

Town of Farmington
Capital Improvement Plan Committee Meeting Minutes
Wednesday, January 6, 2021

Committee Members Present:

Paula Proulx, Chair, Selectmen's Rep.
Ann Titus, Vice Chair
Erica Rogers, Secretary
Rick Pelkey, Planning Board Rep.
Jeremy Squires, Budget Committee Rep.
Tim Brown, School Board Rep.
Ruth Ellen Vaughn, SAU 61 Superintendent

Committee Members Absent:

Arthur Capello, Town Administrator,
excused

1). Call to Order:

Chairman Proulx called the meeting to order at 4 p.m.

2). Pledge of Allegiance:

All present stood for the Pledge of Allegiance.

3). Review of Minutes:

December 16, 2020 – No errors or omissions

Motion: (Titus, second Rogers) to accept the minutes of Dec. 16, 2020 as written passed 5-0-2 (Squires, Brown abstained).

4). Accept the CIP:

Chairman Proulx said the committee did not vote to accept the CIP that they have now and they won't have time to get the answers from the dept. heads and update it by the time it has to go to Town Meeting. She said she was asked to have the committee accept as it is and then continue to work on updating it going forward to next year.

Mrs. Vaughn said they would be accepting as it is and they haven't made a recommendation or done any of the other pieces and asked how they would handle that.

Chairman Proulx said they made their recommendation to the Selectmen 2 meetings ago.

Mrs. Rogers said the committee still needs the priority designations.

Mrs. Vaughn said they made recommendations on a few pieces but they didn't make a recommendation on the priorities and if they scratch that appendix then it might make sense.

Chairman Proulx said that would be part of them accepting what they have at this point so they could omit that this year and put it back in next year with the other updates.

She said by the end of this meeting the committee may feel comfortable enough to accept it and asked someone to remind her to call for that vote.

Mr. Brown asked with COVID-19 and the unknowns with the revenues in next year's fiscal

budget if it makes sense to accept it as written with priorities being assigned by the Selectmen which is their ultimate power anyway.

Mrs. Vaughn said she did not want to sign off on a priority the committee hasn't agreed on.

Mr. Pelkey asked how the Selectmen took their concerns about capitalizing all the items being given to them by the dept. heads.

Chairman Proulx said the board hasn't discussed it yet because they are in the middle of preparing the 2021 budget.

Mr. Pelkey said he would be willing to approve the CIP with the caveat that it falls short of what they are supposed to be doing with the CIP, which is to capitalize a good list of priorities they got from the dept. heads- which they haven't gotten.

Chairman Proulx said each year they check with them but the committee has taken a different approach on what they want to see happen to make it more like what it was intended to be.

Mrs. Rogers asked what says they have to finalize it by Town Meeting and if they could just not finalize it right now and continue to work on it so that it's a proper complete document.

Chairman Proulx said if they want it published for Town Meeting they need to finalize it and if not they don't.

Mrs. Vaughn asked how long it takes to get things printed. She said the results of the Deliberative Session (Jan. 30) must be included in the school reports so she won't compile them until the first part of Feb. and they must be in to the Town the week before Town Meeting.

Mrs. Rogers said she does most of the printing in-house and would have it done in a few days.

Chairman Proulx said the concern is the time needed to request the information they want, get the responses, compile them and then have the committee review it.

Mrs. Vaughn asked if they're finalizing it now what else is being gathered between now and March.

Chairman Proulx said she was referring to if they decide to go the route they discussed at the last meeting. She said by the time they get the information back from the dept. heads and they meet again and go through it, it could go out into March. If the committee decides not to put it forth to the voters in March we don't have to finalize it she said.

Mrs. Titus said she would like to have a CIP book available and asked if an information piece that says the priorities are not ready and will be ready next year could be added to the book.

Chairman Proulx said it could be an explanation sheet on how the CIP is evolving.

Mr. Pelkey said the CIP is being used to justify some of the warrant articles and there is a deadline for submission of the articles which is probably what the push is to get this finalized.

