

Town of Farmington
Capital Improvement Plan Committee Meeting Minutes
Wednesday, February 3, 2021

Committee Members Present:

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

Committee Members absent:

Jeremy Squires, Bud Com Rep., excused
Arthur Capello, Town Admin., 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:

January 6, 2021 – no errors or omissions

Motion: (Titus, second Pelkey) to accept the minutes as written passed 6-0.

4). Review of CIP – Final:

Mrs. Rogers said the CIP is almost 100% complete but she is waiting for the Trustees' report. She said she sent them an e-mail today and she planned to add it in as an appendix once it is received.

She said at the last meeting they discussed the classification list (Appendix D- CIP Project Priority Designations) and possibly scrapping this list but they never made a decision on it so she didn't know if the committee still wanted to do this.

Mr. Pelkey said he thought they had decided to not include it.

Mrs. Rogers said that was the intent but it was never actually done.

Motion: (Brown, second Titus) that we don't include it in this year's CIP;

Discussion: Mrs. Rogers said that means she needs to remove Appendix D and the other appendixes will be bumped up.

Mrs. Vaughn suggested they could keep it in the CIP and state that it's not included this year.

Mr. Brown suggested their letter of explanation could become Appendix D.

Friendly Amendment: by Mr. Brown to include the explanation letter as Appendix D;

Mrs. Titus accepted the amendment.

Discussion: Chairman Proulx asked if there was anything they needed to do with it or to just put it in place of the current Appendix D.

Consensus of the members was to put the letter in place of the classification list after it is reviewed by the committee.

Vote: The motion passed 6-0.

5). Address Explanation Letter:

The members reviewed the draft letter and the following additions/corrections were made:

Paragraph 2, last Line - Mr. Brown asked if they wanted to change “volatility” to “disruption”.

Mrs. Vaughn said it’s not so much a disruption in the funding it’s shifts in the funding and it’s going to have to be structured differently.

Mr. Pelkey said if they didn’t want to talk about uncertainty in the funding to strike the line.

Mr. Brown said their intent in going in a different direction is because of this.

Mr. Pelkey said the biggest thing is to level the whole capitalization plan.

Mrs. Vaughn said the issues addressed in the 2nd paragraph may continue to cause volatility but we are looking to change the structure to mitigate that volatility.

Mr. Brown suggested that the word “changes” be used.

Consensus of the members was to replace “volatility” with “changes”.

Paragraph 3, Lines 1, 5, 6, and 8 – remove the commas after “equipment”.

Line 9, second to last sentence – amended to read “...the funds would be available in the appropriate Capital Improvement Fund, with no further taxation required to replace the item.” (Add “with” before “no”; strike “would be”).

Line 10 – add “help” before “level fund” to read “This approach will help level fund...”

Paragraph 4, First Bullet- remove the underline and the capital letters from “Tax Rate Spikes”.

Mr. Brown said he was okay with leaving it in as the mandate coming from the taxpayers is to control the tax rate on either side and this is a possible solution if implemented will help with that process and help stabilize the tax rate.

Mrs. Vaughn said they could add “stabilize the tax rate”.

Chairman Proulx said she would rather keep “reduce tax rate spikes” as that is what they are trying to do.

Mr. Pelkey suggested a compromise to read it would reduce impacts to the tax rate.

Mrs. Vaughn said if we are setting aside \$10,000 a year for a piece of equipment over 10 years it will be the same \$10,000 raised yearly and not suddenly 1 year with \$100,000 you have to do.

Chairman Proulx asked what happens if they have to do that and it causes a spike.

Mrs. Vaughn said they will have some surprises but not everything should be a surprise and when they keep kicking things down the road suddenly it’s now “we have to” instead of saying “we know its coming” and saving for it each year.

Mr. Pelkey said if the plow truck expected to last 20 years burns in 5 years we could come up with a warrant article to replace it and tell the taxpayers our plan was to replace it in 15 years and we have 5 years of money put aside toward it and we need to fund the remaining 15 years of the savings we would have had instead of funding the whole thing.

Consensus of the committee was to amend the bullet point to read “Reduce tax impact by leveling spikes caused by last minute appropriations for funding major infrastructure and equipment replacement”.

