



CIP Committee Meeting Tuesday, May 9, 2017

Call to Order

Councilor Giunta called the meeting to order in the Council Chambers, Franklin City Hall at 6:00 p.m.

In Attendance

Councilor Giunta, Clarenbach, Councilor Wells, School Board Chair Dow, School Board Member Brown, School Board Member Doucette, Planning Board Member Brown, Resident Leigh Webb, Resident Ted Starkweather and City Manager Dragon.

Salute to the Flag was led by Resident Webb.

City Manager Dragon stated it is important to go over the assets for city and school. The work of the CIP Committee is to review the plan that has been presented. The packet that was given out has information about the role of the committee and the member's duties per statute. It is really an off shoot planning document. The goal of the CIP is to set a base amount each year for capital items and then break it down into capital outlay, capital reserve, leases and bonds. The reason for the same amount each year is so there are not large changes to the budget each year affecting the tax rate. The goal is really to create stability and plan for the future and have the money for when a capital item is needed to be bought. The city has been updating the sheet each year even though the CIP committee has not met.

City Manager Dragon stated on the city side all department capital recommendations are submitted to her first and then the department heads meet as a group to prioritize the items. She stated she does this so that the different departments are not competing against each other at a CIP committee meeting.

City Manager Dragon stated the packet does have the guidelines of the committee, on page 4 of 19 states what makes it a capital item vs regular item. If the item meets all the categories then it is a capital item. The CIP committee recommends the debt policy and can make changes to previous policies. The committee also looks at the fund balance, on page 6-7. Several years ago the council made a policy of putting money away each year to build the fund balance to the GFOA standard. The fund balance is now at \$2.7M or 10.9%. When City Manager Dragon began the fund balance was under 5% and now it is at 10.9%.

Resident Webb asked if the minimum you can't fall below is 5%. City Manager Dragon stated that is recommended but she is trying to get it at the 15% as it is meant for catastrophic events where you need to access money to keep running. Resident Webb stated that if you don't have

a properly funded fund balance it can be viewed as a negative by the bank to draw funds. City Manager Dragon stated the city has not been doing that as the city has been very conservative and waiting until the end of the year to make those decisions. Planning Board Member Brown asked if you don't use borrowing to finance projects is that the same type of criteria that would be applied to the end of year as well. City Manager Dragon stated no the city doesn't do that. She explained that they are good at matching revenues.

City Manager Dragon went back to the packet and pointed out funding mechanisms - bonding, capital leasing, grants, pay as you go, excess fund balance and one time revenues. She pointed out the page about the tax cap formula breakdown. On page 10, is about the debt limits and it breaks it down as to what is outstanding and what is available for capacity for the city to borrow. Resident Webb mentioned that on page 11 is the interest rate so if we wanted to borrow this is a good time to borrow as the interest rates are historically low. City Manager Dragon stated they are historical low and the city has been able to take advantage of some low rates. Leigh Webb asked what are the rates right now and Finance Director Milner stated 3%. City Manager Dragon pointed out that on page 12 is a debt retirement graph and on page 13 is the capital reserve account. If you look at the municipal reserves account \$120K of that money is what City Manager Dragon recommended moving over to the school account to help fund the gap. The next several pages are summary sheets and they show a snapshot of the next few years and how dept. heads have prioritized the items. Today the city received the school's CIP information so that is a separate handout and not in the packet. Years ago meetings were held for hours with dept. heads to prioritize the items.

City Manager Dragon talked about the Municipal Departments Asset Acquisition Activity sheet 7/2011-6/2016. She stated she is very proud of this document as it is what the city has been able to do in a difficult recession. A lot of the items are grant funded but the city has been able to do \$13,612,461.83 worth of capital projects in five (5) years. A large portion was the water/sewer facility that was half grant funded. There are many projects in there that the city has been able to do.

Resident Webb stated that this was all done without CIP funding. City Manager Dragon stated that isn't all true. Some items are CIP funded in the budget but not part of the CIP Planning Committee. Resident Webb stated that these all came from the general fund. City Manager Dragon stated some did, some came from Enterprise funds, some are entirely grant funded, some are partly grant funded and some equipment was bought with funds at the end of the year. She stated that even if it doesn't seem like it, the city does pay attention to capital and prioritize each year. The dept. heads are very creative and go after different funding sources.

