

CAPITAL IMPROVEMENTS PROGRAM

FOR THE

TOWN OF BARNSTEAD, NH

2003-2008

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2003-2008

December 2002

Town of Barnstead Selectmen

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Edward Tasker

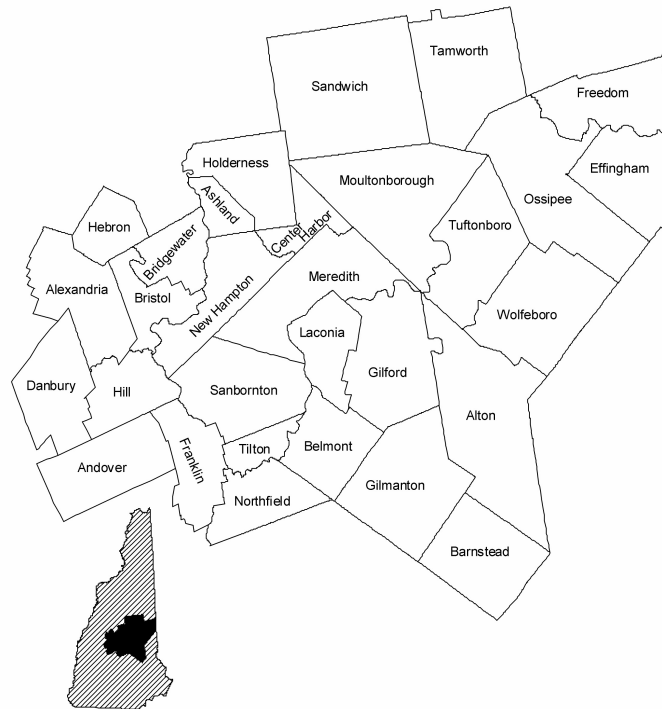
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SECTION 1: INTRODUCTION

A community which has both a planning board and a master plan is granted the authority to prepare and amend a Capital Improvement Program (CIP) under New Hampshire RSA 674:5. A CIP is an advisory document; its primary purpose is to aid the Selectmen and Budget Committee during their consideration and recommendation of the annual budget for the community. The overall benefit of adopting a CIP is that it represents a fundamental link between community planning and the implementation of capital projects. It accomplishes this through an analysis of the financial capacity of a community to fund those projects.

A master plan is a prerequisite for the adoption and amendment of a CIP. Just as the master plan illustrates a broad, comprehensive view of growth and development in a community, the CIP represents a broad picture of municipal budgeting for the capital projects associated with that community development. In other words, a CIP is designed to fill the gap between the vision, goals, and objectives of a community, and the capital investments necessary to allow the Master Plan to be successfully implemented.

In 2001, the town of Barnstead began the process of updating its Master Plan. Concurrently, Barnstead also began to update its CIP. This CIP augments the development of the Master Plan, and should contain fiscal recommendations for budgeting proposed capital projects outlined in the master plan. The budgeting timeframe for the Barnstead CIP is six (6) years, the minimum allowable under NH RSA 674:5. Updates to the Barnstead CIP should occur annually in order to remove completed capital projects, and introduce new ones to the yearly budgeting process and the six-year programming cycle.

A Capital Improvements Program also serves as the basis for a municipal impact fee system (RSA 674:21, V) and/or growth management controls (RSA 674:22). The legal foundation for both an impact fee system and a growth management ordinance lies in the CIP, and in order for either innovative land use control to remain current and legally supported, the CIP must be updated yearly.

CIP PURPOSE AND DESCRIPTION

As identified above, the purpose of Barnstead's CIP is to aid the Selectmen and the Budget Committee in Barnstead in the development of the annual budget. The CIP describes the needed capital projects in the community, and provides a suggested time sequence for budgeting and implementing those projects. The town of Barnstead has decided to develop a CIP based on a six-year time frame.

There is also a common sense purpose for developing a CIP. In planning terms, the CIP encourages a community to accommodate reasonable levels of growth, while at the same time preventing unreasonable economic burdens. In this sense, the CIP minimizes the financial impact that growth can have on the municipal budget and, ultimately, the taxpayers of a community.

Like all planning efforts, the development of a Capital Improvements Program is based on an understanding of where you have been, where you want to be, and how you will get there. In order to understand where you have been, one of the fundamental components of a CIP is a historic fiscal analysis which examines valuation, revenue, expenditure, and tax rate trends in a community.

A CIP also includes an assessment of future needs for capital projects. This is accomplished by soliciting input from department heads and other community officials. Requests for the identification of capital projects were submitted to department heads and town officials in the autumn of 2001. In Barnstead, a capital project is defined as a project that has: a) an annual or total cost above \$10,000; and b) a lasting life of more than one year.

Once future capital projects have been identified, along with preferred financing methods, an assessment of the available capital budget is undertaken for the next six years. This is accomplished through the development of projections for future valuation (tax base), revenues, and expenditures in the community. Finally, capital projects are programmed identifying the financing method and the expected year of purchase (completion).

However, a CIP does not stop there. It is a living document, and should be updated annually to allow for adjustments and variations from the projections developed in the fiscal analysis. New projects are added as needed, some projects may be delayed, and others may be expedited as needed. Either way, the Selectmen and Budget Committee should have an updated CIP to work with each year in order to make recommendations for the municipal budget to be considered at annual Town Meeting.

Since this CIP was prepared concurrently with the Master Plan, the reader should refer to that document for more in depth explanation of the status of transportation and community facilities in the community. At the time of preparing this document, the Town has begun to explore growth management techniques in order to ensure reasonable growth while ensuring community facility needs are met without creating excessive municipal fiscal burdens. Regardless of what growth management approaches are adopted in Barnstead (if any), this CIP should provide a basis for ensuring the community is able to provide the community facilities and services expected of all current and future residents of Barnstead.

SECTION 2: IDENTIFIED CAPITAL PROJECTS

2.1 Introduction

This section will outline the capital projects identified by the town department heads and officials for the period 2003-2008. Normally project priorities would be indicated by each department, for each project. Instead, at the outset, each project was assumed to have equal priority. Through discussions with town officials and department heads, projects were then scheduled according to priorities established through that discussion. Ultimately, the Barnstead Planning Board have determined, and approved, the recommended scheduling and budgeting of the projects contained in this CIP.

