

## **I. Introduction**

Under New Hampshire RSA 674:1, the New Ipswich Planning Board has a duty to prepare a Master Plan and to update this document from time to time as necessary. The primary objective of the Master Plan is to establish a set of guiding principles that the Planning Board can use to develop sound zoning ordinances, regulations and growth management policies. Accordingly, the Master Plan should be viewed as an important tool that helps the Planning Board and others to preserve and enhance the quality of life in New Ipswich.

It is important to note that the Master Plan reports, analyzes and synthesizes two types of information about the Town:

- Demographic and economic data as well as a profile of public and private infrastructure
- Views of department heads and citizens regarding such matters as desirable future community growth and development patterns, land use policies, and resource and facilities management practices

Under New Hampshire RSA 674:5, once a Master Plan has been adopted by the Planning Board, the voters of the Town then may authorize the Planning Board to prepare a Capital Improvements Program (CIP) and, like the Master Plan, to update this document from time to time as necessary. The purpose of the CIP is to provide the Town with a capital budgeting plan that supports the Master Plan. It does so by identifying the capital projects required to meet the goals and objectives established within the Master Plan. In addition, the CIP helps the Town to:

- Maintain and develop its infrastructure in an economically efficient manner
- Anticipate the public facilities needs arising from the growth and development envisioned in the Master Plan

In other words, the CIP can be viewed as a financial complement to the Master Plan. It is important to realize that the Planning Board must have adopted both a Master Plan and a CIP before any growth management or impact fee ordinances can become effective.

It is often stated that one of the important benefits of preparing a CIP is that it helps to stabilize tax rates. Indeed, by anticipating capital needs well in advance, capital expenditures can be planned and scheduled so that they are spread over a number of budget years and not clustered in just a few years. While this is true, it is important to note that this is not the only way to spread capital project costs over time.

Specifically, capital project costs can be spread or even reduced by:

- Staggering the implementation dates of capital projects
- Prefunding capital expenditures by accumulating capital reserves
- Borrowing funds
- Leasing equipment
- Changing the approval process so that purchases can be made more opportunistically

- Adopting an impact fee ordinance

This CIP update does not analyze financial issues (e.g., affordability, revenue sources, and financing strategies) in detail; it only describes what capital projects have been proposed and identifies likely funding sources. In the future, the scope of CIP updates should be expanded to include an analysis of timely financial issues.

New Ipswich adopted its first Master Plan in 1983. This plan was subsequently updated in 1995. At Town Meeting in 1987, the voters of New Ipswich authorized the Planning Board to prepare a CIP. An attempt was made to prepare a CIP in 1996, but it was only partially successful. When the Planning Board decided in 2003 to begin preparing a second Master Plan update, work on the CIP began anew in conjunction with this effort. The CIP work was done by a group of volunteers (CIP Group). The group submitted a completed CIP document to the Planning Board for review, and the Planning Board adopted it on April 4, 2004. In 2007, an updated CIP was prepared by a planning Board member and was adopted on August 15, 2007. This CIP is an update of the 2007 CIP.

Finally, it should be noted that in preparing both the original CIP and this updated CIP, the CIP Group consulted the *Capital Improvements Programming Handbook (Handbook)*, published by the Southern New Hampshire Planning Commission. This material helped to shape the format and content of this CIP.

## **II. Definition of Capital Improvement**

A *capital project* usually is regarded as having or involving one or more of the following:

- Extended usable life
- Large, nonrecurring cost
- Special financing
- Real property acquisition or development
- Construction of a building or other infrastructure

However, simpler criteria are used in this CIP. A capital project (or synonymously *capital improvement*) is included in this CIP if it has the following two characteristics:

- Usable life of at least three years
- Gross dollar cost of at least \$5,000 for the Town of New Ipswich or \$10,000 for the Mascenic Regional School District

This relatively simple operational definition has the practical advantage of being easy to apply when collecting information from department heads. It should be noted that a higher cost threshold is applicable to Mascenic because it has a much larger budget than the Town. It also should be noted that since the above definition of capital project does not mention funding source, it is independent of funding source. Accordingly, this permits a capital project to be included in the CIP even when it has no net cost (e.g., when it is donated or funded by a grant).

