FINAL

LEBANON CITY COUNCIL
MINUTES – CIP WORK SESSION
OCTOBER 20, 2021 - 6:00 PM
COUNCIL CHAMBERS, CITY HALL
Or Remote Via Virtual Platform
Lebanonnh.Gov/Live

MEMBERS PRESENT: Mayor Tim McNamara, Assistant Mayor Clifton Below, Erling Heistad, Karen Liot Hill, George Sykes, Douglas Whittlesey, Devin Wilkie, Jim Winny and Karen Zook

MEMBERS ABSENT: None

STAFF PRESENT: City Manager Shaun Mulholland, Deputy City Manager Paula Maville, Director of Planning & Development David Brooks, Director of Public Works James Donison, Assistant Director of Public Works Jay Cairelli, Fire Chief & Emergency Management Director Chris Christopoulos, Kelly Crate, DPW

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1. **CALL TO ORDER:** Mayor McNamara called the meeting to order at 6:00 p.m.

2. **PRELIMINARY DISCUSSION OF 2022 CAPITAL IMPROVEMENTS BUDGET**
   A. Capital Improvement Program (CIP) – 2022-2027

City Manager Shaun Mulholland explained that the CIP process is a Planning Board Process by statute. While Project reviews will not be done at this meeting, he urged the Council to ask questions.

Director of Planning & Development David Brooks, and Chair of the Planning Board Bruce Garland came forth to give their presentation on the 2022-2027 CIP Program.

Mr. Brooks noted this is an overview of the CIP process and described what is/is not considered a CIP item.

The Capital Improvement Program is developed and updated annually to assist the City Council in its review of budget expenditures relative to the capital needs of the community. It is prepared on statutory requirements and is a companion of, and supports the goals of the City's Master Plan. The statutes require that a CIP cover at least six (6) years, but Lebanon's plan looks beyond the 6-year requirement to enhance its purpose as both a fiscal planning and a community planning tool. Although the annual budget is the Council's responsibility, the CIP is the Planning Board's responsibility, which was tasked to them back in 1986 and they have fulfilled it each year since that time. First and foremost, it's a planning document. The City has to have a Master Plan in order to have a Capital Improvement Program, and you have to have a Capital Improvement Program to have impact fees and growth management ordinances. Most importantly, this is an ever evolving project. We start early in the year but are constantly getting new information about all of the proposed projects and are constantly re-evaluating the feasibility, the costs, and the need for those projects. However, at some point we have to draw a line in the sand and print something out to present to the Council. There is also a very real possibility that we will be bringing forth amendments as we go through the budget process, up until the December Budget Hearing.

The Planning Board has, as part of its role, developed a Policy & Procedures document that was updated in 2019 which lays out and describes the entire CIP process and sets forth what the Planning Board considers to be Capital Improvement Program Items. These include:

- Any physical public betterment and related studies.
- Acquisition of land.
- Construction of new buildings & facilities valued in excess of $50K.
- Facilities engineering design and preconstruction costs in excess of $50K.
- Major planning related studies utilizing consultants at a cost in excess of $45K.

Operating vehicles do not count as a CIP item, neither is repaving a road or rebuilding a sidewalk.

Planning Board Chair Bruce Garland spoke about the Planning Board's role and the importance of the CIP process, noting that in a practical sense this devolves to a subcommittee of the Planning Board where all potential projects are reviewed, rated for importance, and then reported back to the full Planning Board, who then decides whether to pass this information along to the Council or not.

This is also an exercise for the entire community in that it involves both the City Administration and School Board. We have been trying for the last few years to get the School Board more involved. This year, for the first time, someone from the School Administration, attended our meetings. The School Board uses the term "Capital" for their operating budget, and in that operating budget it takes roughly $300K and sticks it into a Capital Fund and applies those funds over 6-years as to how it could be spent, which is totally different from the types of (major) projects that they have in mind. Their real projects have to go to the School Board. The net result, from a community perspective, is they (School Board) are looking at, for example new classrooms in the primary schools, while the Planning Board is looking at Fire Houses. So, how does the School District and the City come together and decide which are priorities, since, at the end of the day, both projects will be paid from the same source?