Mrs. Rogers asked how the committee would like to title the letter as an appendix in the CIP. Mr. Brown suggested it be titled as “Vision”.

Consensus of the members was to call it the “CIP Vision”.

Mrs. Titus asked if Chairman Proulx had talked to the Selectmen about this new approach.

Chairman Proulx said she waiting for the committee to complete it first as she didn’t want to give the board piecemeal information.

Mr. Brown said another consideration is if that decision should be made by the current board or at the end of March because their vision may change depending on the result of elections.

Mr. Pelkey said they can’t forward right now but he would like to see a spreadsheet with data on the items, their costs and their expected service life.

Mr. Brown asked how far this plan would go out and if they have a dump truck that will last 20 years do they have a dump truck listed with a life expectancy of 20 years.

Mr. Pelkey said he was in favor of taking it all the way to replacement.

Chairman Proulx said she thought the limit for CIP’s is 6 years.

Mrs. Vaughn said the Town may do it in 6 year increments for what they’re going to do but it makes sense to have a capitalization plan for each piece of equipment.

Mr. Pelkey asked if they wanted to add a bullet point saying this is a life cycle driven CIP.

Consensus of the members was to add the bullet suggested by Mr. Pelkey.

Mr. Brown asked to see the amount the Selectmen used to reduce the tax rate over some period of time. If we have a plan and it’s stabilized they won’t necessarily have to buy down the tax rate he said.

Mrs. Rogers said when she looks at all the stuff that needs replacing and they’re going to level the tax rate with the capital improvement funds by the time you fund all of those every year the tax rate is going to be so high families like hers aren’t going to be able to afford it.

Mrs. Vaughn said people need to understand that’s how far behind on infrastructure we are and we’re going to have to look at what the tax base is and what we’re bringing in to cover that. She asked about their ability to grant fund some of this and there are more possible funding sources out there.

Mrs. Rogers said we just bought a new fire truck and we’re considering putting money away for that fire truck 20 years from now but in the mean time if you’re going to put money away for that truck and for all the other stuff that needs to be done now it’s going to be way too much.

Mrs. Vaughn said the things that need to be done more quickly may need more money on the front end and it may end up like balloon payments for that fire truck but if we don’t look at it until we have 3 years to go we’ll never get ahead. She said if they start the account for the truck with \$2 in it because they need to put \$50 down on the thing that has to be replaced next year

at least it stays on the radar and it's the things that keep falling off the radar that's killing us. Chairman Proulx said the Selectmen have had a 4-6 year look at things and the Town Administrator deals with a lot of this when for example, the DPW Director comes in and says he has a couple of trucks with 3-4 years left on them but if they do this they may be able to carry them out to 6 years. Those are the conversations they have even before it comes to the board and usually we're able to put it forward in way that's been kept pretty much stable she said. Mrs. Vaughn said there are a lot of things coming to their end of life all at once. Mr. Pelkey said hypothetically, in the next 5 years there are no big ticket items coming due and if you just plan for the next 5 years, the tax rate isn't really impacted and everybody's happy. But in year 6 or 7 there are 3 or 4 big ticket items coming to end of life and if you wait 2 years to start addressing them you're going to get that bump he said. Chairman Proulx said they don't wait and they don't usually bring forth 3 or 4 things at once. Mr. Brown said they're prioritized. Mrs. Rogers said maybe the priorities need to be decided before they decide if they're doing a full 20 year plan. If we only have 1-2 things that are 1's that should be our focus she said. Mr. Brown said the Town has several Capital Reserve Funds for trucks, equipment and infrastructure improvements and suggested they instead create one account for capital improvements and then that money is also there for when you have a catastrophic event and the board can manage it. Chairman Proulx said 2 years ago the Town asked if they could have an account like that for anything that could come up and the Dept. of Revenue Administration said no and it has to be more precise. Mrs. Vaughn said they can't have a general separate account but if they have a capital improvement account with a broad list of items it can be used for such as roads, bridges and equipment that would give them a lot of latitude. Chairman Proulx said she would have to check on that. She said the CRF's are set up like that and they try not to be as detailed. There is one for emergency motorized equipment for fire and EMS equipment and one for highway motorized equipment and the smaller stuff usually comes out of the operating budget she said. Mrs. Vaughn said putting \$5,000 or \$10,000 a year into those funds doesn't get us near the numbers listed in the CIP and if we're going to get there in 6 years we need to be looking at closer to \$750,000. She said the numbers published in the CIP and the numbers on the priority list should be somewhat in line with what we're prioritizing to set aside for that because otherwise why bother. Mr. Brown said the Selectmen have taken as much as \$300,000 from the Town's fund balance and used it to buy down the tax rate and asked if it would make sense to invest that money in the capital improvement funds. He said every year when we buy down the tax rate we're artificially deflating the tax rate for next year so if we took that chunk of money and invested it

