aid, equals the total non-property revenue forecast for each of the future years.

Future Property Tax Revenues

A forecast of future property tax revenues may be developed using assumptions about the rate of change in net local assessed property valuation and the assessment of a "reasonable" tax rate. For example, a review of changes in assessed valuation for the past 10 years (already prepared in Exhibits VI-3 and VI-4) may indicate that assessed valuation has been growing at 1 to 2 percent per year. Depending on economic conditions, an average rate of increase may then be applied to project future assessed valuation. This will be entered in Exhibit VI-8.

In computing increases in assessed valuation, the years in which a town-wide reassessment of property to full market value took place cannot be used as base or end-point years for calculating the change.

ASSIGNMENT OF 'REASONABLE' TAX RATE

Most citizens are concerned with the net effect of capital improvements on their total tax rate (town, school and county combined). Local fiscal policy may reflect a desire to keep the tax rate from increasing by more than "x" percent per year, or a maximum acceptable tax rate based on current valuations may be assumed. Forecasts of future net assessed valuation, and assumptions of acceptable increases or changes in the overall tax rate, may be entered for each planning year in Exhibit VI-8.

EXHIBIT VI-7: FORECAST OF FUTURE OPERATING EXPENDITURES AND DEBT SERVICE

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6						Avg. Annual Change		
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		Dollars	%	
DEPARTMENT														
General Government	\$750,000	\$780,000	\$810,000	\$840,000	\$870,000	\$900,000	\$930,000	\$960,000	\$990,000	\$1,020,000	\$270,000.00		3.5%	
Public Safety														
Police	\$100,000	\$120,000	\$140,000	\$170,000	\$190,000	\$210,000	\$230,000	\$250,000	\$320,000	\$290,000	\$190,000.00		12.6%	
Fire & Rescue	\$270,000	\$290,000	\$310,000	\$330,000	\$350,000	\$370,000	\$390,000	\$570,000	\$580,000	\$600,000	\$330,000.00		9.3%	
Highways and Streets	\$90,000	\$110,000	\$130,000	\$155,000	\$175,000	\$200,000	\$215,000	\$230,000	\$245,000	\$260,000	\$170,000.00		12.5%	
Solid Waste	\$55,000	\$75,000	\$95,000	\$120,000	\$130,000	\$145,000	\$160,000	\$175,000	\$190,000	\$260,000	\$205,000.00		18.8%	
Health & Welfare	\$35,000	\$45,000	\$55,000	\$70,000	\$85,000	\$100,000	\$115,000	\$130,000	\$145,000	\$160,000	\$125,000.00		18.4%	
Culture & Recreation	\$35,000	\$45,000	\$55,000	\$70,000	\$85,000	\$100,000	\$115,000	\$130,000	\$145,000	\$160,000	\$125,000.00		18.4%	
Interest - Tax Anticipation	\$60,000	\$70,000	\$80,000	\$95,000	\$105,000	\$125,000	\$145,000	\$165,000	\$185,000	\$205,000	\$145,000.00		14.6%	
Miscellaneous	\$115,000	\$125,000	\$145,000	\$160,000	\$170,000	\$200,000	\$220,000	\$240,000	\$260,000	\$280,000	\$165,000.00		10.4%	
Sewer Department														
Water Department														
OPERATING COSTS-MUNICIPAL														
(Total Above Departments)	\$1,510,000	\$1,660,000	\$1,820,000	\$2,010,000	\$2,160,000	\$2,350,000	\$2,520,000	\$2,850,000	\$3,060,000	\$3,235,000	\$1,725,000		8.8%	
DEBT SERVICE-MUNICIPAL														
(Long-Term Bonded Debt - Committed)	\$155,200	\$600,000	\$550,000	\$540,000	\$530,000	\$520,000	\$510,000	\$400,000	\$380,000	\$350,000	\$194,800		9.5%	
TOTAL MUNICIPAL EXPENDITURE														
(Operating Plus Long-Term Debt)	\$1,665,200	\$2,260,000	\$2,370,000	\$2,550,000	\$2,690,000	\$2,870,000	\$3,030,000	\$3,250,000	\$3,440,000	\$3,585,000	\$1,919,800		8.9%	
LOCAL SHARE OF SCHOOL OPERATING COST														
(Excluding Debt Service Costs)	\$4,110,000	\$4,350,000	\$4,600,000	\$4,850,000	\$5,100,000	\$5,500,000	\$5,700,000	\$6,000,000	\$6,400,000	\$6,800,000	\$2,690,000		5.8%	
LOCAL SHARE OF SCHOOL DEBT SERVICE														
(Long-term Bonded Debt - Committed)	\$480,000	\$500,000	\$650,000	\$630,000	\$600,000	\$570,000	\$560,000	\$530,000	\$520,000	\$500,000	\$20,000		0.5%	
LOCAL SHARE OF SCHOOL COSTS														
(Total Local Appropriation Forecast)	\$4,590,000	\$4,850,000	\$5,250,000	\$5,480,000	\$5,700,000	\$6,070,000	\$6,260,000	\$6,530,000	\$6,920,000	\$7,300,000	\$2,710,000		5.3%	
COUNTY TAX ASSESSMENT														
(Assume 5% increase every year)	\$345,000	\$362,250	\$380,363	\$399,381	\$419,350	\$440,317	\$462,333	\$485,450	\$509,722	\$535,208	\$190,208		5.0%	
TOTAL OF OPERATING COSTS AND DEBT SERVICE COMMITMENTS														
(Municipal, School and County Total)	\$6,600,200	\$7,472,250	\$8,000,363	\$8,429,381	\$8,809,350	\$9,380,317	\$9,752,333	\$10,265,450	\$10,869,722	\$11,420,208	\$4,820,008		6.3%	

Total future “available” property taxes are calculated by multiplying the tax rate per thousand valuation by the net assessed valuation (in thousands of dollars). This computation yields an estimate of the total property taxes that will be available in the forecast years, given the assumptions entered for tax base growth and the assignment of a reasonable tax rate. The combination of anticipated non-property revenues and future generation of property taxes represents the gross amount of regular revenues available to fund operating costs, existing and future debt service, and capital projects.

ESTIMATE REVENUE AVAILABLE TO FUND NEW CAPITAL PROJECTS

Revenues available to the future capital program are estimated by taking the forecast of operating costs and debt service for future years as calculated in Exhibit VI-7 and subtracting the total forecast of revenues for that year shown in Exhibit VI-8. The difference is the annual non-dedicated revenue that may be considered available to fund new capital projects. Adjustments of the various assumptions about the tax rate and net local assessed valuation may be necessary to arrive at a reasonable figure.

The results of this analysis should be interpreted on an “order-of-magnitude” basis and should be compared to the actual scale of past capital spending to arrive at a recommended parameter for the locally-funded share of capital costs. The results provide a gross estimate of the new capital *expenditures* which may be supported annually by local funds without generating an unacceptable increase in the property tax rate. The amount available for future capital projects can, of course, be augmented by securing other non-local funds, including dedicated revenues from federal and state grants and loans, as new projects are planned.

