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# Seabrook Capital Spending

## Supplemental Information

Town Manager - September 27, 2018

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I have submitted the Capital Plan for the Town of Seabrook in the traditional format. In discussions with the Planning Board there has been an expressed desire to see some of the data presented in the CIP book in an easier to read format. On that basis it was agreed that we would present projects for year one (2019) in "cut sheet" format. I have attached those cut sheets to this report. My thanks to Richard Friberg of TEC, who developed the cut sheet templates which we have been able to utilize here. My thanks to all of our Department Heads, who have been cooperative in doing the extra work required to provide CIP data in different form. I have also included a second book which provides an analysis of six years of capital spending by the Town of Seabrook.

What is a CIP, and how are capital projects funded? Let us look at some definitions from both Massachusetts and New Hampshire. The Collins Center, in its preparation of a CIP for the Massachusetts Town of North Adams, said:

*"The Massachusetts Association of Town Finance Committees defines capital projects as "major, non-recurring expenditures, for one of the following purposes:*

- *Acquisition of land for a public purpose*
- *construction of a new facility or external expansion or major rehabilitation of an existing one. Examples of such town facilities include public buildings, water and sewer lines, roads and playing fields;*
- *purchase of vehicles or major equipment items*
- *any planning, feasibility, engineering or design study related to a capital project or to a capital improvement program consisting of individual projects.*
- *equipment for public improvements when they are first constructed such as furniture, office equipment, or playground equipment;*
- *major equipment which is expensive and has a relatively long life such as a fire apparatus, garbage trucks, and construction equipment.*

*The group goes on to indicate that, "typically capital projects do not include:*

- *equipment such as furniture or police or public works vehicles which are replaced annually in approximately the same quantity;*
- *equipment with a useful life of five years or less."*

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What does New Hampshire say? From the New Hampshire Municipal Association:

*“In the most general sense, a capital improvement is something that has a high cost and a useful life of several years, in contrast with regular operations and maintenance, which generally have a lower cost and occur on a more frequent basis. Typically, capital improvements will include infrastructure projects, land acquisition, buildings, or engineering studies for any of those projects, and may include vehicles or highway maintenance equipment in some municipalities. One useful starting point is the list of improvements for which impact fees may be assessed; the list in RSA 674:21, V is a good place to look for ideas.*

*Each community must define for itself what qualifies as “high cost” and a “useful life of several years.” The specific definition in each community will be slightly different based on the population, capital needs, and available budget. There is no single “right” way to define this. Smaller towns may have a different definition than larger towns or cities. For example, the City of Franklin sets its capital improvement threshold at \$25,000 with a useful life of seven or more years. Expenditures that do not meet both the cost and useful life threshold are not included in the capital improvements plan; instead, they are included as a part of the city’s operating budget. In a smaller community like Plymouth, (population 6,500), the threshold is \$10,000 with a useful life of five years. An even smaller community may define it as any project having a useful life of at least 3 years and requiring a gross expenditure of more than \$5,000.*

*An expenditure that seems very large to one community and that occurs only rarely (and thus should be part of a capital improvements program) may be considered part of the ordinary operating budget in a much larger community. If a city has a large fleet of vehicles and expects to replace three or four of them every year, vehicle replacement may simply be a line in the operating budget. For a small town, however, the replacement of a vehicle may occur only once every few years, and the expenditure may be significant. This is something that may belong in a capital improvements program so it can be planned and saved for appropriately.”*

There is a general agreement on what constitutes a “capital project,” with a recognition that some communities may choose to apply those definitions a little differently. As to how capital projects are paid for there is a stark difference between the states, with New Hampshire, with slight exception, choosing to fund capital projects on a one year basis, even where the asset may have a useful life of five, ten or twenty years. From the New Hampshire Municipal Association:

*“The most straightforward way to pay for municipal projects is through a one-year appropriation, but that is certainly not the only way. Regular appropriations into capital reserve funds targeted for specific projects are, essentially, savings accounts for future projects. They prevent spikes and dips in the property tax rate and can be much easier for taxpayers to handle than a sudden, very large expense in one year. Municipalities may also borrow to pay for capital projects, either by borrowing directly from a bank or, more commonly, by issuing bonds. Borrowing spreads the expense out after the project rather than before. Another funding source is impact fees. They may be assessed and collected from those receiving approval from the planning board for development projects and used to fund capital projects, although they must be refunded if they are not spent or encumbered for the purpose for which they were collected within six years after collection. RSA 674:21, V. This means that they should be targeted toward projects that are projected to occur within that timeframe.*

*It is often possible for a municipality to pay for much of a project with grant money from the state or federal government, and occasionally from private sources. Most grants require some matching portion of the funds to*

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*be provided by the municipality, but they can still significantly reduce the tax impact. Taxes may also be targeted toward capital improvements through a tax increment financing district under RSA 162-K. Most importantly, all of these methods may be used in combination with one another. A mix of funding sources is often the best way to move projects forward without undue pressure on taxpayers."*

In Seabrook we have, for the most part, used the one year funding methodology. Our Board of Selectmen and Budget Committee, in the last fiscal cycle, began to utilize some of the concepts cited by the above references. Specifically the Board of Selectmen, with a positive recommendation from the Budget Committee, put forward a warrant article creating a capital fund for Fire Department equipment, specifically turnout gear and SCBA breathing equipment. (Article 25) These purchases are mandatory under law, so the determination was made to fund them through a special capital account. If both Boards are interested in expanding that concept to other categories that can be discussed in this cycle. The proposed warrant article to start that funding process is approximately \$52,000 for 2019, and is based on the cost estimates received from the Fire Chief.

We have implemented the suggestion of the Budget Committee to move to the budget vehicles from water, sewer, and fire. We have created a lease line in all three departments, which again comports to funding everyday items, as mentioned by NH Municipal above, and was a main point of the budgetary discussion last year. The police, as agreed to with our Board of Selectmen and Budget Committee, purchased two vehicles in 2018, but will revert to three in the 2019 cycle, funded by the budget. I will deliver the 2018 vehicle inventory list shortly.

I have attached the CIP cut sheets from the Departments for their 2019 CIP requests. These sheets identify the 2019 requests by Department and reflect the projects requested in the formal CIP Book.

The debt schedules of the Town are attached. As we look to how we finance our CIP the debt schedule is an important document, as debt may be a part of our finance mix.

There are some caveats to the numbers in the official CIP. Let us look at some of those numbers. On the request by the Fire Department for a new Rescue Truck the carried number is \$875,000, but the method of finance would be lease finance over a five year period. On the cut sheet we have broken the fiscal impacts out over a five year period. Other CIP items that would be financed over time would be the Police request for radio equipment, which would be a debt request, financed through the Board of Selectmen revolving account for police and fire communication, and funded through the lease payments made on the Verizon Tower as well as the T-Mobile lease on the Route 286 water tower.

I have attached the three debt schedules for the Town of Seabrook below. The first was refinanced in 2016 by the Municipal Bond Bank, saving the Town of Seabrook over \$200,000 in finance costs.

Year	Principal Outstanding	Principal Payment	Total Payment
2009	\$5,997,345.00	\$162,345.00	\$461,226.31
2010	\$5,835,000.00	\$170,000.00	\$440,818.76
2011	\$5,665,000.00	\$175,000.00	\$439,018.76
2012	\$5,490,000.00	\$180,000.00	\$435,268.76
2013	\$5,310,000.00	\$185,000.00	\$431,268.76
2014	\$5,125,000.00	\$195,000.00	\$431,556.26
2015	\$4,930,000.00	\$200,000.00	\$426,318.76
2016	\$4,730,000.00	\$195,000.00	\$410,818.76
2017	\$4,535,000.00	\$205,000.00	\$405,185.26
2018	\$4,330,000.00	\$215,000.00	\$399,026.76
2019	\$4,115,000.00	\$220,000.00	\$391,250.26
2020	\$3,895,000.00	\$140,000.00	\$299,824.26
2021	\$3,755,000.00	\$145,000.00	\$300,662.26
2022	\$3,610,000.00	\$155,000.00	\$304,868.00
2023	\$3,455,000.00	\$160,000.00	\$302,735.00
2024	\$3,295,000.00	\$170,000.00	\$305,390.50
2025	\$3,125,000.00	\$180,000.00	\$307,438.50
2026	\$2,945,000.00	\$190,000.00	\$308,835.00
2027	\$2,755,000.00	\$200,000.00	\$309,736.00
2028	\$2,555,000.00	\$210,000.00	\$310,069.00
2029	\$2,345,000.00	\$220,000.00	\$309,892.00
2030	\$2,125,000.00	\$230,000.00	\$309,265.00
2031	\$1,895,000.00	\$240,000.00	\$308,188.00

