

Former Selectmen's Panel on Fiscal Policy  
Report to Board of Selectmen  
January 25, 2021

Introduction

The Panel (Larry Ballin, Peter Bianchi, Bill Helm, Wendy Johnson, Doug Lyon) met via Zoom four times over the past two months. During this time period, information has been gathered from the State of NH Statutes, the NH Fiscal Policy Institute, the Upper Valley Lake Sunapee Regional Planning Commission, NH municipalities via 'list serve', internet search sites, and meetings with the Chairs of the Budget Committee and the Planning Board.

The objective of the Panel's work has been to develop a recommended impartial framework to provide information on the financial capacity of the Town to meet its capital investment priorities.

At the outset, the Panel determined that the Town has in place policies and/or understandings regarding Purchasing, Cash Investment, and Capital Reserves, and is in the process of developing a policy for Fund Balance management.

Based on this information, the Panel determined that its efforts should be directed toward the fifth leg of a comprehensive municipal fiscal policy, a long term debt capacity policy/guideline. In addition, the Panel determined that the Town's capital project identification process should be strengthened.

Recommended Debt Policy

*The Panel unanimously recommends that the Town of New London shall normally limit its total long term debt outstanding to an amount such that the debt service (principal and interest) shall not exceed ten percent of the annual General Fund budget of the Town.*

*Furthermore, only non-recurring projects with a value of \$250,000 or more and a useful life of five years or more shall be financed with long term debt. The useful life of any project funded with long term debt shall equal or exceed the years for amortization of the bond.*

In making this recommendation, the Panel recognizes that long term debt is unique among the fiscal policies of the Town. Notwithstanding decisions of the Board of Selectmen and Town management, the issuance of long term debt requires a two-thirds vote of approval by the residents present at a Town Meeting. This is an effective check on the danger of debt creep.

While the State of NH Municipal Finance Act (RSA 33:4-a) establishes a debt limit equal to three percent of a municipality's equalized assessed property valuation, the Panel does not recommend that this limit be considered in establishing the New London policy. The valuation in the Town is high enough to render the result of using this limit beyond the prudent management of the Town's resources.

#### Recommended Capital Improvement Program Committee

New Hampshire Statutes (RSA 674:5) make provision for "...the governing body of a municipality to appoint a capital improvement program committee....to prepare and amend a recommended program of municipal capital improvement projects....to aid the selectmen and the budget committee in their consideration of the annual budget." This committee is empowered to undertake this task in lieu of it being done by the planning board. The recommended program must "classify projects according to the urgency and need for realization...and recommend a time sequence for their implementation. The program may also contain the estimated cost of each project....and sources of funds..."

*The Panel unanimously recommends that a warrant be presented to the Town Meeting in 2021 to establish this committee, which must include at least one member of the planning board, and may include one or more members of the budget committee.*

In making this recommendation, the Panel makes note of the multiple commitments of volunteer members of the planning board to other tasks, the desirability of having specific skills and interests embodied in members of the committee, and the importance of a well-documented program to assist the Board of Selectmen in carrying out its decision making processes.

The attached Appendices provide supporting information related to the recommendations.

- A. Definitions
- B. Treatment of School, Water, County and Sewer debt
- C. Projects suitable for long term debt financing
- D. Debt Refinancing
- E. Table of projected debt capacity
- F. Possible Capital Projects Identified 2017 - 2020

Adopted by the New London Board of Selectmen as a non-binding guideline, March 8, 2021

## Appendix A

### Definitions

Debt Service: Principal and Interest payments for outstanding long term debt, net of amounts to be paid by Sewer Users for the Sunapee Wastewater Treatment Facility debt

Equalized Assessed Property Valuation: Total local assessed value of property adjusted by the NH Department of Revenue Administration to estimated current (100%) market value

General Fund Total: The sum of General Operating Expenses, Transfers to Capital Reserves and Capital Outlays contained in the annual Town Budget, net of the Sewer Fund

## Appendix B

### Treatment of School District, Water Precinct and County Debt

Debt incurred by the Kearsarge Regional School District (KRSD), the Springfield - New London Water System Precinct and Merrimack County is excluded from the Town of New London policy because these entities have their own independent governing bodies, budgets and debt policies. To the extent that New London taxpayers are responsible for the payment of debt service for debt incurred by these entities, similar calculations of the relationship of debt service to General Funds of those entities is appropriate. For example, New London currently represents approximately 26% of the apportionment formula for allocating taxes among the seven KRSD towns. 26% of the General Fund for the District in 2020 was approximately \$8,000,000, and 26% of the annual debt service was approximately \$480,000, or six percent of the General Fund.

## Appendix C

### Projects Suitable for Long Term Debt Financing

Projects suitable for long term debt financing must satisfy at least one of the following:

- i. Protect the health and safety of employees and/or the community at large
- ii. Significantly improve the efficiency of existing services
- iii. Preserve a previous capital investment made
- iv. Significantly reduce future operating costs or increase future operating revenues
- v. Preserve the rural nature of the community through the acquisition of land for conservation purposes

## Appendix D

### Debt Refinancing

In consultation with the Town Treasurer, the Budget Committee should regularly analyze and pursue bond refinancing in instances where significant savings or other benefits may be realized.

## Appendix E

### Table of Projected Debt Capacity

See the attached table of data demonstrating the application of the recommended policy to the next six fiscal years (2022 -2027), assuming additional bond issuances in 2024 and 2026.

## Appendix F

### Possible Capital Projects Identified 2017 -2020

The Panel recorded several possible capital projects discussed by the Board of Selectmen in the past few years:

- Community Center (2012 - 2020): 1941 Building; old Middle School Library and Gym): \$250,000 - 'several million dollars'
- Transfer Station renovation, expansion or replacement (Sanborn Head November 2017): existing site \$5,300,000 - \$6,200,000
- Buker Repairs (2019): \$600,000 - bonded
- Bridge Repairs (2019): \$750,000 - bonded
- Police Station renovation (Harriman October 2018; Mires August 2020): existing site \$3,300,000+
- Land (2018 - 2020): Little Sunapee Road, County Road, unnamed Conservation Commission 'wish list' sites: \$1- 3.5 million each
- Sprinkler Installation (2019-2020): Library \$250,000 - bonded; Buker, Whipple TBD
- Police Station relocation - Stahlman Building (2020): \$1.1 million acquisition, plus renovation

	Debt Capacity Scenarios					
	2022	2023	2024	2025	2026	2027
3% of assess. value	38,600,000	39,000,000	39,400,000	39,800,000	40,200,000	40,600,000
New Debt			4,000,000		1,000,000	
Principal Paid		400,000	400,000	400,000	450,000	550,000
Debt (Net)	4,197,122		7,400,000		7,550,000	7,000,000
General Fund Total	8,900,000	9,200,000	9,400,000	9,800,000	10,300,000	10,700,000
Debt Service	475,000	475,000	475,000	725,000	725,000	800,000
% Fund Total	5.30	5.20	5.10	7.4	7.0	7.50
Limit	10	10	10	10	10	10
Tax Impact new debt				30 cents		8 cents