REVIEW STATUTORY DEBT LIMITS

Statutory ceilings on outstanding bonded debt are generally high enough to permit planned capital improvements to proceed. However, the CIP may contain a brief analysis of the current and permitted outstanding debt. These limits are related to the property valuation of the municipality or district and are calculated as a percent of the “base valuation for debt limits,” computed and published annually by the NH Department of Revenue Administration (DRA).

Current limits on outstanding debt, given as percentages of the DRA base valuation, are:

Municipal:	3%
School District:	7%
Village District:	1%

The outstanding principal of bonded debt cannot exceed the above percentages of the base valuation for the applicable service area issuing the bonds. These ceilings will effectively limit bonding for capital improvements only in the few instances where there are many expensive improvements to be financed by bonded debt, and where the tax base is very limited. A review of debt limits is recommended as a means of anticipating future limits to revenue availability due to simultaneous bond issues for existing and future projects.

EXHIBIT VI-8: FORECAST OF FUTURE REVENUES AND FUNDS AVAILABLE FOR NEW CAPITAL PROJECTS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Avg. Annual Change		
	2015	2016	2017	2018	2019	2020	2021	Dollars	%
TOTAL NON-PROPERTY REVENUES For Municipal Services @ 5% growth per year	\$1,183,185	\$1,242,344	\$1,304,462	\$1,369,685	\$1,438,169	\$1,510,077	\$1,585,581	\$402,396.11	5.00%
SCHOOL BUILDING AID or other school funding programs		\$75,000	\$75,000	\$75,000	\$75,000			\$0.00	N/A
TOTAL NON-PROPERTY REVENUES	\$1,183,185	\$1,317,344	\$1,379,462	\$1,444,685	\$1,513,169	\$1,510,077	\$1,585,581	\$402,396.11	5.00%
TOTAL TOWN/SCHOOL/COUNTY OPERATING AND DEBT SERVICE	\$6,600,200	\$7,472,250	\$8,000,363	\$8,429,381	\$8,809,350	\$9,380,317	\$9,752,333	\$3,152,133.00	6.72%
PROPERTY TAXES NEEDED	\$5,417,015	\$6,154,906	\$6,620,901	\$6,984,696	\$7,296,181	\$7,870,240	\$8,166,752	\$2,749,736.88	7.08%

PROPERTY TAXES AVAILABLE

FORECAST OF NET ASSESSED VALUATION Estimated - Assumes 3% growth rate per year	\$250,418,182	\$257,930,727	\$265,668,649	\$273,638,709	\$281,847,870	\$290,303,306	\$299,012,405	\$48,594,223	3.00%
TAX RATE Needed to support cost (Estimate of Acceptable Rate)	\$21.63	\$23.86	\$24.92	\$25.53	\$25.89	\$27.11	\$27.31	\$5.68	3.96%
ACTUAL TAX RATE Assumes 3.5% growth rate per year	\$25.26	\$26.14	\$27.06	\$28.01	\$28.99	\$30.00	\$31.05	\$5.79	3.50%
CAPITAL BUDGET TAXES AVAILABLE (Add Property and Non-Property Tax Revenues)	\$3.63	\$2.28	\$2.14	\$2.48	\$3.10	\$2.89	\$3.74	Avg. Annual \$2.89	
REVENUE AVAILABLE TO FUND NEW CAPITAL PROJECTS (Operating Costs + Debt Service) - Total Revenues	\$908,548.43	\$588,461.14	\$567,865.23	\$678,888.19	\$873,583.12	\$839,136.99	\$1,117,879.34	\$796,337.49	

STEP 4. REVIEW THE MASTER PLAN

Key Sections for Review

In developing a capital improvements program, the planning board/CIP committee is *required* by statute to review the master plan in relation to the proposed capital improvements program. The review of the master plan and its goals and objectives should strive to identify a linkage between the capital improvements program and the municipality's long-term goals for facility improvement and providing capacity for future growth.

Particularly relevant sections of the master plan that should be carefully studied, and used in the CIP process, include:

Planning boards or CIP committees need to review key portions of the master plan for indicators of long-term capital needs that improve existing services to meet community standards and accommodate a reasonable share of future growth.

Strategic capital investments may be identified that further the goals of the land use plan and the economic development objectives of the community.

Population and Housing. The population and housing sections of the master plan provide guidance to the potential growth in residential service demands and the future location of housing and population concentrations. For more rapidly growing towns, these elements may have a significant effect on planning for capital facility construction and the rate of growth in some operating expenditures.

Community Facilities. The community facilities section of the master plan generally contains an inventory of major capital facilities and equipment. This section should provide information on the adequacy of municipal and school facilities for existing and future needs. In general, the community facilities section takes a long-term view of community needs (perhaps 10-20 years). Such long-term facility planning may involve the need to make staged investments in multi-year capital projects, beginning with feasibility studies, and progressing through engineering, site acquisition and other related activities within the 6-year program of the CIP.

In some cases, the community facilities section of the master plan will contain recommended community standards or averages such as acres of recreation land per capita, personnel per thousand population, square feet of facility area per employee, or other measures that may be appropriate to extrapolate future facility needs based on expected growth.

Utilities. Public utilities, primarily water and sewer services, are among the more direct capital investments that shape the pattern of growth. They are fundamental to preserving public health and safety and are important foundations for economic development. Often, utilities represent sizeable investments in future capacity, especially for water or sewage treatment facilities. Even where these utilities are funded by independent precincts or districts, it is important that they be involved in a capital improvements programming process. Regardless of how they are funded, these services are of central importance to the planning board role in assuring adequate facility capacity to support existing and anticipated development.

Recreation. The recreation section of the master plan (sometimes contained within the community facilities section) often details the local pattern of demand on recreation facilities. The future development of such facilities often involves a lengthy process of site identification and acquisition, perhaps years prior to construction. A strategic parcel acquisition may be identified for action within the 6-year CIP to enable future construction of recreation facilities at a yet-to-be determined date.

Transportation. The transportation section of the master plan may indicate major highway construction or reconstruction needs and priorities for the municipality. Intersection or signalization improvements that will involve public funds should be identified in this section, as well as priority needs for bridge replacement or construction.

Economic Development. Some master plans contain an economic development or economic base chapter detailing strategies for expanding the tax base or the number of jobs in the community. This section may include recommendations for specific long-term capital investments that support economic development goals. These goals may include a range of projects such as direct investments in water and sewer line extensions, highway construction, or industrial park development. The measures recommended in the master plan may also involve more indirect investments in community facilities such as development of better school facilities.

Conservation and Preservation. While not commonly viewed as capital improvements or infrastructure investments, the acquisition of land and conservation easements or historic preservation projects may be of strategic importance in the capital improvements planning process. Opportunities for acquisition of land or easements may be available only for a limited time; desirable parcels that are in the path of development may be targeted as priorities for public acquisition.