### III. Sources of Capital Project Information

RSA 674:6 and RSA 674:7 effectively require that the CIP be based on capital project information provided by department heads. Accordingly, to obtain information about proposed capital projects, *Capital Project Questionnaires* were distributed to each department head in the Town of New Ipswich and to the Facilities Manager at the Mascenic Regional School District. The information requested in the questionnaire includes: capital project description and rationale, expected implementation date, estimated cost, anticipated funding source, and urgency. Since RSA 674:5 requires that a CIP consider “capital improvement projects projected over a period of at least six years,” information was requested for the period 2013-18 with some consideration of potential future projects requiring additional investigation.

An initial meeting with all department heads was scheduled to describe the purpose and scope of the CIP and to distribute the *Capital Project Questionnaires*. At least one face to face meeting was held with each of the paid department heads. Some of the volunteer committee chairs were interviewed by telephone. Sometimes follow-up meetings and/or telephone calls were scheduled to complete *Capital Project Questionnaires*, to ask more detailed questions, and to allow department heads to review written material. As this process evolved, it was discovered that *Capital Project Questionnaires* could be completed more expeditiously by a CIP Group member while interviewing a department head. In all cases, the completed questionnaires were distributed to the department heads for comment before inclusion in the final CIP.

The *Appendix* in this CIP contains all of the completed *Capital Project Questionnaires*. There is one completed questionnaire for each proposed capital project, with each questionnaire comprising one page of the Appendix.

### IV. Capital Project Ranking Scheme

RSA 674:6 requires that: “The capital improvements program shall classify capital projects according to the urgency and need for realization and shall recommend a time sequence for their implementation.” To meet this requirement, the following two-step ranking process is used:

- First, each capital project is ranked with respect to time sequence of implementation by assigning it to a budget year (or several budget years if the project cannot be completed in one year).
- Second, each capital project is ranked with respect to urgency and need by assigning it a letter priority ranking from the captioned list below.

➤ <b>Urgent (U)</b>	Pressing health, safety, legal or financial considerations
➤ <b>Committed (C)</b>	Under contract or otherwise legally required
➤ <b>Necessary (N)</b>	Needed to maintain the existing level and quality of service
➤ <b>Desirable (D)</b>	Needed to improve the level or quality of service
➤ <b>Premature (P)</b>	Implementation date outside the planning period
➤ <b>Research (R)</b>	Additional research and planning required
➤ <b>Inconsistent (I)</b>	Inconsistent with financial policy or development goals

Since the above two-step ranking scheme separates timing from urgency and need, it is more flexible than the ranking scheme suggested in the *Handbook*. For example, it permits a capital

project to be assigned a priority ranking of *Urgent (U)* even if its implementation date is several years in the future.

Inspection of the Appendix or Exhibit 1 quickly reveals that the most commonly assigned priority rankings in this CIP are *Necessary (N)* and *Desirable (D)*. Their definitions should be read carefully because these terms do not have the same meaning as they do in everyday speech. Here they are defined so that capital projects can be ranked relative to the current quality and level of service. Hence, their application is much less subjective than might be expected.

## **V. Summary of Master Plan Goals and Objectives**

The Master Plan was last fully updated in 1995. Chapters I-III, including the "Goals and Objectives" chapter were updated again in March of 2004. Most noteworthy, this chapter described seven guiding principles designed to advance the goals and objectives supporting the vision the community holds for New Ipswich. In 2007 a new "Open Space" was adopted by the Planning Board. The "Land Use" and "Transportation" chapters were updated in 2011 and 2012, respectively. The first three chapters will need to be updated again in 2014.