He said in the future there will be fewer warrant articles because we are trying to keep the budget as low as we can because the revenue stream is bad but we know we need to put money into the CIP to maintain the equipment we have. Next year we should produce something that supports warrant articles and shows how we would capitalize things over time. It's a big change from the way we've been doing business he said.

Chairman Proulx said there are many facets to this and she couldn't see it being done over a month or two. She said it's up to the committee if they want to take Mrs. Titus' approach or do nothing at all and when people question them say it wasn't ready.

Mr. Brown said he liked Mrs. Titus' idea and asked with the budget and revenue situation we're in how much money would be invested into a CIP and if there was much left to invest.

Chairman Proulx said they recommended \$100,000 be appropriated for bridges, \$5,000 for highway dept. equipment and \$15,000 for Scott packs that will probably come from the fund balance.

Mr. Pelkey said they are putting money away now to purchase Scott packs in 10 years and that should be the model for everything they're doing. He said if we buy a new plow truck today we should start putting money away this year for the next plow truck and divide it into the number of years of service we will get out of that truck to level it out so we're not spiking the budget and it will be more predictable. The inflation and interest should roughly offset each other so when we're ready to buy another plow truck we have the money in hand he said.

Chairman Proulx said that could be a substantial increase to the tax rate so if you're going to tell someone their taxes are going up you probably ought to tell them ahead of time so they can start to look at it.

Mr. Pelkey questioned that that would happen unless everything in the DPW breaks down at the same time and we have millions of dollars of equipment to buy as opposed to paying for it over the course of 20 years.

Mr. Brown said on the school side they put money away every year for buses and they know in "x" number of years they have to buy a new bus. He said if we get away from appropriating cash for a plow truck and start budgeting \$20,000 they offset each other as we go through the budget and if we do it intelligently we may see more of a stable tax rate.

Chairman Proulx said the spike would probably come in the first one or two years because we would have to make up for not doing it as they discussed at the last meeting.

Mrs. Vaughn said they would see an increase at first but then the next year it's not an increase because it's where you were. She said if there are already funds in the **Capital Reserve Funds** for those uses they may be able to reduce the amount to be set aside each year.

Mr. Pelkey suggested they may be able to extend the life of a vehicle by 2-3 more years if it doesn't get the wear such as when there is an easy winter and there isn't much plowing done. He said they need to get those numbers from the dept. heads who will tell us the life span of a piece of equipment and we budget for replacement at the end of its lifetime.

Mr. Brown suggested they keep the CIP Committee going during the year and post the March Town elections to survey the Selectmen for their priorities because ultimately they're the ones signing the checks. It would be nice to develop a workable plan that everybody agrees to as we're starting off particularly if there would be some sort of tax investment upfront he said.

Mrs. Rogers said they need to keep the committee running all year or to start much earlier

because every year they start in Oct. or Nov. and then come Jan. she is rushing to get stuff done and they come up with all these things they didn't think of.

Chairman Proulx said if they take this new approach they will have to meet all year because there is too much to go through to do it the way they're doing it now and it takes longer to do. Mr. Pelkey said he didn't know much about how the Bud Com works or how the Town budget is put together but assumed they get input from the dept. heads about their budgets as part of that process.

Chairman Proulx said the dept. heads present their budgets to the Selectmen and they discuss what they have and what we need and that's the budget that goes to the Budget Committee.

Mr. Pelkey said the budget process would be a good time for the dept. heads to provide input on the equipment they have, expected life span and replacement costs to the CIP Committee.

Chairman Proulx said she thought some of that was eliminated because Mr. Capello sits with the dept. heads and part of their conversation is what they will put forth to the Selectmen.

Mr. Pelkey asked what time of year they start that process.

Chairman Proulx said it is usually in Oct. though sometimes Mr. Capello has started in Sept.

Mr. Pelkey said that Oct. is too late in the year.

Mr. Brown said it's not too late to maintain a CIP but it may be too late for trying to get this off the ground in the first instance. He said they should set a day and time to meet monthly and let the taxpayers know they are taking a different approach to capital improvement where instead of investing \$165,000 out of the taxpayers' pockets we spread that out over 10 years and keep this going as an annual process. He said that once they're through with the budget the committee could survey the dept. heads for an equipment inventory, expected life spans and replacement costs and discuss the results with the Selectmen to get their feedback on what would be a successful plan.