Community Surveys. Master plans are often accompanied or preceded by citizen surveys through which satisfaction with particular community services and facilities is measured. The public perception and rating of community services and facilities may differ greatly from the priorities for improvements indicated by various independent departments. Opinion surveys may help define new directions for long-term capital investment.

Project Identification: Questions to Ask

In the review of the above elements of the master plan, major questions to be asked include:

- Are there advance planning costs, engineering, special studies, land acquisition or other short-term investments that should be made during the next six years to support the long-term facility needs of the next 10 to 20 years?
- Should capital reserve accounts be established now to provide for improvements needed either within or beyond the initial 6-year planning period?
- Will facilities be adequate to handle the anticipated growth of the municipality?
- Has the potential growth of the community, not only in population but in commercial and industrial development, been adequately considered in recommending capital facility improvements?

Classification of Projects Based on Master Plan

The capital facility investments identified from a review of the master plan may be initially classified in a general manner by groupings of projects that:

- Address an imminent danger or threat or are needed to respond to a state or federal mandate;
- Protect health and safety;
- Improve the quality or level of community services; and/or
- Expand capacity to serve new demand.

The planning board or committee may wish to make more detailed studies of those capital projects which now have, or will require, an expanded capacity to serve the demands of growth. Such facilities may be eligible for partial funding through impact fee assessments, special districts, or user fees.

Direct Relationship of CIP to the Master Plan

Once projects have been identified and reviewed for inclusion in the capital improvements program (following Step 6), a table illustrating the direct relationship between the master plan goals/recommendations can be developed. Many towns have projects included in the CIP that are addressed in the master plan; thus the completion of these projects contribute to the implementation of the master plan goals and objectives. Exhibit VI-9 on the following page presents an example of a table showing the direct relationship of CIP projects to the implementation of the master plan goals.

EXHIBIT VI-9: RELATIONSHIP OF CIP TO THE MASTER PLAN

GOALS/RECOMMENDATIONS

GOAL/RECOMMENDATION FROM THE MASTER PLAN	PROJECT INCLUDED IN CIP
<p align="center">CONSERVATION AND PRESERVATION</p> <p>Secure an open space bond for the purchase of priority open space parcels and/or the purchase of development rights of those parcels from willing landowners.</p>	<p>Purchase of land through Capital Reserve Fund</p>
<p align="center">TRANSPORTATION</p> <p>The town road system should receive a high level of maintenance and repair so as to maximize the capacity of the existing system and minimize major capital improvements in the future.</p>	<p align="center">HIGHWAY DEPARTMENT</p> <ul style="list-style-type: none"> ▪ Road repaving program ▪ Bridge repair/replacement ▪ Large drainage structures
<p align="center">TRANSPORTATION</p> <p>Improve the following two intersections with signalization or some other means:</p> <ul style="list-style-type: none"> ▪ Route 107 at Main Street ▪ Route 35 at Main Street 	<p align="center">HIGHWAY DEPARTMENT</p> <ul style="list-style-type: none"> ▪ Intersection improvements
<p align="center">TRANSPORTATION</p> <p>Make various improvements in the following locations:</p> <ul style="list-style-type: none"> ▪ Main Street between Routes 107 and 35 ▪ Route 107 between Main Street and Bear Hill Road ▪ Mammoth Road at Route 107 	<p align="center">HIGHWAY DEPARTMENT</p> <ul style="list-style-type: none"> ▪ Intersection improvements ▪ Sidewalk improvements
<p align="center">RECREATION</p> <p>Provide additional quality recreational opportunities for residents.</p>	<p align="center">PARKS, RECREATION AND CONSERVATION DEPT.</p> <ul style="list-style-type: none"> ▪ Purchase for Beaver Lake Campground ▪ Reconstruction of ball fields and soccer fields at Bear Park
<p align="center">COMMUNITY FACILITIES</p> <p>Maintain a high level of service for the protection/safety of residents, as well as public and private property.</p>	<p align="center">POLICE DEPARTMENT</p> <ul style="list-style-type: none"> ▪ Upgrade base station/radio communications ▪ Cruiser replacement <p align="center">FIRE DEPARTMENT</p> <ul style="list-style-type: none"> ▪ New fire truck ▪ Finish upstairs space in fire station

NOTE: This table was developed from an example provided in the Town of Peterborough's Capital Improvements Program 2006-2011.

STEP 5. SOLICIT AND COMPILE PROJECTS

Required Communication with Departments

Planning boards or CIP committees are required to make determinations of capital facility needs in association with all affected agencies, departments, fiscal officials and committees when preparing a capital improvements program. The minimum statutory requirements for such contacts are stated in RSA 674:7, I:

“In preparing the capital improvements program, the planning board or the capital improvements program committee shall confer, in a manner deemed appropriate by the board of the committee, with the mayor or the board of selectmen, or the chief fiscal officer, the budget committee, other municipal officials and agencies, the school board or boards, and shall review the recommendations of the master plan in relation to the proposed capital improvements program.”

The planning board or CIP committee may confer with these departments and agencies in the form of written correspondence, individual or group meetings, or through an advisory committee. The advisory committee itself may include department and commission heads. Communication with departments may be delegated to staff or to a consultant if these resources are available.

It is recommended that a *written record* be retained of the correspondence issued on behalf of the planning board or CIP committee to affected departments or agencies. A record of meetings or other CIP conferences should be retained on file. This “paper trail” should be maintained to document compliance with statutory requirements in the event of legal challenge. The CIP itself is an unlikely target for legal challenge. However, a growth management or impact fee ordinance that relies on the adoption of a CIP is more likely to draw controversy, potentially leading to a detailed review of the adequacy of all documents supporting their development.

A common omission in capital improvements programming is a failure to contact school district officials or to include school capital items under the assumption that, as a separate district, their facilities are not within the purview of the planning board or CIP committee. In fact, the statute specifically *requires* that contact be made with school officials, and school facilities are among the most costly capital improvements funded by the taxpayer. Similarly, village districts providing water service, fire protection, and other services should also participate since the object of the CIP is to plan and coordinate the provision of adequate services and facilities for the community at large.

Response to Planning Board or CIP Committee Required by Statute

Once a formal request has been issued by a planning board or committee that has been authorized by the municipality to prepare a CIP, affected agencies are required to honor that request by transmitting to the board or committee a statement of all capital projects proposed during the term of the program (see RSA 674:7, II).

It will be useful to ask that the chief executive officer of the municipality send an independent cover letter (see Exhibit VI-10) to municipal departments, emphasizing the importance of their response to the capital improvements programming process. Some department heads, especially in smaller communities, are reluctant to propose expensive, long-term capital improvements, believing that they should defer these judgments to the board of selectmen. Municipal departments and officials may also be skeptical of the capacity of the CIP to produce results, leading them to participate only passively in the process.