Mr. Brooks expanded on Chair Garland's comments noting they had a member of the School District Administration come before the CIP Subcommittee for the first time this year and it was a very good conversation because it became very clear that we are not making the best use of our CIP tool because we do not get all the information from the School District. They do not put forward costs for a major building expansion until they are ready to present that to the voters. In the meantime, they put in a placeholder of $1.00 (one dollar) associated with a major addition to one of the school buildings. That does not allow either entity to wrap their minds around anticipated costs. We need better coordination between the School District and City Council so we can find a way to plug in their major expenditures at some point and fit the City projects in around it. Unless we (City) see the actual dollar amount (for the School District's projects), we cannot properly plan for all of the other expenditures that the City needs without blowing up the budget. He encouraged the Council and the School District to continue to coordinate with their quarterly joint meetings and figure out a better way to make sure the City has the information we need, even if we do not know what year it will be. The City needs to know about the School District's big ticket items.

Councilor Liot Hill questioned if this is typical in other School Districts and requested a survey be done with other similarly sized cities/town in the State to look at this process. Mr. Brooks will look into this and report his findings back to the Council.

City Manager Shaun Mulholland presented his slides for the 2022 Capital Improvement Plan Budget for the City of Lebanon, which can be found in more detail on pages 22-54 in the City Council agenda packet. In summary, his presentation included:

CIP Funding Sources (*page 24*):

- General Obligations Bonds
- State Revolving Funds-Water and Sewer
- Capital Reserve Funds
- Grants and Loan Forgiveness

2021-2022 CIP Budget Comparison (*page 25*):

2021	
General Fund:	**$4,980,701**
Sewer Fund:	**$1,088,870**
Water Fund:	**$ 175,870**
Solid Waste Fund:	**$ 440,000**
Airport Fund:	**$3,039,700**
TOTAL:	**$9,725,141**

2022	
General Fund:	**$6,621,700**
Sewer Fund:	**$1,094,810**
Water Fund:	**$3,109,940**
Solid Waste Fund:	**$1,599,860**
Airport Fund:	**$1,775,000**
TOTAL:	**$14,201,310**

General Debt Limitation (*page 26*)

Revised Policy – General Fund (*page 27*)

- Baseline debt ceiling set at the 2021 amount of $41,159,000.

General Fund			
FY	**Principle**	**Interest**	**Total**
2016	$48,192,630	$14,634,472	$62,827,102
2017	$47,110,673	$13,672,130	$60,782,803
2018	$45,323,622	$12,676,115	$57,999,737
2019	$43,550,175	$11,694,827	$55,245,001
2020	$41,651,172	$10,698,317	$52,349,489
2021	$41,159,000	$9,959,992	$51,118,992

- Adjusted annually by growth in the economy based on the CIP year over year from June to June.

General Fund Debt Management Plan (*graph on page 28*)

Rolling 6-year Period (*page 29*):

- The debt ceiling is calculated on a rolling six-year period based upon the CIP.
- Debt attributable and paid by Tax Increment Finance Districts or Special Assessment Districts is not included in the debt ceiling
- Large projects that cause exceedance of the debt ceiling would freeze incurring debt until the amount owed was below the ceiling.

<u>CIP Breakdown by Fund (*page 30*)</u>:

- General Fund: $44,681,276 (60%)
- Solid Waste: $3,031,565 (4%)
- Water Fund: $5,298,870 (7%)
- Sewer Fund: $4,934,657 (7%)
- Airport Fund: $16,050,000 (22%)

<u>Long-Term Plan – General Fund (*page 31*)</u>

- 6 Year Capital Improvements Plan
- Debt Load Stabilization Plan
- Leveling of the General Fund Debt.
- Limit new debt to the amount of debt being retired over the 6 Year period + CPI
- Growth factor
- Facilities
- Streets and Bridges
- Vehicles and Equipment

<u>What's Missing (unfunded list)</u>:

- Second Fire Station Replacement
- Community Center Project
- Athletic Fields
- Westboro Yard/Trail Improvements
- City Hall Upgrades
- Police Station Renovation/Expansion
- Hanover Street Improvements
- Downtown Roadway Reconfiguration
- Climate Action Plan
- Sidewalk Extension Plan

Councilor Liot Hill noted that while these are not on the funded list, projects that pay for themselves or are funded with grants/other sources of funding are still possible.