Proposed methods of financing are also discussed for each project. Generally, the funding methods available for the town include "Current Revenue" where the project is funded through a single town budget appropriation, "Bonds" which allow projects to be financed through loans, "Lease-Purchase" options where projects are funded over the course of several years (most common with vehicles and equipment), and planned investment using "Capital Reserves," where money is set aside on a yearly basis to fund a project in the future.

2.2 List of Capital Projects

A list of all proposed capital projects for the six-year period from 2003 to 2008 is provided in Table 2-1. Projects are sorted by department or project category, and a suggested financing method and schedule are provided to ensure each project is funded through the six-year period. Based on the submitted projects, approximately \$270,000 (aside from 2003) would be required in capital project costs per year, through the various funding sources.

Highway Department - Equipment:

The Barnstead Highway Department has identified three major capital purchases for equipment. Although all equipment purchases are important, through discussion with the Barnstead Road Agent the Road Project (see below) capital projects were identified as having greater priority at this time. Therefore, the equipment purchases have been scheduled in the latter years of the six-year program.

Grader. The highest priority was identified as the replacement of the 1986 grader to improve the quality of existing services and reduce long-term maintenance costs. The cost to replace the grader was estimated at \$147,000. As of 2002, a Highway Equipment Capital Reserve Fund had been established which contained \$47,000 to go toward the purchase of the grader. The grader would be purchased through continued investment in the Highway Equipment Capital Reserve Fund, with a purchase year of 2007.

1-Ton Pick-Up Truck. This project involves the replacement of an existing F450 (1-Ton) pick-up truck with a 9-foot plow. The purpose of this project is to alleviate deficiencies, improve the quality of existing services, and provide added capacity to serve growth. With an estimated cost of \$50,000, this purchase would be accomplished through investment in the Highway Equipment Capital Reserve Fund in 2007, with purchase occurring in 2008.

Table 2-1: Summary of Proposed Capital Projects for Barnstead: 2003-2008

		Cost Without Debt	2002 Balance	2003	2004	2005	2006	2007	2008	Financing Method
HIGHWAY EQUIPMENT										
1	Grader	\$147,000.00	\$47,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00		Capital Reserve
2	1-Ton Pick-Up Truck	\$50,000.00	\$0.00					\$20,000.00	\$30,000.00	Capital Reserve
3	10-Wheel Dump Truck	\$125,000.00	\$0.00			\$10,000.00	\$25,000.00	\$20,000.00	\$70,000.00	Capital Reserve
Highway Equipment Sub-total		\$322,000.00		\$20,000.00	\$20,000.00	\$30,000.00	\$45,000.00	\$60,000.00	\$100,000.00	
CISTERNS										
1	Cistern 2 (2004)	\$35,000.00	\$19,000.00	\$17,500.00						Capital Reserve
2	Cistern 3 (2006)	\$35,000.00	\$0.00			\$17,500.00	\$17,500.00			Capital Reserve
3	Cistern 4 (2008)	\$35,000.00	\$0.00					\$17,500.00	\$17,500.00	Capital Reserve
Cisterns Sub-total				\$17,500.00	\$0.00	\$17,500.00	\$17,500.00	\$17,500.00	\$17,500.00	
BUILDINGS										
1	Highway Garage Expansion	\$230,000.00	\$30,000.00	\$30,000.00	\$30,000.00	\$40,000.00	\$40,000.00	\$60,000.00		Capital Reserve
3	Town Hall Basement Renovation	\$100,000.00	\$0.00	\$40,000.00	\$40,000.00	\$20,000.00				Capital Reserve
Buildings Sub-total				\$70,000.00	\$70,000.00	\$60,000.00	\$40,000.00	\$60,000.00	\$0.00	
FIRE AND AMBULANCE DEPARTMENT										
1	Fire Truck	\$225,000.00	\$110,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$15,000.00	Capital Reserve
2	Ambulance	\$125,000.00	\$0.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00		Lease-Purchase
Fire and Ambulance Sub-total				\$45,000.00	\$45,000.00	\$45,000.00	\$45,000.00	\$45,000.00	\$15,000.00	
POLICE DEPARTMENT										
1	Police Cruisers	\$37,500.00	\$30,000.00	\$7,500.00	\$37,500.00	\$37,500.00	\$37,500.00	\$37,500.00	\$37,500.00	Lease-Purchase
Police Sub-total				\$7,500.00	\$37,500.00	\$37,500.00	\$37,500.00	\$37,500.00	\$37,500.00	
EMERGENCY MANAGEMENT										
1	Generator	\$30,000.00	\$0.00	\$10,000.00	\$10,000.00	\$10,000.00				Capital Reserve
Emergency Management Sub-total				\$10,000.00	\$10,000.00	\$10,000.00	\$0.00	\$0.00	\$0.00	
ROAD PROJECTS										
1	Province Road	\$70,000.00	\$0.00	\$70,000.00						Current Revenue
2	Gray Road	\$60,000.00	\$0.00		\$60,000.00					Current Revenue
3	Walker Road	\$30,000.00	\$0.00		\$30,000.00					Current Revenue
4	North Barnstead Road	\$50,000.00	\$0.00			\$50,000.00				Current Revenue
5	Beauty Hill Road	\$150,000.00	\$0.00			\$20,000.00	\$90,000.00	\$40,000.00		Capital Reserve
6	North Road	\$150,000.00	\$0.00					\$10,000.00	\$100,000.00	Capital Reserve
Roads Sub-total				\$70,000.00	\$90,000.00	\$70,000.00	\$90,000.00	\$50,000.00	\$100,000.00	
TOTAL				\$240,000.00	\$272,500.00	\$270,000.00	\$275,000.00	\$270,000.00	\$270,000.00	

10-Wheel Dump Truck. This project involves the replacement of an existing 1982 LN8000 10-wheel dump truck to improve the quality of existing services and provide added capacity to serve growth. The estimated cost of this piece of equipment is \$125,000, which would be accommodated through investment in the Highway Equipment Capital Reserve Fund from 2005 through 2007, and purchased in 2008.

Cistern Development:

The Town of Barnstead has adopted a cistern development policy and invests in a Cistern Capital Reserve Fund to regularly fund the creation of cisterns throughout town. The approximate cost of each cistern is \$35,000, with the purchase of cisterns planned for 2003, 2006, and 2008. As of 2002, the Cistern Capital Reserve Fund contained \$19,000 to be used towards the 2003 cistern. Town officials indicated a desire to maintain extra funds in this fund at all times, so \$17,500 has been allowed for 2003. This will allow the Town to maintain approximately \$1,500 in the Fund throughout the six year program.

