
Seabrook Capital Spending

Supplemental Information

Town Manager- August 18, 2019

I have submitted the Capital Plan for the Town of Seabrook in the traditional format. Last year we presented “cut sheets” which were one page descriptions of the requested projects. We will do the same this year. I have also included a second book which provides an analysis of seven 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.”*

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 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, have recommended, and the voters have approved, capital funds for the following purposes:

1. Fire Department Turnout Gear and SCBA Equipment
2. Police Equipment
3. Building Maintenance
4. DPW Vehicles

The SCBA Capital Fund was funded in 2019 with an initial appropriation of \$40,000. The other three capital funds were created but not funded. We are working with our departments to develop recommendations for the Board in those three categories. We will present those as part of the CIP/Warrant Article process in this cycle. We have implemented the suggestion of the Budget Committee to move everyday vehicles to the individual budgets, creating lease lines in water, sewer, and fire, which comports to funding everyday items, as mentioned by NH Municipal above. The Police budget funds three cruisers annually as part of the budget process.

I will produce the CIP cut sheets from the Departments for their 2020 CIP requests before we get to the Board for budget deliberations.

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 was approved in 2019 for the water tower maintenance project, as well as for asset management. Voters prior approved a debt issue for the repair of the town pier, which has been held pending our EDA Federal grant application, which is drawing closer to completion. We will be conferring with the NH Bond Bank shortly, with the goal of drawing funding for these projects in 2019. The debt of the Town has been reduced to \$6.2 million from the \$9.4 million financed through the below listed debt, amortizing approximately \$3.2 million in debt since the below referenced debt was floated.

There are some considerations as we contemplate the actions that will flow from the 2020 CIP book. The Fire Department request to replace the 2003 Rescue truck, costed at \$875,000, could be folded right into the Fire Budget, paid for by the existing line for equipment lease. Recommendations and decisions are still to be determined on projects and funding for the newly created capital funds, as mentioned above. A recommendation is due to the Board on paving Town owned lots, and ideas are still being examined in that area.

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

Year	Principal Outstanding	Principal Payment	Total Payment
2030	\$2,125,000.00	\$230,000.00	\$309,265.00
2031	\$1,895,000.00	\$240,000.00	\$308,188.00
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

Year	Principal Outstanding	Principal Payment	Total Payment
2028	\$225,000.00	\$45,000.00	\$52,447.50
2029	\$180,000.00	\$45,000.00	\$51,041.26
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

Year	Principal Outstanding	Principal Payment	Total Payment
2028	\$643,068.00	\$154,023.00	\$172,440.47
2029	\$489,045.00	\$158,434.00	\$172,440.25
2030	\$330,611.00	\$162,972.00	\$172,440.70
2031	\$167,639.00	\$167,639.00	\$172,440.18

I have given, through the look at the seven 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 2019.

Recreation: Recreation had two articles (#30, and #34) in 2019.

Article # 34 was 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.

Spending on this program has not matched the appropriation, and we will not seek or need an article in 2020.

Article # 30 was for a new boiler at \$65,000. Those specifications are being developed, and will be in hand by the end of August. The bid will be published in the first week of September. This article was financed through fund balance.

Water: Water had three articles in 2019(Articles 5, 21 and 22).

Article 5 was a bond issue for \$2 million (plus) for the maintenance of the two water tanks. Work has begun on developing the bid specifications for this project. Our anticipation is that a bid will be published late this year.

Article 22 was an article for \$138,600 for the Water Department SCADA system. Those specifications are with Procurement, and we will have a published bid by September 1.

Article 21 was the well maintenance article of \$50,000. That money is being utilized to clean and redevelop Bedrock Well #2. Bedrock well #2 has experienced a decline in capacity, and was last redeveloped in February-March of 2016, which resulted in a 124% gain in specific capacity. The goal of this project is to provide needed maintenance to Bedrock Well

#2 to improve the connection between the well and the bedrock aquifer by cleaning and redeveloping the water bearing fracture zones. The goal is to once again increase lost capacity from this well.

The **DPW** had two warrant articles adopted in 2019 (Articles 20 and 23.)

Article 20 was the annual road program, funded at \$377,000, primarily from the State Highway Block Grant. Streets on the 2019 list were:

1. Walton Road (partial)
2. Folly Mill Road (partial)
3. Greenleaf Drive
4. Hooksett Street (partial)
5. Dixon Way

Article 23 was for a Dump Truck, financed at \$150,000. The truck itself is a state bid list item, and is currently under construction. The dump body and add ons have had specifications provided, and will be bid by mid-September. Our estimate is that the truck itself will not be available until after the new year.

Sewer had one warrant article #27.

Article 27 was for an air handling unit financed at \$15,000. That work has not yet begun.

That covered the departmental capital spending in 2019.

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, 2018 and 2019. The utilization of the “fund balance” in 2016, 2017, and 2018 and 2019 has amounted to \$5,885,000, including \$1,140,000 for capital projects. The independent audit draft for 2018 has not been delivered, leading to the asterisk for 2018 fund balance. That number will be updated when the audit report is delivered. That fund balance number may impact the thinking relative to how some 2020 capital projects are funded. The 2019 fund balance number, as well as the application of fund balance to subsidize the tax rate in 2019, are not known at this time.

Year	Fund Balance	Fund Balance Used (Tax)	Fund Balance Used (Capital)
2014	\$4,475,677	\$0	\$0
2015	\$6,356,963	\$0	\$0
2016	\$9,165,185	\$2,250,000	\$325,000
2017	\$8,380,584	\$2,000,000	\$270,000
2018	\$6,313,874*	\$495,000.00	\$480,000
2019			\$65,000.00

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	\$165,879
2014	\$2,021,600	\$173,414
2015	\$2,519,709	\$160,487
2016	\$2,153,950	\$110,720
2017	\$2,385,800	\$141,897
2018	\$1,439,500	\$94,611
2019	\$3,864,700	\$95,130

As we look at capital spending for 2020 there is a changing financial landscape for Seabrook, as we move to “smooth” the gyrations in debt spending through the use of capital funds. Finding the right mix of funding for our capital projects is something that data provided in this report will assist policy makers to evaluate.