<u>General Fund CIP Functional Areas (*page 33*)</u>:

- Facilities: $15,807,280 (35%)
- Vehicles & Equip: $6,248,733 (14%)
- Studies/Ped/Fields: $1,051,472 (2%)
- Roads & Bridges: $21,573,791 (49%)

<u>General Fund Debt Service graph (*page 34*)</u>

<u>General Fund Debt Retirement graph (*page 35*)</u>

<u>Long-Term Sewer Fund Plan & Graphs (*pages 36-38*)</u>

<u>Long-terms Water Fund Plan (*page 39*)</u>

What's Missing? (unfunded list) (*page 40*)

- Second water source/new well
- Mechanic Street water main lining
- Lake View Dr. water main replacement
- Hanover St. water main replacement
- Richardson Place water main replacement
- Gould Road water main replacement
- Water main from WTP to Prospect Hill water tank replacement
- Water main from Forest Ave. to Prospect Hill water tank

Water Fund Debt Management Plan starting in 2023 (*page 41*)

2024 Rate Program-Fixed 5% + CIP variable Max of 8% (extended through 2030) (*page 42*)

Option 2-Quarterly Customer Class Water Bills (*page 43*).

Option 2-Quartely Customer Class Water Bills											
Ccf	*Meter*	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Residential											
0	5/8"	$18.32	$19.79	$21.37	$22.76	$24.24	$25.82	$27.50	$29.29	$31.19	$33.22
7	5/8"	$42.75	$46.18	$49.86	$53.07	$56.51	$60.19	$64.11	$68.28	$72.70	$77.46
9	5/8"	$49.73	$53.72	$58.00	$61.73	$65.73	$70.01	$74.57	$79.42	$84.56	$90.10
12	5/8"	$60.20	$65.03	$70.21	$74.72	$79.56	$84.74	$90.26	$96.13	$102.35	$109.06
18	5/8"	$102.08	$110.27	$119.05	$126.74	$134.94	$143.72	$153.08	$163.03	$173.57	$184.90
Non-Residential											
12	5/8"	$81.20	$87.71	$94.69	$100.88	$107.40	$114.38	$121.82	$129.73	$138.11	$147.10
25	3/4"	$189.55	$204.73	$221.04	$235.48	$250.71	$266.99	$284.35	$302.81	$322.39	$373.37
200	2"	$1,301.59	$1,405.66	$1,517.55	$1,616.76	$1,721.22	$1,833.01	$1,952.22	$2,078.95	$2,213.25	$2,357.28
1000	4"	$7,772.70	$8,500.29	$9,177.51	$9,776.90	$10,409.25	$11,085.40	$11,806.25	$12,572.76	$13,385.94	$14,256.88

Projected Rate Increase 2024 (*page 44*):

- 5% Rate Increase + CPI Variable (1.5% est.) = 6.5% Rate Increase for 2024
- Rate Increases for 2022 and 2023 are programmed for 8% each year to meet the existing debt service requirements.

Water Fund Debt Service and Debt Retirement graphs (*pages 45-46*)

Long-term Plan – Airport Fund and graphs (*pages 47-49*)

Long-term Plan – Solid Waste (*pages 50-53*)

Total Debt Service graph that includes existing projects and projects in the CIP (*page 54*)

3. ADJOURNMENT:

The meeting was adjourned at 6:49 PM.

Respectfully submitted,
Dona E. Gibson
Recording Secretary