Buildings:

Highway Garage Expansion. Identified as having a very high priority, there is a need to expand the existing highway garage. This would allow for the construction of a building large enough to house all equipment (some equipment is currently stored outdoors) and would alleviate deficiencies. The proposed expansion would be a 60' x 100' (6,000 sq. ft.) "Butler Building", and would cost an estimated \$230,000. The construction of the building would be funded through continued investment in the Capital Reserve Funds, and would be constructed in 2008. As of 2002, the balance in the Highway Garage Capital Reserve Fund is \$30,000.

Town Hall Basement Renovations. This project would increase the capacity of the existing Town Hall by renovating the Basement into a workable space. The total cost of these renovations is estimated at \$100,000, and would be scheduled for construction in 2005 through investment in the Capital Reserve Funds.

Fire and Ambulance Department - Equipment:

Fire Truck. This project would involve the purchase of a new fire truck through investment in Capital Reserves. This would replace an existing 26-year old truck as part of a planned replacement schedule. The estimated cost of the fire truck is \$225,000 and it would be purchased in 2008 after yearly contributions to a Fire Truck Capital Reserve Fund.

Ambulance. A new ambulance would be purchased in 2003 through a Lease-Purchase financing option. The estimated cost of the ambulance is \$125,000, and the Lease-Purchase plan would be completed in 2007, with annual payments until then of approximately \$25,000.

Police Department:

Police Cruisers. The Police Department purchases new cruisers using Lease-Purchase arrangements. The total yearly allocation from 2004 through 2008 is approximately \$37,500.

Emergency Management:

Generator. The proposed purchase of an emergency power generator would be accomplished through the investment in Capital Reserves over a three year period, with purchase in 2005. The purpose of purchasing the generator is to provide power during emergencies for shelter and communication. The total estimated cost of the generator is \$30,000.

Highway Department - Road Projects:

The Barnstead Master Plan has identified a desire to reduce long term maintenance of roads in Barnstead through a paving program. On relatively high volume roads, paving can have the benefits of reducing costs of grading, filling, and ditchwork, as well as the annual maintenance required to replace lost gravel through the winter months. The following road projects have all been identified in the Barnstead Master Plan as necessary improvements. They were identified as priorities through the process of conducting a Road Surface Management System (RSMS) study in the town.

Province Road. At an estimated cost of \$70,000, this project would involve the paving of Province Road for one mile, between NH 28 and NH 107. The project would be funded through current revenue (one-time annual appropriation at Town Meeting) in 2003.

Gray Road. This project would pave Gray Road for .8 miles from Crooked Run south to Province Road (approximately \$60,000). The project would be funded through current revenue in 2004.

Walker Road. This project would cost about \$30,000 and would pave Walker Road from North Barnstead Road to the Alton Town Line (approximately .4 miles). The project would be funded through current revenue in 2004.

North Barnstead Road. At an estimated \$50,000, this project would pave North Barnstead Road from Pitman Corner Road westerly approximately .7 miles to the currently paved section (approximately \$50,000). The project would be funded through current revenue in 2005.

Beauty Hill Road. This project would pave Beauty Hill Road West from its intersection with Beauty Hill Road in a southeast direction about 2.3 miles (approximately \$150,000). Due to the relatively large cost of this project, it would be funded through a Highway Project Capital Reserve Fund, with contributions in 2005, 2006, and 2007 (the anticipated construction year).

North Road. This project would pave North Road from the Gilmanton townline easterly for approximately 2.7 miles (approximately \$150,000). Due to the relatively large cost of this project, it would be funded through a Highway Project Capital Reserve Fund, with contributions in 2007 and 2008 (the anticipated construction year being past 2008).

SECTION 3: FISCAL ANALYSIS

This section will present a fiscal analysis for the town of Barnstead over the past eleven years (1991-2001). The fiscal analysis will help to understand Barnstead's ability to pay for the major capital expenditures anticipated over the next six years. The first part of this section will examine historical revenue and expenditure trends in order to better understand Barnstead's current fiscal situation. After reviewing the historical trends, this section will then present projections of future revenues and expenses. By conducting this fiscal analysis, it will then be possible to estimate the tax impacts of the proposed capital expenditures identified in this Capital Improvements Program.

3.1 Historic Revenue Trends

A summary of revenue trends for the past ten years is shown in Table 3-1. The top line shows the total assessed valuation (for which the tax rate is applied) for the town from 1991 to 2001. These trends in valuation are also shown graphically in Figure 3-1. The total assessed valuation had steadily increased in Barnstead from 1991 to 1999. After 1999 however, the valuation had increased at a much faster rate, likely due to increased residential development throughout town. The town recently completed its update of its annual valuation report. As of July 2002, the total valuation for which the tax rate is applied for Barnstead was \$162,202,161. According to this report, the town's valuation is currently operating at approximately 60% of the total actual valuation. The actual valuation for the town will not, however, be known until the completion of the process of revaluation sometime in the autumn of 2002.

Although property taxes are the largest revenue generating source for Barnstead, there are other revenue sources which need to be examined. Figure 3-2 depicts the historic trends of revenue sources, excluding property taxes, broken down into four categories:

- 1) **Total Revenues from Taxes (Non-Property Taxes):** This category includes Yield Taxes, Interest and Penalties on Taxes, Excavation Taxes, and Land Use Change Taxes.
- 2) **Total Revenues from State:** This category primarily includes Shared Revenue, Highway Block Grant, and Meals and Rooms Tax Distribution.
- 3) **Total Revenues from Federal Funds:** Generally a very low revenue source for the town, which includes grants for police and fire equipment. This category spiked in 1998 when the town received substantial monies from the Federal Emergency Management Agency (FEMA) for ice storm and flood disaster recovery.
- 4) **Total Revenues from Local Sources (Except Taxes):** By far the largest source of non-property tax revenue, this category includes: Licenses, Permits, and Fees (Motor Vehicle Permits, Building Permits, Dog Licenses, etc.); Charges for Services (Income from Departments, etc.); and Miscellaneous Revenues (Interest on Deposits and Investments, Sale and Rent of Town Property, Withdrawals from Capital Reserves, etc.).