Since the CIP is viewed as an extension and complement to the Master Plan, before assigning a priority ranking to a capital project, it is important to check that implementation of the capital project would not be inconsistent with the seven guiding principles. Furthermore, the capital project should help to advance one or more of the following Master Plan goals and objectives:

- Maintain fiscal stability
- Protect water resources
- Improve recreational facilities and opportunities
- Protect open space and natural resources that support rural character
- Preserve historic sites and buildings
- Encourage sound business development consistent with maintaining rural character

## **VI. Capital Project Descriptions, Priority Rankings and Implementation Time Sequence**

Exhibit 1 (comprised of four pages labeled 1-a to 1-d) lists all of the capital projects considered in this CIP and described more fully in the Appendix. The information for the Town and Mascenic are reported separately because they are different political entities. The projects are grouped alphabetically by department and then listed chronologically by implementation year within department. The columns in Exhibit 1 contain the following information:

- Capital project description
- Priority ranking
- Year-by-year estimated cost for *programmed* capital projects over the period 2013-2018
- Total estimated cost for *programmed* capital projects for 2013-2018
- Total estimated cost for *programmed* capital projects for 2014-2018
- Total estimated cost for *unprogrammed* capital projects assigned to 20XX

The priority rankings shown in the second column are defined in Section IV above. Since the capital projects ranked *Urgent (U)*, *Committed (C)*, *Necessary (N)* and *Desirable (D)* are well

defined in terms of scope, cost and implementation date, they are ready for consideration and are called *programmed*. Their costs are shown in the six columns labeled by individual years and included in the totals shown in the columns labeled 2013-18 and 2014-18.

The capital projects ranked *Premature (P)*, *Research (R)* or *Inconsistent (I)* are segregated and assigned to the unspecified (“dummy”) implementation year 20XX. These capital projects (two ranked *P*, nine ranked *R*, none ranked *I*) are considered to be *unprogrammed* in the sense that they are being set aside for reconsideration when this CIP is next updated. Most of the unprogrammed category is comprised of capital projects that are ranked *Research (R)* because they are not well defined. The costs of unprogrammed capital projects are reported separately in the column labeled 20XX, and these costs are excluded from the other cost columns in Exhibit 1.

## **VII. Fiscal Analysis**

An Excel Workbook containing five spreadsheets was prepared for the Fiscal analysis. The spreadsheets titled Exhibit 1 and Exhibit 2 provide the basic CIP data in the same format used in previous years with the following improvement. These two spreadsheets are now linked so that any changes made to Exhibit 1 are automatically updated in Exhibit 2. Three new spreadsheets were added to demonstrate the capital needs for Highway, Fire and Police over a 20 year period based on estimated life of the capital equipment and the replacement costs. It was thought that these spreadsheets were useful to demonstrate that the capital reserve fund yearly contributions are not adequate to replace our capital equipment on a reasonable schedule.

As indicated in the preceding section, the worksheet in Exhibit 1 displays cost figures for the capital projects described in the Appendix. The cost information is displayed by individual capital project on a year-by-year basis. The row sums in Exhibit 1 display total cost figures for the periods 2013-18, 2014-18 and 20XX. The period 2013-18 includes all six years covered by this CIP, the period 2014-18 focuses on the five years following the current budget year, and unspecified period 20XX isolates the unprogrammed capital projects. The column sums in Exhibit 1 provide year-by-year totals for each department as well as separate grand totals for the Town and Mascenic.

Like the original CIP, this CIP update continues to be largely a maintenance capital budget. In other words, despite significant growth in Town, much of this CIP update is focused on replacing existing equipment and infrastructure. This is confirmed by the fact that the most frequently assigned priority rankings in this CIP is *Necessary (N)* or *Desirable (D)*.

The worksheet in Exhibit 2 was constructed by extracting the departmental totals and the grand totals from Exhibit 1. The following paragraphs highlight some important patterns in Exhibit 2.