The recommended way to gain support for the process and avoid unnecessary delay in preparing the CIP is to initiate effective communication from the beginning of the organizational process. Recommended steps for this process include:

- Hold initial “brainstorming” sessions and organizational meetings to talk to department heads about capital improvements needs. Include the board of selectmen, fiscal officers, and budget committee.
- Review with department heads the community facility recommendations of the most recent master plan to determine if they remain current or if other needs have developed since the adoption of the plan.
- Arrive at an agreement on an appropriate working definition of a capital improvements project.
- Explain the nature of the CIP as a non-binding planning document that will be updated periodically. Advise the department’s chief executive that the CIP is an advisory document only.
- Provide “project request forms” accompanied by a target date for response. Without a clear date for a return of the forms or a follow-up meeting, the CIP process can easily break down at this point. The coordinator of the CIP process should be diligent in making follow-up calls or issuing reminder memos to department heads requesting responses to the request for capital projects.

Appendix H of this document provides a distribution and collection form useful for the CIP committee to keep track of which town department received a packet of information for project submittal.

Exhibit VI-10 is a sample transmittal memorandum requesting municipal departments and agencies to submit capital improvements project proposals to the planning board or CIP committee. Exhibit VI-11 is a sample project worksheet and submission form for use by the departments in responding to the planning board or CIP committee request for a list of capital projects. It is recommended that a separate sheet be filed for each prospective project. The basic elements of the Exhibit VI-11 project proposal form are:

- Project title and short description;
- Statement of the primary effect of the project;
- Description of project service area, indicating the number of persons benefiting;
- Project description and rationale, as well as narrative justification with the need for the project. (All of the above items will assist in prioritizing the projects later.);
- Cost estimate of improvement with component costs listed, as appropriate;
- Statement of potential impact on operating or maintenance cost with the need for personnel as a result of the improvement; and
- Statement of estimated or known sources of funding or proposed funding of the project.

In addition to these forms, the CIP coordinator may want to issue to the departments a blank spreadsheet form showing a time period of six or more years, allowing departments to draft a preliminary schedule of proposed improvements over the period.

Although the statute does not require an analysis of the cost of capital improvements, nor their operating impacts, these items are recommended. The absence of a statutory mandate for the inclusion of a cost analysis implies that the main emphasis of the CIP is the *identification* of capital needs and their *priority*.

The planning board, CIP committee or CIP coordinator may also benefit from a public discussion of the need for capital projects, which may or may not be consistent with the interests of various departments. At such a forum, the project request forms could also be distributed to citizen participants who have an interest in proposing specific projects for a neighborhood or the community.

EXHIBIT VI-10: SAMPLE MEMO REQUESTING CAPITAL PROJECT PROPOSALS

Date: _____

To: Board of Selectmen	Town Administrator	Recreation Commission
Police Department	Fire Department	School Board
Highway Superintendent	Library	Water Department
Conservation Commission	Solid Waste Committee	Sewer Department

From: _____ Chairman, Planning Board (or CIP Committee)

Re: Capital Improvements Projects for (years covered by CIP)
Response requested by (date)

The preparation of a Capital Improvements Program (CIP) has been initiated by the _____ Planning Board (or CIP Committee), as authorized by the Town Meeting. Your list of specific capital projects envisioned for the planning period is needed for the CIP.

New Hampshire RSA 674:7 requires, as part of the CIP process, that municipal departments and related authorities and agencies transmit a statement of all capital projects they intend to undertake during the term of the CIP upon request of the Planning Board (or CIP Committee). The statute also requires communication between the Planning Board (or CIP Committee) and the School Board in preparing the CIP.

The attached forms provide worksheets to assist in your response. Also attached to this memo is a list of long-term capital expenditure needs identified in the Community Facilities section of the Master Plan.

Please provide your recommendations for specific capital projects to be undertaken over the next 6 years, and cost estimates where possible. For the purpose of this CIP, "capital projects" have been defined as those projects outside normal operations and maintenance, and having the following characteristics:

1. A gross cost of at least \$ _____; and
2. A useful life of at least _____ years; and
3. Is non-recurring (not an annual budget item); or
4. Any project requiring bond financing.

If the project is eligible for any federal or state grants, matching funds, or loans, please indicate this on the form. One summary sheet should be completed per project, with separate sheets added for explanation where necessary.

Please note that the CIP is an advisory document only; the inclusion of any particular project on your list or its listing in the CIP does not commit the town to that expenditure.

Please submit project information on the forms provided, adding explanations where necessary, by (insert date for return of forms) to the Planning Board office (or other).

STEP 6. REVIEW PROPOSED CAPITAL PROJECTS

New Hampshire RSA 674:6 requires the CIP to classify projects “...according to urgency and need.” and to contain “...a time sequence for their implementation.” RSA 674:7 requires the planning board to “...study each proposed capital project and to advise and make recommendations to the department, authority or agency concerning the relation of its project to the capital improvements program being prepared.”

The project request forms, such as the model in Exhibit VI-10, provided to each department for the submission of capital project proposals, will contain indicators of departmental priorities and their justification by urgency and need. It is up to the planning board or CIP committee to use its judgment to classify and prioritize the projects from an overall municipal perspective.

Develop a method of classifying and prioritizing capital projects after reviewing the proposed projects.
Review proposals, request more information, revise the list of projects, and make recommendations on need and priority.

Prepare a Draft List of Projects by Department

Before working out a classification or time sequence for the projects, it is recommended that the board/committee begin with a simple listing of all projects, organized by department. The draft list may then be reworked according to the assignment of municipal-wide priorities.

Exhibit VI-11 is a sample project summary form to be used for the listing of basic information extracted from the individual project request forms submitted by departments. Based on a reading of each project submission form and its review of the master plan, the planning board should develop an initial-needs classification or priority ranking of the proposed projects.

Classify Projects by Need and Urgency

An initial classification or priority ranking may be done in one of two ways illustrated below:

1. Grouping By Class

A general classification scheme can be developed according to the relative urgency of the projects. An example of such a classification follows; planning boards should consider their own local definitions.

Class I Urgent - Cannot be delayed; needed immediately for health and safety.

Class II Necessary - Needed within 3 years to maintain basic level and quality of community services.

Class III Desirable - Needed within 4 to 6 years to improve quality or level of service.

Class IV Deferrable - Can be placed on hold until after 6-year period, but supports community development goals.

Class V Premature - Needs more research, planning, and coordination.

Class VI Inconsistent - Contrary to land use planning or community development goals.