As can be seen in Figure 3-2, total revenues from taxes (non-property taxes) remains fairly constant over the past eleven years. This is understandable, considering these taxes are primarily limited to activities that are, for the most part, not influenced by population growth and development.

Table 3-1: Summary of Revenue Sources for Barnstead: 1991-2001

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Assessed Valuation	129,157,097	130,792,387	131,780,398	133,181,017	134,794,003	136,141,997	137,066,642	137,776,859	140,497,580	149,022,116	156,662,932
Total Local Tax Rate	29.77	29.99	31.84	35.26	36.69	38.76	38.85	40.69	37.57	34.57	33.57
School Tax Rate	21.09	21.69	23.45	27.29	28.11	29.07	30.39	32.01	25.45	23.64	24.21
County Tax Rate	2.75	2.95	2.86	2.26	2.27	2.15	2.47	2.27	2.42	2.58	2.71
Town Tax Rate	5.93	5.35	5.53	5.71	6.31	7.54	5.99	6.41	9.70	8.35	6.65
Gross Property Taxes	3,845,007	3,922,464	4,195,888	4,695,963	4,945,592	5,276,864	5,325,039	5,606,140	5,278,494	5,151,695	5,259,175
Non-Property Tax Revenues	739,061	714,379	684,489	737,250	709,797	891,955	998,467	1,477,607	1,190,041	1,880,983	1,314,063
Total Revenues From Taxes	132,999	134,109	156,364	147,632	147,089	136,026	128,352	122,273	154,592	150,961	153,217
Total Revenues From State	165,412	154,939	165,686	167,915	224,034	203,488	225,261	263,873	214,293	241,311	269,708
Total Revenues From Federal	0	0	2,000	0	2,000	2,000	12,474	141,398	32,479	30,541	12,822
Total Revenues From Local Sources, Except Taxes	440,650	425,331	360,439	421,703	336,674	550,441	632,379	950,063	788,677	1,458,170	878,316
TOTAL REVENUES	4,584,068	4,636,842	4,880,377	5,433,213	5,655,389	6,168,819	6,323,506	7,083,747	6,468,535	7,032,678	6,573,238

Figure 3-1: Historic Trends in Total Assessed Valuation for Barnstead: 1991-2001

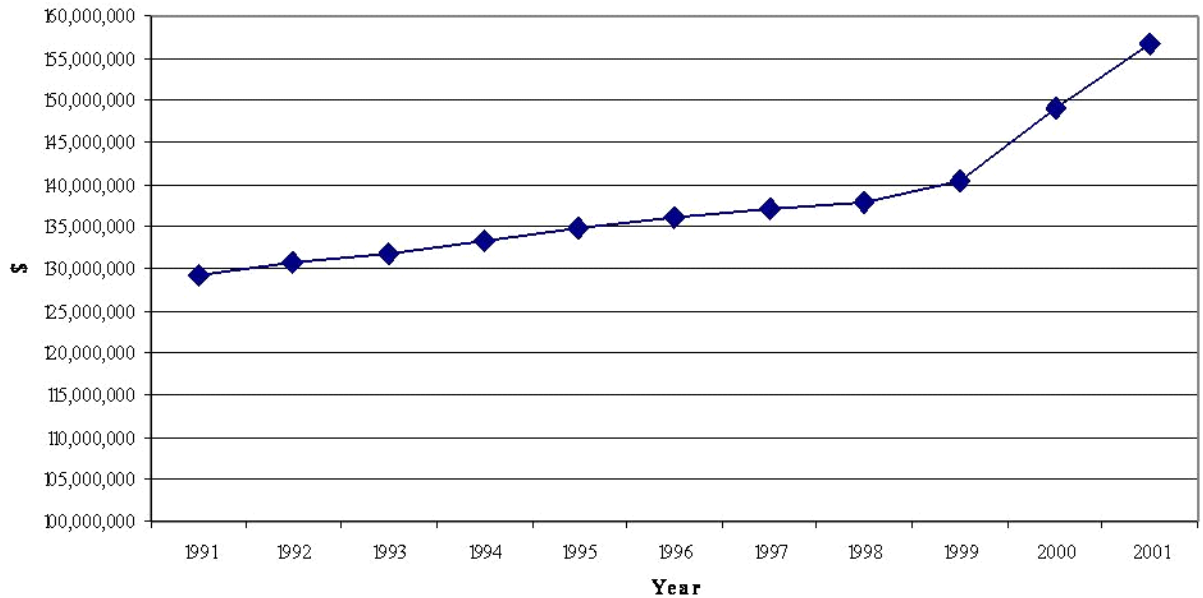
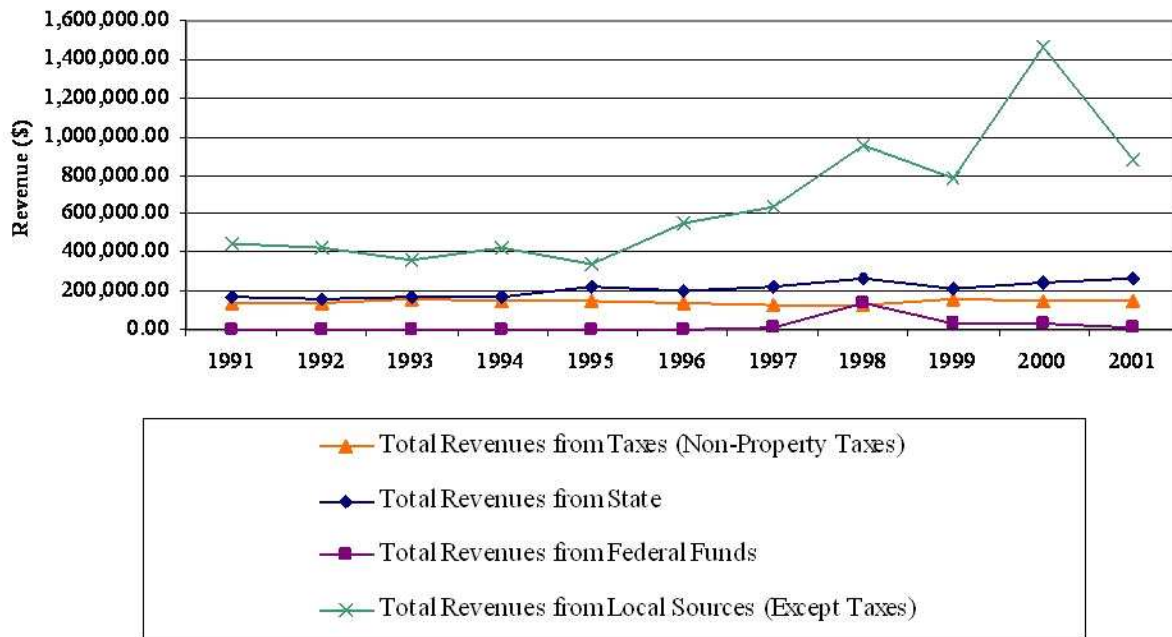