Year	Principal Outstanding	Principal Payment	Total Payment
2032	\$1,655,000.00	\$255,000.00	\$306,979.00
2033	\$1,400,000.00	\$265,000.00	\$301,995.00
2034	\$1,135,000.00	\$260,000.00	\$286,988.00
2035	\$875,000.00	\$275,000.00	\$294,524.00
2036	\$600,000.00	\$290,000.00	\$305,101.00
2037	\$310,000.00	\$310,000.00	\$320,050.00

2012 Series B 20 Year Note at 3.1796%

Year	Principal Outstanding	Principal Payment	Total Payment
2013	\$971,000.00	\$51,000.00	\$87,196.89
2014	\$920,000.00	\$50,000.00	\$82,228.76
2015	\$870,000.00	\$50,000.00	\$80,228.76
2016	\$820,000.00	\$50,000.00	\$78,728.76
2017	\$770,000.00	\$50,000.00	\$77,228.76
2018	\$720,000.00	\$50,000.00	\$76,228.76
2019	\$670,000.00	\$50,000.00	\$74,228.76
2020	\$620,000.00	\$50,000.00	\$72,853.76
2021	\$570,000.00	\$50,000.00	\$70,853.76
2022	\$520,000.00	\$50,000.00	\$68,853.76
2023	\$470,000.00	\$50,000.00	\$66,853.76
2024	\$420,000.00	\$50,000.00	\$64,853.76
2025	\$370,000.00	\$50,000.00	\$62,853.76
2026	\$320,000.00	\$50,000.00	\$61,353.76
2027	\$270,000.00	\$45,000.00	\$53,853.76
2028	\$225,000.00	\$45,000.00	\$52,447.50
2029	\$180,000.00	\$45,000.00	\$51,041.26

Year	Principal Outstanding	Principal Payment	Total Payment
2030	\$135,000.00	\$45,000.00	\$49,578.76
2031	\$90,000.00	\$45,000.00	\$48,093.76
2032	\$45,000.00	\$45,000.00	\$46,575.00

The below is the third schedule, a \$5 million dollar note that had \$2.5 million forgiven through the ARRA.

Year	Principal Outstanding	Principal Payment	Total Payment
2012	\$2,500,000.00	\$0.00	\$181,424.35
2013	\$2,500,000.00	\$100,840.00	\$172,440.00
2014	\$2,399,160.00	\$103,728.00	\$172,439.94
2015	\$2,295,432.00	\$106,699.00	\$172,440.17
2016	\$2,188,733.00	\$109,755.00	\$172,440.31
2017	\$2,078,978.00	\$112,898.00	\$172,439.93
2018	\$1,966,080.00	\$116,132.00	\$172,440.53
2019	\$1,849,948.00	\$119,458.00	\$172,440.51
2020	\$1,730,490.00	\$122,879.00	\$172,440.23
2021	\$1,607,611.00	\$126,398.00	\$172,439.98
2022	\$1,481,213.00	\$130,018.00	\$172,439.94
2023	\$1,351,195.00	\$133,742.00	\$172,440.22
2024	\$1,217,453.00	\$137,573.00	\$172,440.85
2025	\$1,079,880.00	\$141,513.00	\$172,440.76
2026	\$938,367.00	\$145,565.00	\$172,439.83
2027	\$792,802.00	\$149,734.00	\$172,439.85
2028	\$643,068.00	\$154,023.00	\$172,440.47
2029	\$489,045.00	\$158,434.00	\$172,440.25

