

**Capital Improvements Program (CIP)**

**2016 to 2026**

**Town of Hebron, New Hampshire**

*Prepared*

*for*

*The Town of Hebron*

*by the*

*Capital Improvements Program Committee*

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# Town of Hebron Capital Improvements Program

## **Introduction**

Recognizing the precariousness of the annual budgetary process, state law authorizes the use of a Capital Improvements Program (CIP) to aid town officials in scheduling capital outlays. New Hampshire RSA 674:5-8 provides the legislative authorization, purpose, description and preparation of the CIP. See Exhibit 3 below for this law.

Undertaking a CIP can be done only after authorization is granted by the local legislative body. This was done by a vote of Hebron's residents at Town Meeting in March 2004.

The CIP Committee, which is a subcommittee of the Planning Board, has structured this document to provide a recommended 10-year program of major capital projects and expenditures. The next cycle will commence this summer, with a public hearing to precede the presentation of the CIP to the Board of Selectmen in October, prior to the beginning of the 2017 budget season.

For the 2016-2026 CIP, the Committee asked department heads to roll forward the prior year's requests by one year, unless there were changes. After meeting with them to validate and evaluate their data, the Committee incorporated the information in the CIP update with its funding/calendaring recommendations. It then held a public hearing at the end of September and, subsequently, briefed the Selectmen prior to their budgeting cycle.

## **Questions about the Capital Improvements Program**

### **Q. What are the purposes of the Hebron CIP?**

The Hebron CIP is an advisory document. It is intended to serve a number of purposes, including an attempt to plan all anticipated major expenditures for a 10-year period. In addition, it:

- I. Provides the Town of Hebron with a guide to be used by the Board of Selectmen for its annual budgeting process, pursuant to RSA 674:5-8.
- II. Provides a forward-looking planning tool for the purpose of contributing to a stable property tax rate.
- III. Aids the Town's elected officials, appointed committees, department heads and voters in the prioritization, coordination and planning for future growth and in the sequencing of various expenses.
- IV. Informs residents, seasonal homeowners, potential residents, business owners, potential business owners, and developers of needed and planned improvements.

For purposes of this document, a capital improvement is an item or project for the public use that costs more than \$5,000, has a useful life of five years or more and is considered to be beyond the scope of normal annual operating expenses. Examples of capital improvements include:

- I. Land acquisition for a public purpose.
- II. Vehicles.
- III. Buildings.
- IV. Equipment and machinery.
- V. Major building or facility renovations and repairs.
- VI. Road renovations, bridge renovations or bridge replacement resulting in long-term improvement in road capacity or condition.
- VII. Special studies, such as resource assessments, facility studies or master plans.

### **Q: Why a CIP for Hebron?**

A CIP assists the Selectmen in stabilizing the tax rate by linking the planning for major expenditures to the Town budget. Specifically, it:

- I. Establishes a method for departments to anticipate and communicate future needs.
- II. Provides a process for identified needs to be discussed and prioritized.

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- III. Encourages evaluation of timing and financing options.
- IV. Stabilizes annual expenditures for capital outlays to minimize tax impact.
- V. Makes preemptive acquisitions (for example, land acquired for Town use such as municipal space, land preservation and recreation) more feasible and defensible.
- VI. Reduces interest payments (through use of capital reserve funds). In a low interest environment, it may be more cost effective to borrow than to appropriate in CIP as money put away earns very little in interest.
- VII. Supports planned growth.
- VIII. Facilitates implementation of the Master Plan by scheduling projects over a period of time and eliminating multiple expenses in any one fiscal year.
- IX. Furnishes a total picture of the Town's major needs, thereby discouraging piecemeal expenditures and promoting coordination of the activities of various departments.
- X. Establishes priorities for projects on the basis of needs and costs in light anticipated revenues and expenditures.
- XI. Serves as an information resource for Hebron residents by describing the Town's plans for major expenditures.

### **Q. Who were the members of the 20116 CIP Committee?**

The Committee embodied a wide range of experiences and viewpoints. It was composed of Chairperson Ivan Quinchia, Mitch Manseau outgoing Chair and members Dan Merritt, Ileana Saros, Tom Gump and George Andrews.

### **Q. What process did the CIP Committee use?**

Since May of 2016, the Committee met on several occasions to discuss the approach to preparing the CIP and to meet with Selectmen and department and commission heads to discuss their capital expenditure plans. The Committee's work was organized as follows:

#### **I. Education and Planning**

After reviewing the prior CIP, the Committee decided to follow the same process to build upon townspeople's familiarity with it. To give each department a method for collecting required information and to promote consistency across departments, it used a submittal form for anticipated future needs (including desired acquisition date, anticipated life span, method(s) of financing, cost and priority of need).

#### **II. Meetings with Departments**

The Committee provided instructions to each department head and commissioner to refresh the process and asked them to submit their capital expenditure requests.

#### **III. Analysis**

The Committee entered all of the information into a computer spreadsheet, thereby allowing it to assess the impact of different acquisition dates and financing approaches for all projects. See attachment 1

#### **IV. Plan Development and Recommendations**

During the course of several meetings, the Committee followed up with each department to clarify needs and discuss Town priorities, alternative approaches and acquisition timing. The Committee then developed relatively flat annual expense projections across the entire 10-year period and sometimes beyond in order to avoid a significant impact on the tax rate in any one year and forwarded them to the department heads for their concurrence.

### **Q. What are Hebron's options for financing major capital needs?**

Following are summaries of the different ways the Town has financed, and can continue to finance, major capital expenses. More than one approach may be used at one time.

- I. The one-year appropriation is most common. Proposed projects are funded by the property tax revenues within a single fiscal year, *i.e.* expense in one year and pay cash, concentrating the tax impact on that year.

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- II. The capital reserve (savings) method requires appropriations over multiple years. The capital reserve approach spreads the tax impact across several fiscal years in advance of the actual expenditure. Historically, Hebron has used this approach for purchasing heavy equipment. The CIP Committee used it extensively in the current plan to achieve level funding and to avoid borrowing.
- III. Bonds, issued by the New Hampshire Municipal Bond Bank, are generally used only for the most expensive capital projects, such as major building renovations and additions, new construction of buildings or infrastructure or purchase of land. Bonds permit major capital requests to be met immediately while spreading out the cost – the impact on the tax rate – over many years in the future. Hebron's current bonds include its share of the incinerator upgrade (2018) the town's beach addition (2017) and the Town Forest (2026)

### **Q. What are the financial projections resulting from Hebron's CIP process?**

Exhibit 2 summarizes the anticipated capital expenses and their impact upon the Town's budget for the 2016-2026 period.

### **Q. What happened next to the CIP Plan?**

The CIP Committee presented a draft of the proposed plan to the Board of Selectmen prior to its budget deliberations for review and possible modification. Thereafter, it conducted a public hearing on the proposed plan. The plan was then finalized and posted on the Hebron website under the Planning Board heading. (<http://www.hebronnh.org>) in a PDF format and was printed for distribution to residents at Town Meeting.

### **3. Conclusions**

Every year, the Committee will review the CIP plan and modify it based on changing needs and priorities, and then present it to the Board of Selectmen prior to budget deliberations. Each annual update will include an additional year to the schedule so that a 10-year program period is maintained. While outlying years' data are less uncertain, this is not reason not to plan and annual updates assure currency.