Figure 3-2: Historic Trends Revenue Sources Other Than Property Taxes for Barnstead: 1991-2001

The category representing revenue from the State has grown gradually over the past years, for the most part due to steady increases in Highway Block Grant monies and increases in the distribution of the Meals and Rooms Tax received.

The total revenues from Federal Funds have been relatively small over the past eleven years. The spike in 1998 was due to the unique situation wherein the town received monies from FEMA for ice storm and flood disaster recovery.

As explained earlier, the last category includes all other local sources of revenue except taxes. This category is clearly the largest source of revenue for the town. It is also the only source of revenue which has grown over the past 11 years, particularly since 1995. As can be seen from the graph, however, it is also the most erratic source of revenue, fluctuating from year to year. The fluctuations are for the most part due to year to year difference in the amount of money the town has withdrawn from capital reserves.

When examining all sources of revenue for the town, it is clear to see that the town continues to rely heavily on property taxes as a source of revenue (Figure 3-3). However, the proportion of revenues from property taxes seems to be diminishing over time. Figure 3-4 demonstrates the relative proportion each major type of revenue source had in 1991 of total revenues. Figure 3-5 shows the same for 2001. As can be seen, in 2001 property taxes contribute a lesser share than they did in 1991, while local sources apart from taxes (motor vehicle permits, withdrawals from capital reserves, etc.) contributes a slightly larger proportion.

Figure 3-3: Historic Trends in Property Tax vs. Non-Property Tax Revenues for Barnstead: 1991-2001

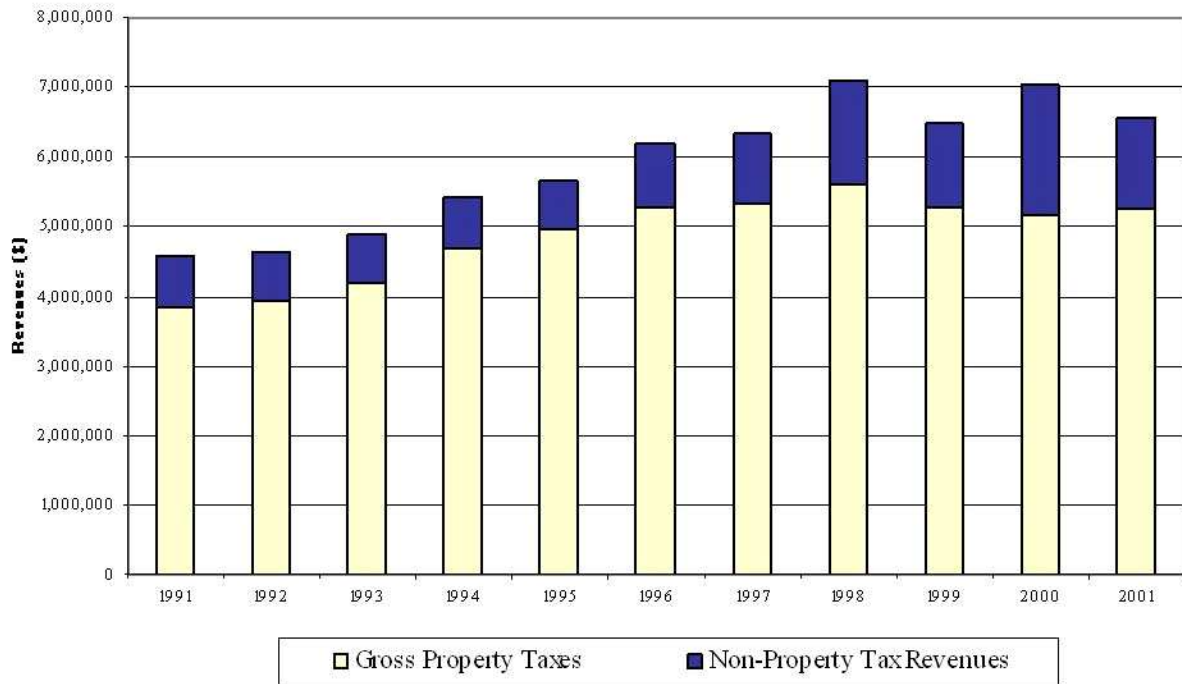


Figure 3-4: Distribution of Revenue Sources for Barnstead: 1991

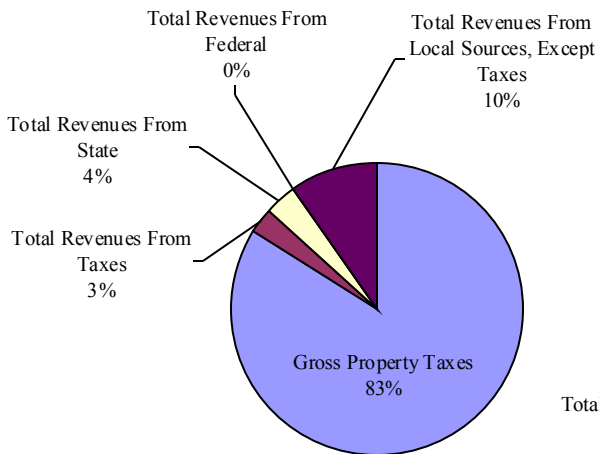
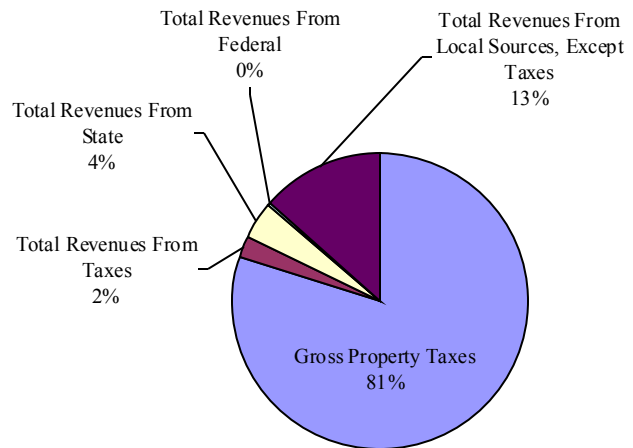