Year	Principal Outstanding	Principal Payment	Total Payment
2030	\$330,611.00	\$162,972.00	\$172,440.70
2031	\$167,639.00	\$167,639.00	\$172,440.18

The Town of Seabrook, per our schedules, has approximately \$6.6 million in debt left. We have amortized approximately \$3 million in debt from these three schedules, which will leave us some ability to use debt financing for some of our capital needs. Town Meeting has authorized \$1.2 million in debt finance for the repair of the town pier, which has not yet been issued. We continue to try to offset that expense with a federal Economic Development grant. The grant process has started with the assistance of the Regional Economic Development Center.

I have given, through the look at the six year history of Seabrook capital spending, some data on authorized spending. Below I will provide a look at what the Departments have done with that authorized spending in 2018.

**Recreation:** Recreation had one article (#38) in 2018, for the senior transportation fund in the amount of \$5,000. The Town of Seabrook’s Taxi Voucher system provides vouchers to those who are non-driving handicapped and or elderly. Transportation is provided to Seabrook, Newburyport and Amesbury. The voucher is \$52 a month for transportation, with one emergency voucher for \$52. The total for the year is \$676. We currently have 37 people enrolled.

Spending on this program in 2016 was \$4242, and in 2017 it was \$2204. Spending in 2018, at this writing, is \$1655

**Water:** Water had two articles (Articles 18 and 19).

**Article 18** was a reauthorization of \$525,000 for the search for water sources authorized several years ago by the voters. This funding is from the Water Capital Fund. It may be prudent to examine placing additional resources into this fund for future needs. The activity from that fund is detailed below.

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January 2018

- 2 new 8" bedrock wells drilled by Cushing and Sons of Keene, NH to 570' and 610' deep.
- One of the wells was a high producing well while the other produced only a low yield.
- The higher producing well (Well L) was pump tested in January.
- Maximum observed yield was 390 GPM for 60 minutes
- Specific capacity ranged from 4.0 gpm/ft to 5.0 gpm/ft during the 6 hour test. A bedrock well with a SC of 1.0 gpm/ft is considered a good well.
- Water quality of Well L was good and this well is considered a viable potential new source.

August 2018

- 3 more bedrock wells drilled by Cushing and Sons of Keene, NH.
- 8" wells to depths of 595', 595' and 610'.
- Multiple water bearing fractures encountered in each well but all were low yielding.

Approximately 110 GPM combined from the three wells.

- No plans to develop these wells further at this time.





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**Article 19** was the article, for \$50,000, for well maintenance. Work done under Article 19 is detailed below.

### **Bedrock Well #3 Redevelopment**

#### **January – March 2018**

- Well redevelopment is recommended when specific capacity drops by 15-20%
- Last redevelopment was 2002, SC was 3.48 gpm/ft. June 2017 SC was 2.15 gpm/ft, a 40% decrease.
- Redevelopment activities included the hydro-fracking of three different zones/depths in order to break up deposits in the water-bearing fractures. Liquid CO2 injection at 300', right above main water bearing fracture. 40 hours of surging and pumping to further loosen and remove deposits.
- Pre-redevelopment and post-redevelopment downhole videos were performed to assess the condition of the well and determine the effectiveness of the redevelopment.
- A new 3-stage pump and 30HP motor were installed. New check valve installed above pump.
- Post-redevelopment SC test performed resulting in 3.7 gpm/ft, a 75% increase from June 2017.

### **Sand and Gravel Well #7 Redevelopment**

#### **July 2018**

- Large decrease in well productivity was observed in early 2018.
- Pre-redevelopment SC test yielded 2.2 gpm/ft.
- Upon removal, heavy pitting observed on well pump and motor.
- Redevelopment conducted with traditional chemical injection to dissolve/loosen deposits and bacteria in the formation.
- The chemical was surged into the formation to further loosen blockages and then the treated water was pumped into a neutralizing tub. Surge and pump took place over 5 days.
- Pre-redevelopment and post-redevelopment downhole videos were performed to assess the condition of the well and determine the effectiveness of the redevelopment.
- New 6 stage pump and motor installed.
- Final SC was 5.14 gpm/ft, a 130% increase over pre-redevelopment SC.