2. Point System

Depending upon the size of the community and the number of capital projects proposed, a numeric scoring system may be appropriate to rank projects. A specific number of points scaled, for example, from 5 (high score) to 0 (low score) could be awarded to a project for each of several review criteria used by the planning board or committee. The total score for a project would be the sum of its score on each of the criteria, illustrated by the following example:

Example of Point Score System

<u>Evaluation Criteria</u>	<u>Point Score</u>
Addresses an emergency or public safety need.	5 4 3 2 1 0
Corrects a deficiency in service or facility.	5 4 3 2 1 0
Provides capacity needed for future growth.	5 4 3 2 1 0
Results in long-term cost savings.	5 4 3 2 1 0
Supports job development/increased tax base.	5 4 3 2 1 0
Furthers the goals of the master plan.	5 4 3 2 1 0
Leverages the non-property tax revenues.	5 4 3 2 1 0
Matching funds available for limited time.	5 4 3 2 1 0

Total project score = sum of above scores.

The initial class assignment or the total point score of a project should be entered into a worksheet similar to that shown as Exhibit VI-11. The list can then be sorted and re-drafted in priority order.

EXHIBIT VI-12: LISTING OF PROJECTS SUBMITTED FOR REVIEW

**Capital Improvements Program, FY-2016 to FY-2021
Summary of Potential Projects, Costs, and Ranking**

DEPARTMENT REQUESTS and PROJECT TITLE	Applicant			Committee	
	Proposed Year	Applicant Priority	Estimated Cost	Priority Rank 1-5	Fiscal Year Priority
GENERAL GOVERNMENT/ADMIN					
Memorial Church (Historic Preservation) - Gross Cost of \$400,000 anticipated - \$50,000 per year shown in this CIP	2016-2021	1	\$300,000	2	2016-2021
PUBLIC SAFETY					
POLICE DEPARTMENT					
Cruiser Replacement	2017	1	\$95,000	1	2016-2021
Garage Addition to Station	2019	2	\$28,000	3	2020
Replace 4x4 Special Use Vehicle	2019	3	\$28,000	4	2019
Records Mgmt/Police Software	2017	1	\$14,000	2	2017
Upgrade base station/radio communications	2017	1	\$6,000	1	2017
FIRE DEPARTMENT					
Aerial Ladder Truck w/pump (quint) - used	2018	2	\$295,000	2	2018
New Fire Truck	2016	1	\$275,000	1	2016
Finish Upstairs Space in Fire Station	2019	3	\$95,000	3	2019
SUBTOTAL PUBLIC SAFETY			\$836,000		
HIGHWAY DEPARTMENT					
Bear Rd. Reconstruction at Beaver Hill	2020	4	\$315,000	5	2022
Pelham Rd. - Reconstruction	2018-2020	3	\$295,000	3	2020-2022
Colebrook Rd. - Reconstruction	2016	1	\$245,000	1	2016
Purchase Land for Salt & Highway Sheds	2017	2	\$245,000	2	2017
Lee Rd. - Final Wear Layer	2018-2020	3	\$215,000	4	2018-2020
Construct New Salt Shed	2016	2	\$195,000	2	2017
Lee Rd. - Reconstruction	2016-2017	2	\$185,000	2	2016-2017
Sandwich Rd. - Reconstruction	2017-2018	3	\$165,000	3	2018-2019
Sandwich Rd. Bridge Replacement	2016	1	\$145,000	1	2016
Construct New Highway Shed	2019	4	\$145,000	4	2020
Lebanon Rd. - Reconstruction	2019-2020	3	\$140,000	3	2019-2020
Rochester Rd. - Reconstruction	2016-2018	2	\$110,000	3	2016-2018
Bear Rd. - Reconstruction	2019-2020	3	\$95,000	3	2019-2020
Windham Rd. - Reconstruction	2016	1	\$65,000	1	2016
Concord Rd. - Reconstruction	2018	2	\$85,000	4	2019
Derry Rd. - Reconstruction	2017	2	\$75,000	2	2017
Purchase 6-Wheel Dump & Plow Truck	2020	4	\$70,000	4	2022
SUBTOTAL HIGHWAYS			\$2,790,000		
SOLID WASTE (RECYCLING)					
Purchase Fork Lift	2016	1	\$11,000	2	2017
SUBTOTAL SOLID WASTE			\$11,000		

EXHIBIT VI-12 (con't)

PARKS, RECREATION, CONSERVATION					
Purchase of Silver Sands Campground	Already underway	1	See Existing Cons. Bond	1	N/A
Recreation Facility Development at Campground	2016	1	\$45,000	1	2016
Ballfields	2016	1	\$8,000	1	2016
SUBTOTAL RECREATION & CONSERVATION			\$53,000		
LIBRARY					
Color Copier	2019	4	\$15,000	4	2020
New Computers, Scanner, Digital Camera	2016	2	\$8,500	2	2017
New Outside Sign	2016	1	\$2,500	1	2016
Children's Computer & Chairs	2018	3	\$2,000	4	2019
Replace Sink/Stovetop	2018	3	\$2,000	3	2018
SUBTOTAL LIBRARY			\$30,000		
WATER DEPARTMENT					
Hydrogeological/Engineering	2017	1	\$60,000	1	2017-2018
Kubota loader/backhoe	2018	2	\$44,000	3	2019
Bonded Debt: Well & Main Construction	2016-2021	1	\$600,000	1	2016-2021
SUBTOTAL WATER DEPARTMENT			\$704,000		
SEWER DEPARTMENT					
Collection System TV Collection	2019	3	\$80,000	4	2021
Bonded Debt: Pump Station	2016-2021	1	\$125,000	1	2016-2020
SUBTOTAL SEWER DEPARTMENT			\$205,000		

Conduct Project Review Meetings

Following an initial classification of projects by urgency and need, it is recommended that the planning board or the CIP committee again hold a meeting with the department heads and agencies to discuss the initial review and to gather more information from those proposing the projects. At this time, requests could be entertained to modify the original CIP project request. Following any amendments or modifications, the planning board or CIP committee may wish to have a second public informational meeting to state its initial findings and to hear additional public comment on capital needs or proposals for other projects.

By following one of the methods above, or another of its choosing, the planning board or CIP committee can meet its statutory obligation to identify and classify CIP projects. In addition, the board/committee will foster an interdepartmental and public dialog on the long-term facility needs of the municipality.

STEP 7. PREPARE THE 6-YEAR PROJECT SCHEDULE

Develop a Time Sequence for Implementation

Now that the number of projects, recommended funding, and general priorities have been assigned, the next step is to identify what projects should be included within the CIP timeframe of at least six years, and how the costs of these improvements can be distributed over the years to avoid high property tax impacts of any given year. The minimum statutory requirement for the CIP is to “...recommend a time sequence for implementation” within at least a six-year planning period. It is highly recommended, but not required by statute, that a detail of the costs of the projects be illustrated.

Develop a time sequence for CIP expenditures over a period of at least six years. Adjust the starting dates for projects and modify the annualized tax impact of capital improvements using bond financing, capital reserve accounts, and other revenues.

Strive for an annual level of capital expenditures that approximates an affordable level of local tax expenditures for new capital improvements (calculated in Step 3), and that keeps the tax rate relatively stable.