Resident Webb asked if the highlighted items in the first column FY2018 on page 14 is in the City Manager's budget. City Manager Dragon stated yes those are in her proposed budget to the council. Resident Webb asked that anything not highlighted it would be up to the CIP Committee to decide about those items. City Manager Dragon stated that those items typically get bumped out to the next year and they are reprioritized again. Planning Board Member

Brown asked about the third item down, the cottage renovation, states the granted/donation funded, so has that been received, going to be received or going to be taken care of just not in the budget. City Manager Dragon stated it is in process as it has not all been received yet. Planning Board Member Brown asked if the thought would be that it will be pretty much funded through the grant process so they don't have to be concerned with those versus others that have no grants or matching grants. City Manager Dragon wanted to make note that she has no expectation to add any of these to the upcoming 2018 budget. The dept. heads and City Manager Dragon have already met to prioritize what they absolutely have to do and those are the ones in yellow. The other items are things that need to be done but will likely be moved out to the next year. For the school's items, the roof is a priority and we have incorporated that.

In the future when more funds become available the CIP meetings would be held earlier in the year before the City Manager's proposed budget is finalized. Councilor Clarenbach stated that when you add this up there is \$400K, including leases, that is being funded this year. That is getting the immediate need covered but there needs to be a transition to the committee if they are going to meet annually and what their role is going to be. He is hoping the committee could come up with a number for funding to the capital reserve on an annual basis. There are plenty of projects but to come up with a number and maintain that every year in the budget. Right now that is pretty hard to do but hopefully in the future that can happen. Planning Board Member Brown asked would you prioritize within that. Councilor Clarenbach stated that the administration will make the recommendations.

Councilor Wells asked if the multi-purpose tractor for, \$142K, is that being paid for with cash. Councilor Clarenbach stated it is a lease payment. Councilor Wells stated that this doesn't show the payments over years. City Manager Dragon stated that this doesn't show those payment amounts over the years it is the whole amount as the city gross appropriates.

Resident Webb gave a hypothetical and clarified that the yellow highlights are the City Manager's recommendations and she stated yes. Resident Webb stated that they equal about \$400K and if the committee doesn't agree with her recommendations then they can look for something else equivalent to that but the budget doesn't allow for anything more than that. City Manager Dragon stated that is accurate and most realistic approach. You would have to first look at things that they are currently obligated too. This list isn't apples to apples as there are leases that are currently in there. Resident Webb asked about Connectivity & System solution and what that was. City Manager Dragon stated that is fiberoptics, a lease purchase, to connect all the municipal buildings. It will save the city money as they currently pay for several servers and pay for metrocast. Resident Webb asked if this would be an internal system that the city would have control versus metrocast having control and City Manager Dragon stated yes.

Councilor Giunta asked if they would like the dept. heads to speak. City Manager Dragon stated it is up to what the committee would like. The dept. heads can speak about a brief summary

and not go into too much detail. Councilor Clarenbach stated to add new items to this list it is not going to happen due to our financial circumstances. Councilor Giunta agreed that making changes to this document will need good conversation with the dept. heads.

School Board Member Doucette asked what does the city need of the committee tonight and how much is going to be added to the rainy day fund. City Manager Dragon stated that she is looking to not add items to the list but hoping that this will inform the CIP Committee what the city has for assets and how much it costs to replace them. She would also like the committee to adopt as this is the starting plan for next year once adopted. The committee would need to bring to the council any changes. School Board Member Doucette followed up by stating that having a capital reserve with more than 5% is doing a disservice to the taxpayers so having \$5M in that account is not helping them. City Manager Dragon stated we do not have that problem.

School Board Member Brown mentioned that the minimum for CIP consideration is \$25K but the first two items on the list is below that. Is that all in the same area that is required to make it complete. City Manager Dragon stated those are in the roads and that is an aggregate project. School Board Member Brown asked will leases in the yellow be presented so they know what the lease payments will be for the outlay. Finance Director Milner stated that for the fiber project it is \$11K, sidewalk tractor it is \$27K, for the trucks #4 and #10 it is \$13k each and the roads are part of the note from last year.