- In the previous CIP, the Mascenic had the largest need for Capital Improvement. Since the construction of the new elementary school, this is no longer the case. Following the recent construction of the new elementary school, it appears that Mascenic has modest capital needs.
- In this CIP, the Highway Department is projected to have greatest capital needs. This is due to two reasons.

1. The Highway Department has more expensive major equipment than any other department. The major equipment is used constantly and must be replaced on a regular basis.
  2. The Highway Department is responsible to keep 52 miles of paved roadway in reasonably good condition. This means that major reclamation must be done every 15-20 years.
- Although the unprogrammed capital projects are set aside for future reconsideration, it should not be concluded that they are unimportant. Large capital projects (e.g., Fire Department and the Highway Department) may have a *Research (R)* priority ranking in their early stages because they are so complex (and possibly controversial) that they are not yet well defined. In addition, a joint complex housing the Police Department, Fire Department, and Emergency Management Services may require study.
  - On Exhibit 2, the grand total cost figures are fairly level over the 6 years projected. This is attributable to large needs of the Highway Department to make scheduled major repairs to the town roads every year.
  - In the previous CIP, it was noted that department heads tended to focus more on short term needs than long term needs. This year however, based on meetings with the department heads, a longer view approach appeared to be the norm when considering their capital needs. For example, the Police Department has proposed to replace one police cruiser on a yearly basis. This is very realistic, especially given the life-cycle of the vehicles and the need for reliable equipment. Even more relevant, simplified cost-benefits analyses were offered in many cases to minimize rental expenses and to streamline operations. These justifications are documented in the attached Questionnaires.
  - In this year's CIP, there is a requirement for an expenditure of slightly over **\$1.3 million** per year over the 6 year period. Much of this is a direct result of (1) extended unfunded highway major maintenance work and the (2) retention of equipment past its effective life.
    1. To put things in perspective, Merrimack, New Hampshire has a tax base population in excess of 20,000 and approximately 72 miles of paved roadway. In contrast, New Ipswich has about 5000 residents and 52 miles of paved roadway. Obviously, supporting a large infrastructure with a smaller tax base has led to both deferred maintenance and a degradation of the in-town infrastructure.
    2. At the time of the CIP interviews one of the town dump trucks had its bed lined with plywood because the bed was rusted out.
  - Exhibit 2 also includes a column showing Capital Reserves balances by department as of Oct. 1, 2012. As the grand total figures indicate, the Town had just under \$770,000 in capital reserves and Mascenic had just over \$140,000. This leads to the obvious conclusion that projected capital expenditures dwarf current capital reserve balances. In other words, additional funding sources will have to be utilized if anything like the capital improvements program described in Exhibits 1 and 2 is implemented.

## VIII. Conclusions and Recommendations

The bulleted items in this section highlight a number of conclusions that can be drawn from this CIP update and also make several recommendations for improving future CIP updates as well as the CIP update process itself.

- Highway Maintenance & Improvement

The most significant finding during this CIP process was the deficiency in funds allocated to the highway department to maintain the 52 miles of paved road in New Ipswich. By maintenance, we mean the reclamation process which should be done every 15-20 years. **In order to properly maintain the roads the funds allocated to reclamation should be permanently increased by \$500,000 per year (to approximately \$700,000 per year).**

The above recommendation does not include any funds for eventual paving of the 16 miles of gravel roads in New Ipswich.

**It is recommended that the Selectmen should give careful consideration before acceptance of any new roads until funding is allocated for proper maintenance of the existing roads.**

- Capital Reserves

Another significant finding was that the annual increases to capital reserves for Highway, Police, and Fire departments are insufficient to replace town equipment as it wears out. **Annual funding for each of the capital reserve funds should be significantly increased as recommended in the spreadsheets.**