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•More frequent redevelopments may be necessary due to the presence of fine sediments in the formation and their ability to block up the formation and well screen and also cause accelerated wear on the pump and motor.



The **Sewer Department** had three warrant articles adopted last year (Articles 17, 29, and 31.)

**Article 17** was the authorized spending of \$480,000 for the repair of the 286 outfall pipe. The project had specifications developed, was put out to bid, and has had one bid come in at \$259,800. We are currently evaluating the company and the bid, and have scheduled post bid construction conferences with the N.H. DOT, as well as with the company. It is our anticipation that ancillary (non-construction) costs will bring the project cost number higher than the bid number. A final determination on proceeding will be made after the conferences are complete. This project can be completed in this construction season.

**Article 29** was for \$18,000 for the repair of oxygen probes. No money has been expended out of this line, but the Superintendent has received proposals and is evaluating those proposals on the basis of design and cost. It is anticipated that a recommendation and action on that item will occur this year.

**Article 31** was for \$26,000 to reline the chlorine storage tanks. That project is underway, with the second tank clean and empty for an engineering inspection the week of October 8, 2018. After that inspection there will be a recommendation made on whether

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repair is a viable option, or whether replacement is the preferred option. That report will be issued shortly, with potential for action this year.

DPW had four warrant articles (16, 24, 41, and 62, a citizen petition.)

**Article 16** is the road warrant article in the amount of \$282,000. The funding for this article was \$176,734 from the state block grant, \$80,000 from the local transportation fund, and \$25,266 raised and appropriated through property taxation. This year South Main and Plymouth were two streets completed through this program. The spending for this article, as of this writing, did not touch the amount of \$25,000 raised through taxation. We will be able to get through this year without expending those local dollars.

**Article 24** is a \$20,000 appropriation for maintenance of a storm water pump station. No funds have been expended from this article as of this writing, but the Sewer Department is preparing a maintenance project that will occur this year.



**Article 41** was for the creation of a basketball court at Veterans Park in the amount of \$24,000. All of that amount has been expended, with the court complete, and a grand opening scheduled for late October.



**Article 62** was a citizens article for the replacement of bleachers at Veterans Park in the amount of \$9,500. The bleacher replacement is complete, with an expenditure of \$7189.30.

That covered the departmental capital spending in 2018.

The last items to be covered in this report would be the use of fund balance, both to offset the tax rate, and to fund capital projects, and a look at authorized capital spending since 2013. The fund balance, for policy makers, is a potential source of funding for capital projects, and has actually been used to fund capital projects in 2016, 2017, and 2018. The utilization of the “fund balance” in 2016, 2017, and 2018 has amounted to \$5,325,000, including \$1,075,000 for capital projects. The independent audit draft for 2017 has been delivered, allowing us to update the fund balance numbers.

Year	Fund Balance	Fund Balance Used (Tax)	Fund Balance Used (Capital)
2014	\$4,475,677.00	\$0.00	\$0.00
2015	\$6,356,963.00	\$0.00	\$0.00
2016	\$9,165,185.00	\$2,250,000.00	\$325,000.00
2017	\$8,380,584.00	\$2,000,000.00	\$270,000.00
2018	\$6,843,877.00	?	\$480,000.00

Below is the authorized capital spending over the past six years, as well as the human service amounts authorized.

Year	Capital Spending (Authorized)	Human Service
2013	\$1,333,400.00	\$165,879.00
2014	\$2,021,600.00	\$173,414.00
2015	\$2,519,709.00	\$160,487.00
2016	\$2,153,950.00	\$110,720.00
2017	\$2,385,800.00	\$141,897.00
2018	\$1,439,500.00	\$94,611.00

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As we look at capital spending for 2019 the examination of funding options, and a history of what we have spent in the past years, and how we have funded that past spending, should assist policy makers as they determine the best way to fund Seabrook's capital needs.