in one-time expenditures you're not seeing that roll up and down.

Chairman Proulx said when they construct a budget they try to look at it as a zero based budget and look at what they need to provide the services they intend to provide for that year. She said then they built the budget up and it may/may not be near what it was the year before and you're going to get a natural little bump anyway as things go up.

She said sometimes during the course of the year you may get better bids or more revenue and end up with unexpended funds at the end of the year. We didn't look at it as taking that money to take the tax rate down but as adjusting the tax rate to where it should have been before you asked for more money than what was needed and that is actually the real tax rate she said.

Mr. Brown said there has been a consensus of the Selectmen to invest in the infrastructure and other purposes regardless of the school budget because we can't continue to not invest in it. He asked if that is the consensus of the board if the direction to go is to set up the plan and the board is going to say this is a terrible idea and we abandon it or it's a terrific idea and we develop it. The concept of how we fund it is going to come from the Selectmen he said.

Chairman Proulx said they discussed funding 5 of the 6 capital reserve funds from the undesignated fund balance and there would still be money to give back so it's kind of a half and half mutation and it all could have come out of last year's money that wasn't returned.

Mr. Pelkey asked if they want to base capital improvement funding on what's left over or plan to fund capital improvements up front and not be something that comes from a fund balance.

Chairman Proulx said he was right in asking for the money and not relying on what is left over from the budget. It's up to the people what they want to vote for to put money away she said.

Mrs. Rogers asked if the committee was going to finalize the CIP as she needed to get it printed.

Motion: (Brown, second Titus) to approve the CIP as edited with the inclusion of the Trustees' Report and Appendix D passed 6-0.

Mr. Brown said he didn't think it matters what they think and what matters is when they have the joint meeting with the Board of Selectmen and the direction that they give them on the funding to make sure they are on the same page as the board. He said if the board is going in a different direction then that's the direction they will have to take.

Chairman Proulx said the Selectmen will have to hear the information and they will have to hear how the committee is looking at it and the committee will have to hear how the board is looking at and somewhere in between they will get some direction.

Mr. Brown said the bottom line is the board has the authority based on whatever is happening at the time to change it or make a temporary adjustment because we need a bridge, truck, etc.

Mrs. Vaughn asked if they were looking at holding the joint meeting after the elections.

Mr. Brown suggested it be scheduled for April.

Chairman Proulx agreed because if there are new people they need time to get adjusted.

Mr. Pelkey said if they read the CIP they will see their proposal and know this is what they want to do.

Mr. Brown said you have to be careful because if they're not following the minutes or the actual meetings some of it might come across as offensive to the board because it's their function to make those decisions. It may take 2 meetings to clarify this if you have changes to the board he said.

He said would still like to see how much money was returned to the taxpayers because if they get a laundry list worth \$600 million we know the taxpayers aren't going to allow us to do that. But if we get an idea of what we've invested for the last 10 years in drawing down the tax rate that puts a number out there to think about if this is a different way of doing it he said.

Mr. Pelkey said another good piece of data to have would be to look at what we've spent in warrant articles that were added to the budget over the last 10 years to see the total between capital improvement and unexpected costs we funded.

Mr. Brown said most things like a fire or catastrophic event would be covered by insurance with a \$1,000 deductible but if we blow an engine on a fire truck we're going to have to replace the engine or the truck. He said looking at the warrant articles we funded gives us a good concept and then try to identify where we had problems that could have been funded (from the fund balance) and how much of it was cash purchases versus lease purchases.