Figure 3-5: Distribution of Revenue Sources for Barnstead: 2001



3.2 *Historic Expenditure Trends*

Table 3-2 and Figure 3-6 display historic expenditure trends in Barnstead. As in previous years, the period from 1991 to 2001 saw School Appropriations as the largest expenditure for the town of Barnstead. Over this period, the expenditures to school appropriations consistently grew until 1999. In 2000, the amount expended on School Appropriations dropped significantly (by approximately \$1,300,000, or 29%). The reduction between 1999 and 2000 was presumably due to the school finance restructuring which occurred at the time. However, school appropriations again rose in 2001 by almost \$600,000 from the previous year.

The second largest expenditure in Barnstead is classified as Total Operating Expenditures. Total Operating Expenditures have been broken down into three categories, each of which is briefly discussed below:

- 1) **Town Operating Expenditures:** This category includes all department operating expenditures, including those from General Government (administration, personnel, etc.), Public Safety (police, fire, ambulance, etc.), Highways, Streets, and Bridges, Sanitation, Health and Welfare, and Culture and Recreation.
- 2) **Town Debt:** This category is generally composed of Interest on Tax Anticipation Notes (TAN) and Internal Revenue Service Interest and Penalties. It also includes, most notably in 2001, Principal and Interest Payments on the Oscar Foss Memorial Library Bond.
- 3) **Belknap County Tax:** A yearly payment made to Belknap County to be used for costs such as County Prisons and Nursing Homes.

The trends for these types of Operating Expenditures are illustrated in Figure 3-7. Town Operating Expenditures have generally increased over the past 11 years, although somewhat erratically. The most noticeable increase occurred between 1993 and 1994 as a result of the introduction of Tax Anticipation Notes (TAN). Town Operating Expenditures rose again in 1997 and 1998 largely due to expenditures categorized as “liabilities” such as the “Bosco Bell Bridge” and “Taxes Bought by Town”. After 1998, these liabilities were eliminated and town operating expenditures again decreased until 2001, where there was again a slight increase.

The Belknap County Tax remains relatively stable from year to year, with only a slight increase occurring between 1991 and 2001. The County Tax, however, remains as the second largest portion of Total Operating Expenses for the Town of Barnstead.

Town debt was relatively negligible from 1991 to 2000. In 2001, however, as a result of the Oscar Foss Memorial Library Bond, the Town incurred a relatively substantial expenditure compared to previous years. In 2000, for example, the town debt expenditure totaled less than \$9,000 and consisted of payments for both IRS Penalties and Interest, as well as Interest on Tax Anticipatory Notes (TAN). In 2001 the Town Debt increased to more than \$170,000, about 95% of which was expended on principal and interest payments to cover the Library Bond.

Table 3-2: Summary of Expenditures for Barnstead: 1991-2001

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Town	1,522,230	1,539,462	1,534,355	2,710,947	2,282,990	2,120,361	2,481,178	2,965,506	2,607,886	2,210,060	2,515,259
Town Debt	7,644	9,625	7,030	8,358	15,606	6,030	4,833	5,208	11,659	8,708	172,350
Belknap County Tax	359,914	389,612	381,008	389,612	311,944	297,799	343,450	318,636	345,258	390,013	430,438
Total Operating Expenditures	1,889,788	1,938,700	1,922,393	3,108,917	2,610,539	2,424,190	2,829,462	3,289,350	2,964,804	2,608,782	3,118,047
Capital Expenditures	0	8,000	107,283	81,000	113,967	138,381	152,697	94,964	297,992	809,806	148,130
Transfers to Capital Reserve Funds	24,000	15,000	35,000	18,329	50,000	70,000	90,000	175,000	175,000	75,000	75,000
School Appropriations (includes School Debt)	2,699,792	2,820,321	2,880,067	3,317,235	3,799,364	4,164,388	4,073,766	4,267,756	4,454,770	3,169,234	3,737,173
TOTAL EXPENDITURES	4,613,580	4,782,021	4,944,743	6,525,481	6,573,870	6,796,959	7,145,924	7,827,069	7,892,566	6,662,821	7,078,350

