

CAPITAL IMPROVEMENT COMMITTEE

Lyndeborough voters authorized the Town to appoint a committee to review capital expenditure needs back in 1985. In those first few years, the committee was assisted by the Nashua Regional Planning Commission. The goal was to identify equipment and infrastructure needs then obtain costs and prepare a financial plan. Today, that core process for exploring capital expenses remains unchanged and in the hands of townspeople appointed by the Planning Board. The legislature encouraged communities to form these committees to better evaluate present and future capital needs. It was clear not enough planning for future needs was taking place. Too often, it seemed either approval was granted with a large tax impact the result or important projects were not funded.

The Capital Improvement Plan process today calls for the committee to meet with all town departments and the school to develop a plan for meeting their needs going out a minimum of six years. In actuality, the current plan addresses when and how all town vehicles will be replaced as well as covering infrastructure such as buildings, bridges, and roads. A threshold of \$20,000 is used to determine what items could be included in the plan. The role of the committee is to take the requests and prepare a plan; the decision to actually fund any item is made by the Budget Committee and the Selectmen.

The major focus is to fund the requests in a way that, from year to year, results in a minimal impact on the tax rate. One of the chief financial tools used to accomplish these results are Capital Reserve Funds or CRFs. These voter established funds allow money to be set aside in an interest bearing account that over time will provide sufficient funds to be available for a specific capital purchase. These funds are managed by the Trustees of Trust Funds and cannot be co-mingled with any other monies. The other primary funding tool is called bonding. A bond is like a home mortgage in that the cost is paid off over time with payments that include both principal and interest. This approach is used when funding by a CRF is impractical given the size of the expense or the timeline involved. One method funds items in advance, the other pays off a large expense after the fact.

Both approaches allow for payment of purchases over time instead of all at once and it is this spreading out of costs that gives the committee the flexibility to develop a plan where the total of all items in any one year are close to those in previous and future years. This reasonably level funding of capital needs from one year to the next results in small affordable tax rate impacts. Voters can be assured that voting "yes" on these items will not result in a big increase in their taxes. The various departments can feel secure their needs will be met in a timely manner. When you step back and look at all the buildings and pieces of equipment, not to mention the roads and bridges, the capital and infrastructure values are substantial. The CIP Committee's task is to keep this infrastructure working for the citizens of the town at a cost that is affordable.