Draft Schedules of Annualized Costs and Revenues

Exhibit VI-13 illustrates a sample worksheet for scheduling capital improvements projects and their annualized costs. Exhibit VI-13 provides worksheets for entering specific non-property tax revenues that may be dedicated to the capital improvements proposed. Each exhibit contains spaces for individual project listings by department.

The purpose of these worksheets is to draft a capital improvements program through which the net annualized property tax costs to the municipality for capital items can be absorbed without excessive tax increases. An “order-of-magnitude” target for new capital improvements expenditures funded by local taxes was estimated earlier in Step 3 (Exhibit VI-8).

Using copies of Exhibits VI-12 and VI-13 as draft worksheets, the CIP committee or planning board can modify the sequence of capital projects within fiscal constraints, or suggest alternative funding means such as capital reserves, bonded indebtedness, user fees, special districts, or other strategies to even out the potential property tax impacts of various combinations of capital improvements. Electronic spreadsheet software is especially useful for testing different scenarios

and assumptions about the potential property tax impact of the 6-year capital improvements schedule. A computer-based schedule will make annual updates of the CIP an easier task in future years.

For long-term projects requiring debt financing, principal and interest payments should be scheduled out over the capital planning period to illustrate annual cost impacts. Similarly, appropriations to capital reserves for future projects should be part of the annual cost picture, while withdrawals from accumulated capital reserve accounts may be shown as a dedicated revenue source.

Estimate the Tax Impact of Capital Projects

Once all CIP expenditures and dedicated revenues are entered in Exhibits VI-12 and VI-13, a calculation may be made at the bottom of Exhibit VI-13 by subtracting total available dedicated revenues from total annualized project costs to determine:

- Net annual property tax cost to the community;
- Property tax rate needed to support capital projects;
- Consistency of these amounts with targets for acceptable levels of capital spending; and
- The need to reschedule proposed capital improvements within the 6-year period to meet fiscal goals.

The planning board or CIP committee should review how well the total annualized tax impacts of capital spending fit within its overall fiscal goals and within the urgency of need classifications established in Step 6.

Adjust the Six Year Schedule

Depending upon the potential tax rate impacts, the board may wish to adjust the 6-year schedule, considering:

- Are there projects that can be shifted to later years of the CIP or deferred without negative effects on the municipality?
- Will there be any significant operating and maintenance cost impacts of running new or improved facilities that will increase or reduce operating costs and available revenues?

Draft capital project schedules should be reviewed with departments, municipal staff, and with the general public at information sessions prior to finalizing the recommended 6-year schedule.

In small towns with relatively few projects and minimal problems in attaining fiscal stability, minimum CIP requirements may be met simply by identifying the capital projects that are required, their relative urgency and need in priority order, and the year in which they are proposed to be implemented, without a detailed cost analysis. For most municipalities, a capital improvements program will lose much of its instructive and functional effect if it fails to illustrate the annual costs and tax impacts of capital expenditures.

EXHIBIT VI-13: SCHEDULE OF CAPITAL IMPROVEMENTS PROJECTS AND ANNUALIZED COSTS
(Include existing scheduled debt and new bonded debt for proposed projects.)

DESCRIPTION OF PROJECT OR EQUIPMENT By Department or Service Area	Gross Capital Cost	Available Revenues (CR, Grants)	Source Other Funds	Balance From Local Funds	Annualized Town Capital Cost Funded From Taxes						Total For 6-Year Period
					2016	2017	2018	2019	2020	2021	
GENERAL GOVERNMENT/ADMIN											
Memorial Church (Historic Preservation) - Gross Cost of \$400,000 anticipated - \$50,000 per year shown in this CIP	\$300,000	Amt Unknown	Matching Funds Possible	\$300,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$300,000
PUBLIC SAFETY											
POLICE DEPARTMENT											
Cruiser Replacement	\$95,000		Cap Reserve	\$95,000	\$15,000	\$15,000	\$15,000	\$15,000	\$17,000	\$18,000	\$95,000
Garage Addition to Station	\$28,000			\$28,000					\$28,000		\$28,000
Replace 4x4 Special Use Vehicle	\$28,000			\$28,000				\$28,000			\$28,000
Records Mgmt/Police Software	\$14,000			\$14,000		\$14,000					\$14,000
Upgrade base station/radio communications	\$6,000			\$6,000		\$6,000					\$6,000
FIRE DEPARTMENT											
Aerial Ladder Truck w/pump (quint) - used	\$295,000		Cap Reserve	\$295,000			\$295,000				\$295,000
New Fire Truck	\$275,000	\$240,000	90/10 Match	\$35,000	\$35,000						\$35,000
Finish Upstairs Space in Fire Station	\$95,000			\$95,000				\$95,000			\$95,000
SUBTOTAL PUBLIC SAFETY	\$836,000	\$240,000		\$596,000	\$50,000	\$35,000	\$310,000	\$138,000	\$45,000	\$18,000	\$596,000
HIGHWAY DEPARTMENT											
Bear Rd. Reconstruction at Beaver Hill	\$315,000			\$315,000							\$0
Pelham Rd. - Reconstruction	\$295,000			\$295,000				\$100,000	\$100,000		\$200,000
Colebrook Rd. - Reconstruction	\$245,000			\$245,000	\$90,000		\$155,000				\$245,000
Purchase Land for Salt & Highway Sheds	\$245,000	\$180,000	State of NH	\$65,000						\$65,000	\$65,000
Lee Rd. - Final Wear Layer	\$215,000			\$215,000			\$100,000	\$100,000	\$15,000		\$215,000
Construct New Salt Shed	\$195,000			\$195,000		\$75,000	\$75,000	\$70,000			\$220,000
Lee Rd. - Reconstruction	\$185,000			\$185,000		\$185,000					\$185,000
Sandwich Rd. - Reconstruction	\$165,000			\$165,000			\$65,000	\$100,000			\$165,000
Sandwich Rd. Bridge Replacement	\$145,000			\$145,000			\$60,000	\$85,000			\$145,000
Construct New Highway Shed	\$145,000	\$115,000	State of NH	\$30,000	\$30,000						\$30,000
Lebanon Rd. - Reconstruction	\$140,000			\$140,000					\$140,000		\$140,000
Rochester Rd. - Reconstruction	\$110,000	\$8,000	Developers	\$102,000	\$22,000	\$80,000					\$102,000
Bear Rd. - Reconstruction	\$95,000	\$5,000	Developers	\$90,000				\$15,000	\$35,000	\$45,000	\$95,000
Windham Rd. - Reconstruction	\$65,000	\$9,000	Developers	\$56,000	\$56,000						\$56,000
Concord Rd. - Reconstruction	\$85,000			\$85,000				\$30,000	\$55,000		\$85,000
Derry Rd. - Reconstruction	\$75,000	\$6,500	Developers	\$68,500				\$68,500			\$68,500
Purchase 6-Wheel Dump & Plow Truck	\$70,000			\$70,000							\$0
SUBTOTAL HIGHWAYS	\$2,790,000	\$323,500		\$2,466,500	\$198,000	\$340,000	\$455,000	\$468,500	\$345,000	\$210,000	\$2,016,500

