

Capital Planning Meeting January 22, 2021

Attendees

Michele Shalaby (Member)
Elizabeth Reynolds (Member)
Steve Klein (Member)
Nat Yohalem (Member)
Mark Walker (Member)
Richard Long (Member)
Mari Enoch
Tara White
John Halbreich (Member)

1. Call to order
2. Review and approve Minutes of January 14

Steve will submit minutes from last meeting for the January 27 meeting

3. Define capital and any necessary categories

Definition

Michele - We have a current definition

Michele - Capital item is any that has any that has an initial cost of \$10k or more or useful life of 5 years or more

Michele - \$10k was established in 2014; has generally worked for us.

Steve – We need to draw line somewhere as to price. We need to understand all of the assets the town owns. A computer or copying machine is not an operating expense.

Mark – Do we look at an item-by-item basis or aggregate, eg one computer vs. group purchase.

Michele – Capital items are different than the items the board of selectman is working on. We need a line.

Richard – A group of computers would be considered a capital investment.

Michele – **We may want to add the aggregation of capital in our definition.**

Committee confirmed we need to survey existing inventory of capital

Categories

Michele – **Vehicles, Buildings, Heavy Equipt., Roads and Bridges, IT Infrastructure, Real Property**

Committee discussed Long Term leases –Not a type of asset but a type of funding

Richard – Tools are a possible category. Small tool purchases made out of operating budget. If equipping an entire building may fall into a different category.

Michele – Survey ideal vs. what's realistic for inventory in NM.

Mari – transfer station, cemetery work and parks – how to categorize.

Steve – improvements made to property would be under real property category.

Mark - Real Property Definition - real estate and structures

Survey

Steve – What would is timeline for survey results?

Mari – depends on the information being asked

Michele – depends on what planning has already been done

Michele – DLS has suggested categories

Nat – We need to sit down with each Dept Head. We need to determine which departments we need to survey. Lists of tools and equipt. should be part of a second round.

Richard – this is not a new process for most of the departments. Other info: useful life, price, is it new or a replacement.

Michele –Questions to ask each department– what are the current assets you have, what do you anticipate needing in future years. We should have a working definition and timeframe.

Discussion of depts to survey

Steve – **DPW** has the lion's share – heavy equipt. and plans for roads. Elephant in the room is what will be done with town hall. Still a work in progress.

Richard Long – we will have that info very soon. Ballpark is \$2.1mn based on schematics with some possible additions. There are some funds that are already reserved for this purpose.

Steve – (continuing departments to be surveyed) **Police, Fire other Emergency Services** – prob lion's share of future capital needs. Also **Library, Cemetery, Parks, Town Hall, Transfer Station**. Transfer Station looking at compactors estimated at \$100k but we may use grants for these.

Mark brought up school budget. Not irrelevant but a separate budget. NM is responsible for its portion of school budget. We don't know the amount. There is a big placeholder for the school district. Does the district have a capital plan?

Michele - **We are going to look at what we have, what we need and apply funding sources to that. Then we need to arrange and re-arrange to control the tax impact.**

Michele - Other building next to the fire dept. "old fire station"– Lets discuss at future meeting.

N - We will get a wish list from the dept head.

RL – We need explicit information and justification

4. Define Committee deliverables and date

Michele - What do we intend to deliver

Richard – **Recommendation to Finance Comm and Bd of Selectmen on Capital for next fiscal year. Fy 22 Capital expenditure recommendation.**

Michele – Long term plan?

John- 5-10 year view

Richard – more detailed 5 year plan; 10 year less detailed.

Michele –

Asset and improvements

Amount

Date needed

Justification

Funding sources

Mark – how to determine whether general funding or debt?

Steve – usually part of annual budgeting process. The only projects that has been funded with debt are large capital equipt.

Michele – current debt service – smaller items tend to be purchased with debt. How and when do we take on debt to maintain assets.

Mark – helpful to have debt service schedule, Mari will send

Steve – some capital needs are paid with state funds.

Richard– we will have debt for broadband in the next year

Michele – set aside broadband debt for now. All within the realm of revenue.

Dates for deliverables – **Friday, March 26 delivered to the Finance Committee to be included in the Budget**

Steve - We need to get material from departments and determine how to fund the immediate capital needs

Committee determined that department numbers would be reliable.

Mark – has anyone reviewed what the actual vs. budget last time budget was done to see how close they were.

Michele – What is best practice in a town for proportion spent on capital vs. operating expenses.

Richard – Towns are different. We have a small tax base over which to spread infrastructure needs.

Michele – Is there a budget number that would be too low. Should we establish a certain threshold as % of revenue.

We need to determine our needs and proceed from there.

In 2014 Capital Plan, proposed capital expenses to be 10% of budget

Steve: We are trying to avoid a large deferred capital expense.

Michele – My concern is that over the past few years our the debt service has declined and the operating budget grows and takes capacity. Decreases our ability to spend on capital. We need to maintain a certain level of capital expenses.

Steve – We have reduced our debt service line over the past few years and spent more on operating expenses.

Steve – Various ways of funding capital are not equally available to us. Each has its own hurdle, eg votes needed

Michele – There are different levels of tax impact in our funding sources. Debt, Stabilization Fund, Free Cash, Grant. All have different implication on taxes. The one that has the greatest impact is debt. Propose we start planning debt funding over other forms of funding. Then Free Cash, Stablization and Grants.

5. Determine general approach

Michele - Next week have a meeting including a sheet with the data needs for each department. Weds. The 27th at 6pm.

9. Discover committee members' expertise or resources regarding municipal debt and debt planning

Various members discussed their background in municipal finance.

10. Adjourn

Respectively submitted,

Beth Reynolds