Mrs. Titus said they have done that in the past.

Mr. Pelkey said with a CIP based upon a life cycle of equipment you don't have to worry about priorities anymore because you have set up a life cycle buying plan for every piece of equipment so that it doesn't become we have to buy this because it's going to break. It becomes this is what we take to budget for our equipment he said.

Mrs. Vaughn said the priorities come in where we have money set aside so we're going to take the money from the truck that seems to be holding together to replace the truck that just fell apart. She said the money is there to do it with instead of having to take a \$500,000 hit this year to replace a piece of equipment and here's what it does to the taxes if we don't get any grants.

Mr. Brown said once we inventory our equipment we may find the initial investment from the fund balance may be significant where it may have to be split over 2-3 years to get to where we need to be.

Mr. Pelkey said we are behind and we have to find a way to smooth it out as much as we can.

Mrs. Vaughn said she thought it may take as many as 5 years to reach that point.

Mr. Brown said if they come up with a multi-layered 5 year investment plan that identifies the priorities in communication with the Selectmen and the dept. heads their product will be more fruitful because everybody is on the same page.

Mrs. Vaughn said the priority designations aren't necessarily seen the same way by each person doing the ratings and they need to be clearly defined. She said there will be a time where they have to mesh the 2 systems together because it won't work to just say they're going to put \$1.2 million on for next year so we can get everything up to speed.

Mrs. Titus said we need our roads, bridges and infrastructure taken care of and she does not want to have to find money from here or there. She said they need to start putting money away and being more proactive about having the money to fix it.

Chairman Proulx said the bridge that came up last time wasn't predictable and you have to deal with this stuff no matter what you do. She said it is ultimately the taxpayers' decision and if they put forth a \$2 or \$3 increase and they vote for it, then they voted for it. The bridge article is going on the warrant and if they don't vote for it we'll have to find another way she said.

Mr. Pelkey said it's not just about equipment, we're talking about roads, bridges and buildings and they could apply the same funding model to any re-occurring maintenance action or financial need to level it out but there will always be unknowns.

Mr. Brown said that goes back to his comment about identifying the town's needs in cooperation with the Selectmen. He said he would like to see them identify the roads and bridges, how we fund it now, can it be funded in CRF's and to identify those accounts so that every year we have the same reoccurring warrant articles with the budget.

He said once the big ticket items are identified, establish the CRF's, determine the agents to expend the funds and move it in that direction. He added that the Town has always managed their budget to offset the increases on the school side.

Chairman Proulx said they would have to make sure that the town understands that is no longer how it is going to go. She said it's a whole different outlook on how things will have to go forward but it is up to the voters and if they accept it that's what it should be. We usually kept it down to about a 25 cents increase on the Town side so the school district can function like they have to function she said.

Mrs. Vaughn said the Town and School District need to work together and if the Town infrastructure begins to crumble it affects the school as well. She gave the example of when the bridge went out and the buses had to travel an additional 100 miles a week because they had to be rerouted to get the kids to where they needed to be.

Mr. Brown said there is a different relationship between the boards and the communication helped with the budgeting process and hopefully this will eliminate some of the problems they've had in the past.

He said in the future he would like to see specialized revenue generating programs that would

bring tuition students in and to consider if it makes sense to lease school district property to generate income from solar power to help offset the taxes.

Mr. Brown said he would like to move Mrs. Titus' vision forward with an explanation to the taxpayers that the CIP Committee thought it would make sense to go forward in a different direction where instead of identifying cash projects they identified long term projects that were budgeted annually to decrease some of the big bumps. We bought 2 vehicles last year that were 6 figure vehicles and if we had saved \$40,000 a year we wouldn't have seen that bump up he said.

Chairman Proulx said the one that burnt was covered by the insurance and the other one they knew was coming.