Suggested yearly contributions to Capital Reserve funds

Highway	\$95,000
Fire	\$60,000
Police	\$37,000

- Capital Equipment and Infrastructure Inventory

It is natural to ask for a description of the current condition of equipment or infrastructure when a proposal is made to replace it. Accordingly, the Capital Project Questionnaire (see Appendix) requests this information for replacement projects. However, a better way to obtain this information is to compile a complete, detailed inventory of the Town's capital equipment and infrastructure. This would facilitate monitoring the Town's capital replacement needs. **Each Department should establish and maintain a list of equipment by make, year, and planned replacement year. The list should be updated annually and submitted to the Town Administrator for consolidation.**

- Orphaned and Neglected Capital Projects

Some capital projects may receive insufficient attention because they lack strong sponsorship; others may be omitted because they do not fall neatly within a department. For example, renovation of the Old Town Hall, proposals for a teen center and a senior center, and expanded broadband service are often discussed, but they are omitted from this CIP update. These capital projects should be considered in the next CIP update.

**In this year's CIP several of these projects have been addressed and should be given serious considerations. These projects include the old town hall, and a recreation center.**

- Capital Project Interdependence

To simplify their analysis, capital projects usually are assumed to be independent of one another. However, it is important to note that they can be interdependent in rather complex ways. When they are, the analysis of capital projects will depend importantly on how this interdependence is specified. An example will illustrate this point.

As the Town continues to grow, the Fire Department expects to expand so that it can continue to meet its fire protection responsibilities. Accordingly, it has submitted a capital project to address future space needs. However, this project is unlikely to be funded because the best expansion plan has not yet been determined since both the Police Department and Emergency Management have indicated the potential need for a combined center. The important point here is that the choice among alternative expansion plans may affect other Fire Department capital projects as well as capital projects in other departments. Some projects listed may be mutually exclusive while others require a specific direction to be established by the town leadership.

One possible approach would be to keep the scale of this project as small as possible. This could be done by expanding the existing fire station and possibly utilizing space in other Town buildings (e.g., old Highway Garage). Future requests for new fire apparatus would tend to be limited under this approach because storage space would continue to be tight. Other departments would be largely unaffected.

At the opposite extreme in terms of scale, the Fire Department space project could be viewed as part of a comprehensive public safety project. Under this view, construction of a centralized public safety complex might be proposed. Such a complex presumably would house the Fire Department, Police Department and several other safety-related departments. Clearly, this approach would affect many capital projects in the Fire Department as well as those in other departments. It highlights the point that sometimes capital projects cannot be analyzed on a standalone basis because complex linkages must be considered.

Unresolved issues such as the potential need for a town complex and the final disposition of Building 2 need to be firmly addressed. While all parties recognize that a "Band-Aid" approach does not work and is economically unsound, a detailed cost-benefit study has yet to be undertaken which encompasses not only the current needs of the town, but also provides guidance to future endeavors.



In the interviews conducted with department heads, it is clear that serious consideration be given to making plans for some sort of town complex. **We should commission a study to determine our needs, both present and future. The study should include an analysis of all existing town assets to determine what can be used or sold to defray cost on a new facility.**

- Restructuring the CIP Update Process

As noted in the Introduction (Section I), in March 1987 the voters under RSA 674:5 authorized the Planning Board to prepare a CIP and update it as necessary. It should be noted that RSA 674:5 also allows an alternative approach. Specifically, it allows the voters to authorize the Selectmen to appoint a CIP Committee to prepare and update the CIP. RSA 674:5 requires that at least one member of the CIP Committee be a member of the Planning Board. Selectmen may serve on the CIP Committee. The Selectmen also may appoint public members, including members of the Finance Advisory Committee. To adopt this alternative approach, voters would have to approve a special warrant article authorizing the change. Furthermore, the process would be more effective if completed on an annual basis.

- Distribution of CIP

Since the preparation of the CIP affects the Town of New Ipswich as a whole, distribution of the CIP (following approval by the Planning Board) should include at a minimum the Board of Selectmen, the Finance Committee, and the Department Heads. **Posting of the CIP on the town web site is highly desirable.**