Councilor Wells asked if it would be easier to show the annual amount each year until the item is paid off versus the total amount it costs. Councilor Clarenbach stated that is a reasonable idea so you can see what is being spent each year to come up with a realistic budget. He feels it is the CIP Committee's goal to advocate for a number to the council. It is important to see each year as they move forward and helpful for everyone to guide the council to a number. Planning Board Member Brown asked if the \$550K is part of the school's budget. City Manager Dragon stated yes that is a ten (10) year note on their budget and a transfer from the city budget. Finance Director Milner stated if you look at page 11 Capital Lease Schedule it shows the items and the end of their lease.

Resident Webb stated there was at one time a Mayor's revenue commission that was to divvy up the proceeds from the Northern Pass Project. He would like to believe that would also be under the CIP Committee and would like any notes or information for the committee to be able to review. City Manager Dragon mentioned she looked and other than copies of minutes there were no other documents. Her synopsis of those conversations is about how to make the most out of this opportunity, make sure it lasts as once it comes in and it is divvied up that is it. The priorities talked about were tax rate relief, set amount for capital each year, tax cap charges formula, economic development and education funding.

Resident Webb asked if the Northern Pass money would now make the city unable to apply for grants. City Manager Dragon stated possibly but Franklin qualifies for grants that towns pass up at their town meeting.

Councilor Clarenbach is concerned when the cash flow is reduced and an opportunity comes up with a grant and it has matching funds that there is no available money to match.

Councilor Starkweather asked if the school board has a plan in place, like the city, for capital expenses down the road. School Board Member Brown stated they have a capital list through 2021 but most of it was on the list but three (3) items didn't meet the \$25K criteria. Councilor Starkweather asked if they had bids, how many and are they reliable. School Board Member Brown stated they are not bids they are quotes as they would have to do RFPs for bids. Resident Webb asked if the \$550K was a hard number. School Board Member Brown stated it was a hard quote from a roofer.

Councilor Starkweather asked about the Haynes Brook Culvert project. City Manager Dragon stated it has stalled a bit. They have gotten some grant funds for the project but the bids came back higher than what they had for funds. MSD Director is relooking at it a different way to do the project with directional drilling rather than how they are normally done to try and get the costs down. Councilor Starkweather stated that this is the problem with the urban compact as the city has to maintain state roads.

Councilor Wells asked if the funds in the enterprise section all are being paid by the enterprise funds or is some of it tax money. City Manager Dragon stated they are from the enterprise fund. The enterprise funds are from water and sewer and are not funded by general taxation. It is only paid for by the users and not everyone is on both water and sewer some are just on one or the other. The problem is the infrastructure is costly with not enough customers on it. With sewer the city is trying to cut the I & I flow as they are being charged by the Winnepesaukee River Basin Program which is where the discharge is going.

School Board Member Doucette asked if a motion was needed. City Manager Dragon stated yes.

Motion made by School Board Member Doucette to move the CIP as presented to the City Council for adoption. Seconded by School Board Member Brown.

Resident Webb asked for clarification about the Haynes Brook Project and if City Manager Dragon and MSD Director Sullivan are comfortable with how that is going and it doesn't have to be funded in this year. City Manager Dragon stated the project needs more money but they are trying to look at other ways to reduce that cost.

Amendment made by Councilor Clarenbach to include the CIP school material as well. Seconded by Resident Webb.

School Board Member Brown asked if the total on the city side is \$468,100 approximately based on the highlighted sections. City Manager Dragon stated that is gross but if you look at what we are actually paying that is not correct as there are lease payments in there.

Resident Webb asked if the bid on the roof comes in significantly lower could the other items be addressed. City Manager Dragon stated she is not going to speak for the council but they are always willing to consider end of the year items. The school would have to come to the city council to make any type of adjustment. Councilor Giunta doesn't remember a time that the school has come to the council with excess funds and the council has denied them. School Board Chair Dow stated that was the lowest bid on the roof as they have another bid that came in at \$800K.

All in favor of amendment; motion passes.

All in favor of original motion; motion passes.

Motion to adjourn made by Resident Webb, seconded by Councilor Clarenbach. All in favor; meeting adjourned at 7:17 p.m.

Respectfully Submitted,

Lauraine G. Paquin