Mrs. Vaughn said if they can mitigate some of the "robbing Peter to pay Paul" those funds could have gone to the project it was earmarked for and they wouldn't be that much further behind on something else. She said they should craft a preamble to the plan saying here's the shift we're looking to introduce and what our vision is for it. If people say they don't like your vision these are open meetings and they can come tell us to go back but we may hear this is what they've been waiting for she said.

Mr. Brown said if they're helping to design a mechanism where you'll see a bump and then you'll see stabilization so you may not hear so many complaints. What drives me wild being on a fixed income is I look at a \$300 tax increase this year and it keeps going up \$300 a year and I ask myself how long I can sustain this when I'm starting at \$7,000 he said.

Chairman Proulx said she thought he would find that anyway as everything keeps going up and the additional \$300 becomes his new normal each year.

Mrs. Vaughn said the prioritizing part is as they are trying to decide which pieces they start the amortization with for the first year. The priority conversation comes in between the boards and this committee to say where the focus is this year, say bridges and roads and then next year we look at the equipment pieces and then slowly get each of the priority areas in there and then it (the tax rate) will become much more of flat line with smaller jumps she said.

Mr. Pelkey said they have an action item to come up with a narrative that explains what they want to do with the CIP.

Mr. Squires said that it is very important in how they communicate that to the people because it's the difference between them saying they don't like the plan and don't want increases like that and getting them to actually understand the plan so they'll all jump on board. He asked if there were any big ticket items coming to the end of their lifespan during the 5 year start up period and that is crucial to how much impact there will be in setting this up.

Mr. Pelkey said that would be a research project to start as quickly as they can.

Mr. Brown suggested they open the explanation saying the CIP Committee is aware of the public input that our tax rate is not stabilized and they are looking to address that in how they invest toward the CIP by establishing an investment program where equipment and big ticket

items would be purchased over time versus cash and the committee will spend the next year developing that process to try to determine whether or not this is the direction to go.

Mr. Squires said there is no other way to stabilize the tax rate over a length of time other than doing this plan.

Chairman Proulx said the Town's portion of the tax rate has been pretty stable and a lot of people think the Town controls the school district budget and is increasing their taxes. She said they have been as stable as they can be and they have been managing it.

Mr. Brown asked for the school tax rate and then said it was 4 cents less than the Town.

Mrs. Vaughn said the letter should also include that our revenues are so unknown they don't know what is coming in and they are looking at the revenues becoming more volatile. She said when they get the windfall there's a crash the following year because there is that much more to make up to get to where you were and that's the piece that is causing the problem but if we're looking the investment over time those revenues become less of an influencing factor.

Chairman Proulx said the Town has tried to stabilize the tax rate by utilizing the fund balance to draw down the tax rate. We would have more money to fund it (the CIP) if we didn't have to worry about stabilizing the tax rate she said.

Mr. Squires said last year the school gave back \$900,000 to buy down the tax rate and asked why they couldn't start this program with whatever that number is this year.

Mr. Brown said when you see \$900,000 in the fund balance it's not a \$900,000 check that's going back to the Town.

Mrs. Vaughn said it is money the taxpayers are not giving to the school district the next year. She said it goes off the tax rate because it's an appropriation that they don't have to take the next year because it's there.

Mr. Brown said with the way the Town's fund balance is if they have to invest \$250,000 in an emergency repair of a bridge that's coming out of your fund balance a lot of times. He said if they are investing the fund balance in CRF's versus reducing the tax rate they would see some stabilization of the tax rate.

Chairman Proulx said initially they would see an increase.

Mrs. Vaughn said there is no way to put aside more without seeing an increase.

Mr. Pelkey said part of the statement can speak to this year the CIP is minimal because nobody knows what the revenues or the impact of COVID is going to be. He suggested the major bullet points in the letter should include: 1). trying to reduce tax rate spikes; 2). Trying to come up with a long term plan; 3). Trying to get to things they haven't been able to get to because of emergent issues.

He asked if anyone wanted to add anything else but advised it would be best to keep it to a couple of paragraphs and cover the 5 or 6 biggest things. He volunteered to write the statement and send it out to the members for review. He said if the members would like to send him 4 or 5 bullets they think should be in the letter he would be happy to have their input.