Figure 3-6: Historic Trends in Expenditures for Barnstead: 1991-2001

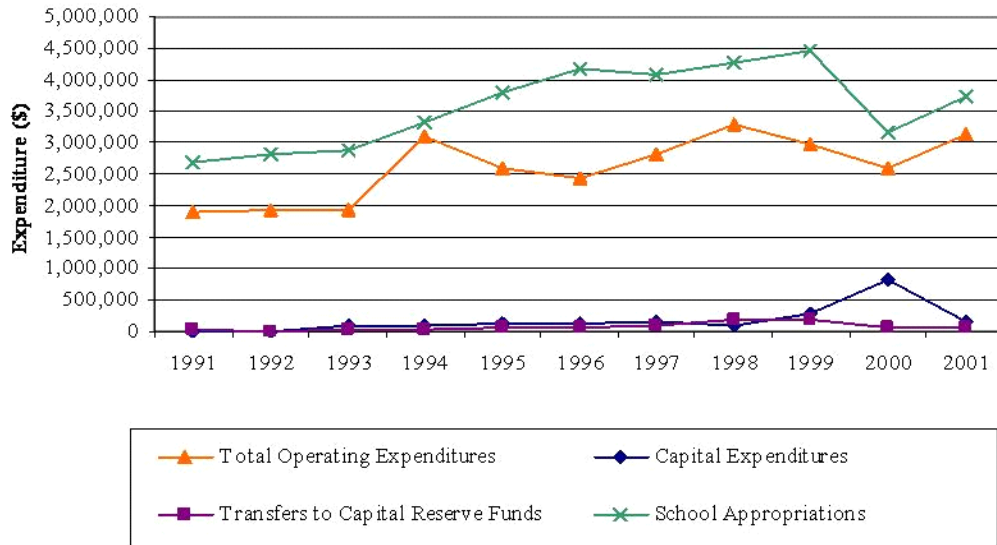
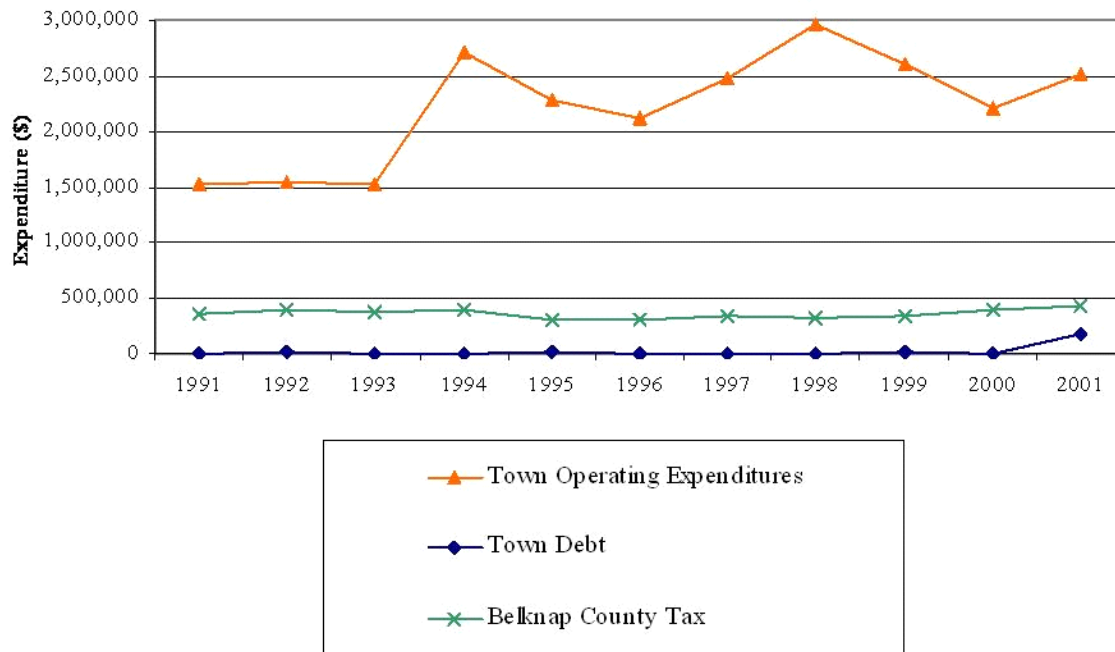


Figure 3-7: Historic Trends in Total Operating Expenditures for Barnstead: 1991-2001

Aside from School Appropriations and Total Operating Expenditures, there are two other types of expenditures: Transfers to Capital Reserve Funds and Capital Outlay. As mentioned earlier, one of the purposes of a CIP is to properly plan for and budget capital projects over time in an attempt to control their impact on the municipal portion of the tax rate. In Barnstead, over the past eleven years, capital expenditures have fluctuated from year to year. These capital expenditures have been accommodated primarily through a single town budget appropriation (current revenue), through withdrawals from capital reserve funds which accumulate funds over time, and through bonds. The largest fluctuation in capital outlay was seen between 1999 and 2001; In 2000 the Town expended nearly \$600,000 on the Oscar Foss Memorial Library, money which had been made available through a bond issued to the town.

Transfers to Capital Reserve Funds have occurred every year from 1991 to 2001, at variable amounts. Using capital reserve funds as a means of budgeting for Capital Projects (defined as having a total value of greater than \$10,000), is a common way of managing the impact that capital projects can have on the municipal portion of the tax rate. Capital Reserve Funds will be discussed later as a means of financing major capital projects in this CIP.

It can also be useful to examine the proportional share that individual departments contribute to overall town operating expenditures. Figures 3-8 and 3-9 compare operating expenditures, broken down by department, between the years 1992 and 2001. The year 1992 was used due to the abnormally high expenditure in 1991 on Health and Welfare (more than three times the level of spending than any of the years following).

Figure 3-8: Distribution of Expenditures by Department for Barnstead: 1992

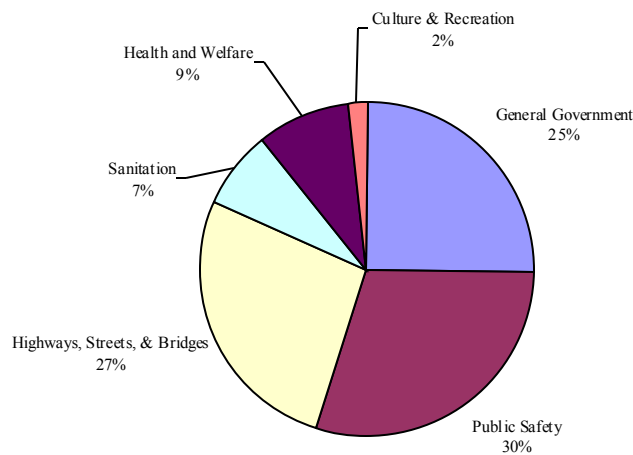
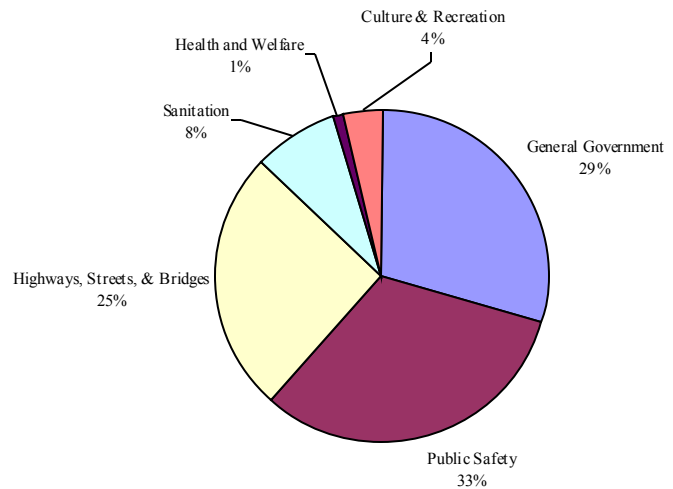


Figure 3-9: Distribution of Expenditures by Department for Barnstead: 2001



As the charts above illustrate, the proportion the town spends through its various departments has changed over the years. Where Health and Welfare spending was nearly 10% of the budget in 1992, spending in this department is the lowest proportion of spending of any department in 2001. Spending in General Government increased as a proportion of total department spending, along with spending on Public Safety and Culture and Recreation. The proportion of spending on Sanitation has increased only slightly over the ten year period, and spending on Highways, Streets, and Bridges has declined compared to other departments.

