

Capital Reserve Considerations

Guidelines or Policies

\$10,000 as a guide for the expenditure required to create a Reserve account should be either greatly increased or removed. \$10,000 presently affects the tax rate by about .60 cents. An increase in the budget of about \$17,000 leads to an increase of one cent in the tax rate. I would suggest if we are to go with a guideline, a \$50,000 minimum. Police Command Vehicle at \$70,000 and two patrol cars at \$82,000 were bought from the operating budget. Limiting Capital Reserve funds to Big Ticket items and emergencies and procuring smaller items with annual appropriations is a good idea.

Should we be careful in giving the Agents to Expend permission to the Selectboard. Historically it appears that the Selectboard has deferred to Town Meeting for appropriations for big ticket items. I do also see that the flexibility that that permission affords can be very useful in expediting a transaction without having to wait for a Town Meeting vote. Melissa and Charlie thought this flexibility was important. Jay Lyons thought that big ticket items, such as a fire truck, should receive Town Meeting approval. An agenda driven Selectboard could bypass this appropriation process. Leave things as they are?

1. Is the purpose of each existing reserve fund clearly stated? Probably not. Some funds purposes should be very specific to severely limit their use. Other funds, particularly if we end up combining funds, probably should have more expansive purposes allowing them to be more flexible. Suggestions are:

- a. Library Building Maintenance should be changed to “For the upgrade and maintenance of the Tracy Memorial Library building”.
- b. Communications Equipment should be changed to “For the upgrade and replacement of Dispatch communications equipment and software”.
- c. Highway Department Equipment should be changed to “Highway Department heavy equipment acquisition”.
- d. Town Vehicles and Equipment Repairs should be changed to “For the repair of Town vehicles and equipment.
- e. Sidewalk Installation Fund should be changed to “For the installation and repair of Town Sidewalks.

2. Should any existing fund be closed. Yes. **I would suggest clearing the decks of closable funds before considering consolidation.** Suggestions are:

- a. DPW Building Fund – \$1776.57. This project was apparently completed years ago and the remaining funds should also be moved to the Town Building Maintenance Fund. This fund would include all town buildings with the exception of the Library. An attempt to anticipate the required funding should be made.
- b. The GIS Update Fund has no remaining funds in it and should be closed.
- c. Computer Maintenance Fund - \$78,635.97. This fund should be closed because maintenance (VC3 and Mike Williams) are funded by the Operating Budget. Since these monies are duplicating what has already been appropriated, they should be returned to the General Fund. The reason for this fund seems a bit hazy and Lynn was going to check with Mike Williams about its need.
- d. Master Plan Update - \$11,150.67. This fund should be closed and the remaining funds transferred to the General Fund. If the cost of the next update is such that it requires a new Reserve Fund, a new one can be started.
- e. Library Building Maintenance Fund - \$111,368.46. Not sure what to do here because of the Library's special situation. No matter how we have tried, the maintenance of the library has been a difficult problem. I have my doubts about closing it and transferring the funds to the Town Maintenance Fund since the Library's needs seem so overwhelming and unique. The fund should be used only for the upgrade and maintenance of the building. I suspect retaining this fund is the better idea.
- f. Police Equipment Fund - \$25,006.60. This fund should be closed since there is a Police Department General Equipment appropriation in the Operating Budget. The remaining funds should be returned to the General Fund.
- g. Fire Department Funds (3). Do not recommend discontinuing any of these since they represent three very different categories of items and their funding should be closely monitored. For instance, the funding for radios is very different in size and time from a vehicle replacement.
- h. Records Management - \$30,000. The Town needs to get serious about the unsustainable problem of records storage. Until then this \$30,000 of tax payers' money is locked up in purgatory. If we have no intention of moving forward with the digitization of records, then this fund should be closed and the remaining funds returned to the General Fund. The CIP is adamant that this process should take place.

- i. Recreational Facilities Fund - \$39,252.34. The purpose of this fund is “Improvements to existing facilities”, which is a maintenance fund. No expenditures or additions have been made for quite a while. This fund should be closed and the remaining funds transferred to the Town Building Maintenance Fund. The Working Group has decided to leave it in place.
 - j. Recreational Van Trust - \$28.12. This fund should be closed and the remaining funds transferred to the General Fund.
 - k. Sewer Lagoon Fund - \$8.38. This project is long finished and has received State approval. This fund has been closed at last Town Meeting and the remaining funds transferred to the General Fund.
 - l. Transfer Station Improvements - \$46,502.68. This fund regrettably locks up taxpayers’ money probably until the future of the present Transfer Station and also the future of recycling in general is determined. Combining this fund with the Town Building Maintenance Fund might be inappropriate since it might be needed for items other than maintenance.
 - m. Bridge Maintenance - \$139,038. This funds “Maintenance and Repair of Bridges”. Most Bridge expenditures have come in the form of new bridges which this fund does not cover. Some bridge maintenance apparently comes in the form of regular road repair. I am conflicted with regard to the disposition of this fund. I recommend retaining it for now without further additions.
 - n. Combined equipment procurement funds were deemed a bad idea. Departments would be vying over funding. Specific CR funds allow for specific adjustments for very specific items. Comingling funds with different purposes and time frames becomes very complex. The sense of value and need seem to disappear.
 - o. The Town Building Maintenance – See a. above.
 - p. The Town Vehicles and Equipment Repairs – This should be an emergency fund for unexpected vehicle and equipment casualties.
3. Is the distinction between reserve funds for maintenance and annual operating funds for maintenance made clear? This needs to be made clear as proposed in the Communications Fund and the Library Maintenance Fund purpose descriptions.
 4. The Conservation Commission Land Acquisition Fund target fund size should presently be \$500,000 and the Energy Conservation Fund should have a target fund size of \$300,000. These are present numbers, subject to market pressures, but they, at these proposed levels, could be place holders until the Town could appropriate greater

amounts if the need arose. The CIP request was \$500,000 above the present \$300,000. Has the price of land in New London outpriced the Town's ability to reasonably acquire it?

5. What additional reserve funds should be established, if any? None at present. Limiting the number of funds and funding more from the operations budget should be the goal. Certainly large ticket items should continue to rely on Reserve Fund funding to help even out the financial burden. Eventually perhaps a Technology Fund might be added but only after a specific purpose is determined.

6. Is there too much money in Reserve accounts. Having a total reserve fund balance that hovers between 3 and 4 million dollars leads to suspicions that some taxpayer money is languishing unable to be used. Perhaps that is not the case, but having software that can accurately track what contributions need to be made to adequately fund the reserve funds is needed.

One more consideration is the funds and trusts, some of which date back to 1945, that have not been used. These are often contributions for various purposes made by individual people or families which languish in unused accounts. We certainly are not doing the donors any favors by not utilizing their contributions. The money is in reality valueless unless we find an appropriate manner to use it.

The above are my edited thoughts, based on our last meeting, which can be altered or amended by persuasion by the rest of you.

John Wilson