EXHIBIT VI-13 (con't)

SOLID WASTE (RECYCLING)										
Purchase Fork Lift	\$11,000			\$11,000	\$11,000					\$11,000
SUBTOTAL SOLID WASTE	\$11,000	\$0		\$11,000	\$11,000	0	\$0	\$0	\$0	\$11,000
PARKS, RECREATION, CONSERVATION										
Purchase of Silver Sands Campground	See Existing Cons. Bond	Existing bond	p/o existing debt svc	Annualized Costs for Purchase Financed by Existing Conservation Bond						
Recreation Facility Development at Campground	\$45,000		\$45,000	\$45,000	Reflects only initial costs of site development voted in 2006					\$45,000
Ballfields	\$8,000	\$4,000	assume LWCF 50% \$4,000	\$4,000						\$4,000
SUBTOTAL RECREATION & CONSERVATION	\$53,000	\$4,000		\$49,000	\$49,000	\$0	\$0	\$0	\$0	\$49,000
LIBRARY										
Color Copier	\$15,000		\$15,000					\$15,000		\$15,000
New Computers, Scanner, Digital Camera	\$8,500		\$8,500		\$8,500					\$8,500
New Outside Sign	\$2,500		\$2,500	\$2,500						\$2,500
Children's Computer & Chairs	\$2,000		\$2,000				\$2,000			\$2,000
Replace Sink/Stovetop	\$2,000		\$2,000			\$2,000				\$2,000
SUBTOTAL LIBRARY	\$30,000	\$0	\$30,000	\$2,500	\$8,500	\$2,000	\$2,000	\$15,000	\$0	\$30,000
WATER DEPARTMENT										
Hydrogeological/Engineering	\$60,000		\$60,000		\$30,000	\$30,000				\$60,000
Kubota loader/backhoe	\$44,000		\$44,000				\$44,000			\$44,000
Bonded Debt: Well & Main Construction	\$600,000		\$600,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$600,000
SUBTOTAL WATER DEPARTMENT	\$704,000	\$0	\$704,000	\$100,000	\$130,000	\$130,000	\$144,000	\$100,000	\$100,000	\$704,000
SEWER DEPARTMENT										
Collection System TV Collection	\$80,000		\$80,000					\$40,000	\$40,000	\$80,000
Bonded Debt: Pump Station	\$125,000		\$125,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$125,000
SUBTOTAL SEWER DEPARTMENT	\$205,000	\$0	\$205,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$65,000	\$205,000
NEW TOWN CAPITAL COSTS										
TOTAL TOWN CAPITAL COSTS	\$4,929,000	\$567,500	\$4,361,500	\$485,500	\$588,500	\$972,000	\$827,500	\$620,000	\$418,000	\$3,911,500
										\$651,917
SCHOOL CAPITAL COSTS: LOCAL SHARE										
Elementary School Addition (2017)	\$500,000	\$250,000	School Building Aid \$250,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000		\$250,000
NEW CAPITAL EXPENDITURES FOR PERIOD										
Total Capital Expenditures 2016-2021	\$5,429,000	\$817,500	\$4,611,500	\$535,500	\$638,500	\$1,022,000	\$877,500	\$670,000	\$418,000	\$4,161,500
PROJECTED ASSESSED VALUATION										
Net Local Assessed Valuation (Projected at 3% rate of growth per year)				\$257,930,727	\$265,668,649	\$273,638,709	\$281,847,870	\$290,303,306	\$299,012,405	
TAX RATE IMPACT OF NEW DEBT AND CAPITAL PROJECTS										(Avg. for Period)
Tax rate needed to support NEW capital projects (Assumes 3% Annual Growth in Taxable Value)	Town			\$1.88	\$2.22	\$3.55	\$2.94	\$2.14	\$1.40	\$2.35
	School			\$0.19	\$0.19	\$0.18	\$0.18	\$0.17	\$0.00	\$0.13
	Total			\$1.36	\$2.40	\$3.73	\$3.11	\$2.31	\$1.40	\$2.39

STEP 8. ADOPT & IMPLEMENT THE CAPITAL IMPROVEMENTS PROGRAM & BUDGET

Adoption Procedure

New Hampshire RSA 674:5 through 674:8 describes the preparation and effect of the CIP but contains no specific guidelines for the adoption of a capital improvements program or capital budget. It is recommended that the program be adopted by the planning board or CIP committee under the same process that would be used for the master plan (see RSA 675:6). Generally, this procedure requires at least one public hearing, after which the master plan may be adopted by the planning board unless there are substantive changes made as a result of the comments received at the public hearing. A certified copy of the plan is then filed with the city or town clerk, and a copy is filed with the NH Office of Energy and Planning.

Hold a public hearing on the capital improvements program and adopt the document in the same manner as a master plan. Transmit first-year capital budget recommendations to the chief executive officer of the municipality and the budget committee. Use the CIP as a foundation document for considering growth management, impact fee and subdivision review processes.

While adoption procedures specific to the CIP are absent from the statute, New Hampshire RSA 675:9 specifically requires that a copy of any "capital improvements plan" adopted must be filed with the NH Office of Energy and Planning.

Relationship of Adoption to Other Land Use Regulations

While the statutes do not specify an adoption procedure for a CIP, the laws governing implementation of certain land use regulatory procedures do require CIP adoption. An adopted CIP may also have a functional role in the review of subdivisions and their impact on municipal services and costs.

Impact Fees. *"In order for a municipality to adopt an impact fee ordinance, it must have enacted a capital improvements program pursuant to RSA 674:5-7."* (RSA 674:21, V(b)) This section refers to impact fees adopted as an innovative land use control within the zoning ordinance. While it may be inferred that an impact fee assessment schedule adopted under that section must be directly related to growth-related capital projects listed in the CIP, this relationship is not specifically required by the statute.

Growth Management; Timing of Development. *"Any ordinance imposing such a control may be adopted only after preparation and adoption by the planning board of a master plan and a capital improvements program and shall be based upon a growth management process intended to assess and balance community development needs and consider regional development needs."* (RSA 674:22) These requirements emphasize the need to review the master plan for projects to be included in the capital improvements program. For the CIP to support a growth management ordinance, it should demonstrate that the capital improvements in the CIP have allowed for expansion of facilities to accommodate a reasonable share of the growth of the region.

Growth Management; Interim Regulation. *"In unusual circumstances requiring prompt attention and for the purpose of developing or altering a growth management process under RSA 674:22, or a master plan or capital improvements program, a city, town, or county... may adopt an ordinance imposing interim regulations upon development as provided in this section."* (RSA 674:23) It is clear that in unusual circumstances, presumably those in which a large scale development or rapid pace of development could threaten

to overwhelm municipal services, a town may invoke interim regulations for growth management to allow it time to prepare and adopt an appropriate capital improvements program.