Mrs. Vaughn asked about the purchases funded through grants because we've gotten grants for a number of large purchases but grants aren't always sustainable. Sometimes you get something through a grant and you get used to using it and then the grant goes away and now you have to replace it and that's where the sustainability kicks you in the teeth she said.

Mr. Brown said if they decide on a 10 year cycle they should look at what's been the fluctuation in the Town and School tax rates that year. He asked if we had \$1.50 increase on the School side what was the rebound effect on the Town side and if there was no increase if there was more money to invest because of that through an appropriation or through the fund balance.

Mrs. Vaughn said another thing to look at is the spending "cliffs" from having a tax rate at a certain level and then they return \$1 million and it artificially drops the tax rate so even if they level fund the fund the budget for next year that starts us at the rate before it was reduced and then went up this much more.

Mrs. Rogers said if \$24 million was spent out of a \$25 million school budget then the actual budget was \$24 million so it shouldn't go back up to \$25 million to level fund it.

Mrs. Vaughn said one scenario where it still should be level funded at \$25 million is when there are vacant staff positions that weren't filled and are still needed.

Mr. Brown said they are setting the school budget in March for a school year that starts in July and the tax rate is set in October. He said that last year they got \$800,000 in additional revenue from the state they weren't expecting and that decreases the tax impact and the following year they're spending more without doing anything by spending the same amount.

Mrs. Vaughn said the same thing happens with some grants and one-time payments.

Chairman Proulx said the Rec. Dept. is closed due to COVID-19 and when they reopen they

hope to have it for at least half a year so they don't construct the budget with both staff positions for the whole year because they know it won't be feasible until around June.

Mrs. Vaughn said they have the luxury of knowing about in advance and that last month 8 Special Ed kids moved in that weren't budgeted. She said some of them may need one-on-one help or special programming and none of that could have been foreseen a year ago in August when they started this process.

Mr. Brown said the School Board has been looking at measures to limit those budget spikes and they saw that with the budget freeze. He said they hope to turn back \$1 million and it's going to artificially deflate the tax rate and then we're back to square one next year but it buys us time until the state completes their bi-annual budget and we'll know how we need to adjust for that. Mrs. Rogers left the meeting at 5 p.m.

6). Define CIP Inventory:

Chairman Proulx said she obtained a copy of the Town's assets insured through Primex and but Assessing Clerk Kelly Heon is in the process of updating it for this year and this information will be outdated once that is completed.

Mr. Brown asked for the timeline for when the inventory would be finished.

Chairman Proulx said she did not know and would have to ask Mrs. Heon.

Mr. Pelkey asked for a copy of the spreadsheet used to compile the information for Primex.

Chairman Proulx said she would ask the Selectmen's Secretary to send a copy of the file to Mr. Pelkey and that he would be amazed by some of the costs. She said the net book value of Town wells #4 and #5 is \$93,750, it cost \$750,000 to install the two and estimated the replacement cost would be in the millions and it couldn't be done now without taking out a bond.

Mr. Brown said as they develop a list of what needs to be replaced there could be a column to check off if it would most likely be a bonding issue.

Chairman Proulx said the Primex list doesn't include the replacement cost of the items and if they are doing a CIP they would want to try to include that information.

Mr. Pelkey said if the list includes the original cost of the item they can adjust it for inflation over time and figure out the approx. replacement cost.

Mr. Brown asked if the Primex list could be looked at as a place to start the CIP inventory.

Chairman Proulx said they could but the Police cruisers are paid for from the Police Details Special Revenue Fund and would not have to be included in the CIP.

Mr. Brown asked what happens when the special revenue isn't there to fund it.

Chairman Proulx said there was one year where the town put off buying a cruiser until the Police detail revenues were received and they don't have any leased Police vehicles.

Mr. Brown recalled that recently there was a short fall and they had to do leases and he would check into it.

7). Develop Dept. Head Survey:

Mr. Brown asked if the survey can be a distribution of the updated Primex inventory that asks if there is anything missing from the inventory the town will need in the future instead of having the dept. heads duplicate the inventory process.

Mr. Pelkey said they should also be asked to confirm the expected life span of those items.