Mr. Brown said he wanted to be careful to say they are an advisory board to the Board of Selectmen and the Selectmen have the ultimate power and authority to decide how money is spent. He said they are looking to create a plan to recommend to the board versus telling the taxpayers what we we're going to do because we don't have the authority to do that.

Mrs. Vaughn said they are looking to give better and more informed advice.

Mr. Pelkey said it would be good to know that the Selectmen are on board with this approach.

Chairman Proulx said they may want to have a joint meeting with Selectmen and say this is what we're thinking and ask them what they think about it. They are the ones to drag this forward and they have to understand where you're coming from she said.

Mrs. Vaughn asked if it should be a workshop with the Selectmen's as their meetings are held on Mondays at 6 p.m. which conflicts with the School Board meetings held at the same time.

Chairman Proulx said she was thinking of asking the board to come to a CIP meeting and meet with them and get to know what they think about it.

Mr. Brown said it doesn't make sense to put a year's worth of work into a project that the board is not going to adopt.

Chairman Proulx said when the board members change sometimes their prospective changes as everyone has their own ideas. She said they also tried to do the right thing for the town and save the money for projects in the past and ended up getting penalized when applying for a grant because we had too much money so they said they weren't going let that happen again. She said they tried to save a percentage of the amount needed because a lot of the grants are matching grants and the town has to have their portion of the money or an in-kind match in the investment in the engineering, etc. When the state is in a short fall you don't get the grant you were counting on and then have to wait for years to do one bridge because the state money wasn't available. It's not always as easy as it looks she said.

Mr. Brown asked if they should start the process after March because there is one seat open on the School Board and there are 2 openings on the Board of Selectmen and the makeup could change so it may make sense to have the workshop post the elections.

Mr. Pelkey said the CIP Committee could continue to meet and make progress on defining what information they want from each dept. head such as the life span of the equipment, estimated replacement cost, importance to doing business, etc.

Chairman Proulx asked if the forms used previously were still available.

Mrs. Rogers said yes but they don't address all the information they want.

Mr. Pelkey said he wanted an inventory of what they have over a certain value not a wish list from the dept. heads and the agenda for their next meeting should include setting up the information they want.

Chairman Proulx said there should be a file cabinet upstairs with the original paperwork the committee used to do something similar to what Mr. Pelkey suggested and it could be used as a reference to how they did it the first time and what does or doesn't work.

Mr. Brown asked if they could start with the inventory from Primex as every asset the Town has is inventoried for insurance purposes. He said the inventory would include the year, make, model and estimated value of vehicles, equipment and buildings owned by the Town and would be a good starting point for what our insurable assets are and to ask the dept. heads when they would be looking to replace them and if there any need to purchase additional equipment not currently on the list. He said there may also be some things still on the list they don't need to replace such as the military equipment the Town received from the government surplus.

Mrs. Vaughn asked if they should continue to insure those items just to have them sit in the parking lot. She every organization has things that pile up and a room where things "go to die". Chairman Proulx said it would be a partial list and there may be some things we own that are not insured by Primex.

Mrs. Vaughn said the Primex piece should be available on their online dashboard.

Mr. Brown asked if they should vote on accepting the current CIP with the publication of what their future plan is for this budget season and if they should meet in a week or 2 to accept the draft letter to finalize it before printing.

Mrs. Rogers noted that if they accept the CIP as written that it's not complete yet because some of school district and financial information and the Selectmen's recommendations have not been received yet.

Consensus of the committee was to table the acceptance of the CIP until their next meeting on Feb. 3.

5). Next Meeting – Wednesday, February 3, 2021 at 4 p.m.

Agenda – address the explanation letter, define the CIP inventory, develop the dept. head survey, determine what should be in the CIP and how to start implementing it

6). Adjournment:

Motion: (Titus, second Vaughn) to adjourn the meeting passed 7-0 at 5:20 p.m.

Respectively submitted
Kathleen Magoon
Recording Secretary

Paula Proulx, Chairman