Scattered or Premature Subdivision. The planning board may adopt subdivision regulations which may: *“Provide against such scattered or premature subdivision of land as would involve danger or injury to health, safety, or prosperity by reason of the lack of water supply, drainage, transportation, schools, fire protection, or other public services, or necessitate the excessive expenditure of public funds for the supply of such services.”* (RSA 674:36, II(a))

While this statute does not explicitly tie subdivision review to the CIP process, an adopted capital improvements program may become an important reference document for determining the extent of capital improvements and local expenditures that are reasonable for the municipality to undertake in any given year, and may indicate the level of annual expenditures that could be considered “excessive.” Since the CIP establishes a plan to service anticipated growth in accordance with an acceptable fiscal policy, the CIP is a reasonable basis for setting policies or criteria for developer funding of facilities or services as a condition of subdivision approval.

Implement the Capital Improvements Program

Transmit the Annual Capital Budget

For the 6-year capital improvements program to have an actual effect on municipal expenditures, a direct connection must be made between long-term community planning and the annual budgeting process. When a planning board or CIP committee has prepared a capital improvements program, it is required to transmit its recommendations for the current year to the governing body and the budget committee, if there is one, for consideration in the annual budget.

Often, the principal rationale for developing a 6-year capital improvements program has been to meet statutory prerequisites for the implementation of land use regulatory measures. Such programs lack the commitment to an ongoing CIP process and are soon forgotten.

The preparation of the CIP must be followed by annual capital project recommendations for inclusion in the budget. One person from the planning board or CIP committee should be designated to see that there is an annual transmittal of recommendations to the appropriate authority to keep the capital improvements program functional and valid. Exhibit VI-14 provides a format for the presentation of annual capital budget recommendations by the planning board or CIP committee.

EXHIBIT VI-14: CAPITAL BUDGET FOR FY 2016

Recommended for inclusion in the budget.

DESCRIPTION OF PROJECT OR EQUIPMENT By Department or Service Area	2016 Recommended Budget	Non-Property Tax Revenue Anticipated for Project		Property Tax Revenues Required
		Amount	Source	
GENERAL GOVERNMENT/ADMIN				
Memorial Church (Historic Preservation) - Gross Cost of \$400,000 anticipated - \$50,000 per year shown in this CIP	\$50,000			\$50,000
PUBLIC SAFETY				
POLICE DEPARTMENT				
Cruiser Replacement	\$15,000	\$8,000	Cruiser resale	\$7,000
FIRE DEPARTMENT				
New Fire Truck	\$35,000	Federal Grant already included		\$35,000
SUBTOTAL PUBLIC SAFETY	\$50,000	\$8,000		\$42,000
HIGHWAY DEPARTMENT				
Colebrook Rd. - Reconstruction	\$90,000			\$90,000
Construct New Highway Shed	\$30,000			\$30,000
Rochester Rd. - Reconstruction	\$22,000			\$22,000
Windham Rd. - Reconstruction	\$56,000			\$56,000
SUBTOTAL HIGHWAYS	\$198,000	\$0		\$198,000
SOLID WASTE (RECYCLING)				
Purchase Fork Lift	\$11,000	\$3,000	Trade-in	\$8,000
SUBTOTAL SOLID WASTE	\$11,000	\$3,000		\$8,000
PARKS, RECREATION, CONSERVATION				
Recreation Facility Development at Campground	\$45,000			\$45,000
Ballfields	\$4,000			\$4,000
SUBTOTAL RECREATION & CONSERVATION	\$49,000	\$0		\$49,000
LIBRARY				
New Outside Sign	\$2,500			\$2,500
SUBTOTAL LIBRARY	\$2,500	\$0		\$2,500
WATER DEPARTMENT				
Bonded Debt: Well & Main Construction	\$100,000			\$100,000
SUBTOTAL WATER DEPARTMENT	\$100,000	\$0		\$100,000
SEWER DEPARTMENT				
Bonded Debt: Pump Station	\$25,000			\$25,000
SUBTOTAL SEWER DEPARTMENT	\$25,000	\$0		\$25,000
NEW TOWN CAPITAL COSTS				
TOTAL TOWN CAPITAL COSTS	\$485,500	\$11,000		\$474,500
SCHOOL CAPITAL COSTS: LOCAL SHARE				
Elementary School Addition (2017)	\$50,000			\$50,000
NEW CAPITAL EXPENDITURES FOR PERIOD				
Total Capital Expenditures 2016	\$535,500	\$11,000		\$524,500

Conduct a CIP “Self-Audit”

It is recommended that a “paper trail” of the preparation of the CIP be maintained during the process to document compliance with the RSAs. While a capital improvements program is an unlikely object for direct legal challenge, impact fees or growth management ordinances based on the CIP are more likely targets. A challenge to the validity of such ordinances may lead to a review of the procedures and content of the CIP as a foundation planning document.

As a final check on its CIP process, the planning board can conduct its own “self-audit” checklist of compliance with the minimum statutory requirements and consistency with recommended planning practice by reviewing the following:

- Has the planning board adopted a master plan?
- Did the local legislative body authorize the planning board or CIP committee to prepare and amend a CIP?
- Does the CIP classify projects according to their urgency and need and include a recommended time sequence for implementation?
- Was the program based on information submitted by municipal departments and agencies, the school board, and others contacted by the planning board or CIP committee?
- Does the CIP take into account public facility needs indicated by prospective development as shown in the master plan or those permitted by land use controls?
- Did the planning board or CIP committee solicit public input at a properly-noticed public hearing in the same manner required for master plan adoption?
- Following the public hearing, did the planning board or CIP committee vote to adopt the CIP?
- Did the planning board or CIP committee transmit its current year capital budget recommendations to the executive officer(s) of the city or town and to the budget committee, school board, and special purpose districts or precincts whose capital needs are addressed in the CIP?

If the answer to any of these questions is no, the capital improvements programming and implementation process is incomplete. The board or committee should add any missing information or documentation to bring the CIP to a successful conclusion.

STEP 9. UPDATE THE CAPITAL IMPROVEMENTS PROGRAM

An update of the CIP should be conducted annually and should involve repeating Steps 2 to 9 to reflect new information, policies and proposed projects. The Planning Board or CIP Committee should review and revise the entire program as necessary to reflect its most recent determination of the need for equipment, maintenance of equipment, the municipality’s social and environmental conditions, the development or revision of financial policies, and the community’s financial resources. This task will be simplified once the initial CIP has been adopted. As departments become familiar with the format and process over the years, project information can be updated, planned projects modified, and new ones added.

Where spreadsheet analysis software has been used, the municipality may easily keep a running record of capital and operating expenditures and their tax impacts for the most recent 10-year period by dropping out the oldest year of data and adding in the most recent fiscal year. After a few years, the CIP process can become a routine part of the annual work agenda of the planning board or CIP committee.