Mr. Brown said if the Fire Dept. wanted to buy a motor home command vehicle that would come from taxation they would add that onto the inventory with the retail cost, life cycle, etc. and then they would consider it.

Chairman Proulx said if she was a dept. head that was asked that question she would put down the things she'd like to see but that doesn't mean it would get past the Board of Selectmen.

Mr. Pelkey said once an item gets past the Selectmen and becomes something we are going to buy then it gets entered into the CIP.

Mr. Brown suggested the Primex list be used as the inventory and once it's approved by the Selectmen they create a mechanism where it gets added into the inventory.

Mr. Pelkey said the dept. heads need to go through the list and say these are all the things we're going to replace and these are the life cycle numbers for their replacement. He said we're also going to be looking at buildings, structures, bridges and roads in addition to the vehicles and equipment.

Mrs. Vaughn said there are pieces you won't see on this Primex inventory because it's a general inventory and the buildings come under property liability but they are listed differently and is also something they need to consider.

Mr. Brown said at some point the furnaces in the heated buildings will need replacement.

Mrs. Vaughn said the buildings will also need wiring and wireless infrastructure upgrades as the technologies change.

Chairman Proulx said there are CRF's for replacement of HV/AC units at the Municipal Office Building and for future technology improvements.

Mrs. Vaughn said those pieces should also be part of the inventory and to list the funding mechanism for the items on the list so people know where the money is coming from.

8). Contents of CIP and Implementation:

Consensus of the members was to table this topic until their meeting with Selectmen in April.

9). Next Meeting-Agenda:

Mrs. Vaughn asked if the committee planned to meet in March.

Mr. Pelkey said he didn't see the value of meeting in March to start working on something they may not do. He said he would still like to have the data to "play" with in the mean time.

Chairman Proulx asked what they would like to include on the agenda for the April meeting.

Mr. Brown said they should plan to discuss the CIP Vision and it would probably be a continual process between the 2 groups at least in the beginning.

He asked the joint meeting not be scheduled on a Monday as the School Board meets on Monday nights (as do the Selectmen).

Mrs. Titus suggested they continue meeting on Wednesdays as they have been doing so far. Chairman Proulx said she would have to check on the board's availability for a Wed. in April. She said the agenda will include: Call the Meeting to Order; Pledge of Allegiance; Review of Minutes and the CIP Visionary Workshop.

Chairman Proulx said she would ask the Selectmen's Secretary to contact everyone once a tentative date for the meeting has been decided.

Mrs. Vaughn said she could send out a Doodle poll from doodle.com where you list the people you want to contact and the suggested meeting dates and the members would respond with their preferred date and then they could determine when most of the members are available.

Mr. Brown said at Town Meeting the last agenda item is "All Other Business" and that somebody could explain their vision to the taxpayers and what they're looking for in the future.

Mrs. Vaughn said that would be before their meeting with the Selectmen.

Mr. Brown said if the community knows what the plan is for the future they're more on board. He said to tell the taxpayers they're looking at the feasibility of doing things differently in how we save for big projects and we're going to convene that process in April.

Chairman Proulx said the Board of Selectmen has not bought into this yet.

Mrs. Vaughn said the letter is within the scope of the CIP and it doesn't back the board into a corner because they went to the taxpayers at Town Meeting and said here's what we want to do before we've met face to face with them.

Mr. Brown then said maybe it would be more appropriate to do that next year.

Mr. Pelkey said a committee member could get up at Town Meeting and say this is what they're recommending to the Selectmen and if the people agree with it they should talk to the board.

Mrs. Vaughn said that could start an "us vs. them" mentality which they are not looking to do.

Mr. Brown said sometimes people impart into the powers and duties that boards are protective of and they are better off not going there until they know who the leadership team is and what direction they want to give us. I'm good with that and leaving it the way it is he said.

Chairman Proulx said she has never seen backing people into a corner work well and she favored discussion and compromise as the way they're looking at it may not be the end all.

10). Adjournment:

Motion: (Titus, second Vaughn) to adjourn the meeting passed 5-0 at 5:33 p.m.

Respectively submitted

Kathleen Magoon, Recording Secretary

Paula Proulx, Chairman