3.3 Summary of Historic Revenue and Expenditure Trends

Town revenues in Barnstead have steadily increased over the past eleven years. Non-property tax revenues, in particular, have grown by 78% between 1991 and 2001. Total assessed valuation, however, has not increased substantially (21%), resulting in an increase in total gross property taxes collected of only 37%. One of the reasons this growth has not been more is the lack of a revaluation through the eleven year period. Total revenues between 1991 and 2001 have increased by approximately 43%.

Total operating expenditures (including town operating expenditures, town debt, and the county tax) have increased by 65% from 1991 to 2001. School appropriations (including school debt), the largest single expenditure in Barnstead, have increased by 38% for the same period. In total, expenditures have increased by 53% for the eleven year period.

As a result, expenditures have increased greater than have revenues, resulting in an increased burden placed on local taxpayers through the local property tax to make up for this shortcoming. Although it is easy to assume that the current revaluation will result in increased revenues due to increased property taxes, this is not necessarily the case. The likely result of the revaluation will be a redistribution of the property tax revenues amongst local tax payers, and overall lower tax rate. However, total revenues will not likely increase dramatically. The following section will examine both revenue and expenditure projections for Barnstead from 2003 through 2008.

3.4 Revenue and Expenditure Projections

This section will develop revenue and expenditure projections. The purpose of doing so is to allow for a better understanding of the fiscal impact proposed capital projects will have on the municipal budget and on the local tax rate. The projections found in this section were developed from the past expenditure and revenue trends presented above. Various assumptions are factored into these projections, and as such, the projections should be considered "best guess" scenarios. It is important that the Planning Board revisit these projections on an annual basis in order to assess their accuracy and make revisions as necessary.

3.5 Revenue Projections

Net Valuation:

According to the historic data, the assessed valuation from which taxes are raised increased at an average rate of 2.1% per year between 1991 and 2002. 2002 data are used since the annual valuation report by the town was recently released providing this information. Under normal circumstances, it could be assumed that valuation will increase at a similar rate in the future, resulting in a net valuation of nearly \$184 million dollars by 2008. However, at the time of preparing this CIP, the town is undergoing a revaluation effort. According to the annual valuation report, it is estimated that as of July 2002 Barnstead is operating at approximately 60% valuation (i.e., the total assessed valuation for Barnstead is only 60% of the actual estimated valuation). With this in mind, the projected net valuation has been adjusted to reflect an estimate of the actual valuation, which is not known at this time. The estimate, however, should be fairly

close and allow for a better understanding of the municipal budget impact of capital projects as outlined in this CIP. Table 3-3 displays the projected valuation for the town of Barnstead, applying an adjustment factor of 1.67 (taking it from 60% to 100%) to the total assessed valuation reported for 2002. From there, it is assumed the valuation will increase at a rate similar to average rate of growth from 1991 to 2002: 2.1% per year. These projections assume there will not be another revaluation before 2008.

Non-Property Tax Revenue:

Non-property tax revenue projections have been calculated using an exponential regression model. This method of developing a projection assumes that non-property tax revenues have been increasing at an increasing rate, and will continue to do so. These revenues include revenues from local taxes (non-property taxes), revenues from the state and federal governments, and revenues from other local sources such as motor vehicle permits. It does not, however, include revenues from withdrawals from capital reserve funds or procurements from long-term bonds. Non-Property Tax Revenues are projected to increase by approximately 50% between 2003 and 2008.

Table 3-3: Projected Revenues, Operating Expenditures, and Tax Rates Assuming No New Capital Expenditures for Barnstead: 2003-2008

	2003	2004	2005	2006	2007	2008
Assessed Valuation (*Before 2002 Revaluation)	165,622,865	169,115,708	172,682,213	176,323,932	180,042,452	183,839,392
Assessed Valuation (*Estimate of Post 2002 Revaluation)	276,590,184	282,423,233	288,379,296	294,460,966	300,670,895	307,011,785
OPERATING EXPENDITURES:						
Town Appropriations	3,140,265	3,310,526	3,490,019	3,679,243	3,878,727	4,089,027
Additional New Town Appropriations	0	0	0	0	0	0
School Appropriations	4,293,617	4,602,177	4,932,912	5,287,415	5,667,394	6,074,681
Belknap County Tax	368,478	369,719	370,960	372,201	373,442	374,684
Town Debt	8,470	8,470	8,470	8,470	8,470	8,470
School Debt	737,625	719,388	699,988	679,981	659,369	638,150
TOTAL	8,548,454	9,010,279	9,502,348	10,027,311	10,587,403	11,185,012
NON-PROPERTY TAX REVENUES	1,443,557	1,565,664	1,698,100	1,841,738	1,997,527	2,166,493
AMOUNT TO BE RAISED BY PROPERTY TAXES	7,104,897	7,444,615	7,804,248	8,185,572	8,589,876	9,018,518
LOCAL TAX RATE NECESSARY TO SUPPORT OPERATING EXPENDITURES	\$25.69	\$26.36	\$27.06	\$27.80	\$28.57	\$29.38

3.6 Expenditure Projections

Town Operating Expenditures:

Operating expenditures were broken down by individual categories in order to determine a total operating expenditure projection. Town Appropriations were projected using the exponential projection technique. It was assumed there would be no new additional town appropriations over the next six years. Town appropriations are projected to surpass \$4 million by 2008, increasing by approximately 30% between 2003 and 2008.

School Appropriations:

School appropriations were projected exponentially. These appropriations are the largest single expenditure incurred by Barnstead in any given year. It is expected that school costs will continue to increase at an increasing rate, reaching more than \$6 million by 2008 (up from \$4.3 million in 2003), increasing by approximately 42% between 2003 and 2008.

County Tax:

County taxes were projected using a linear projection technique which assumes that county taxes have increased at a steady rate (rather than increasing rate) in the past. The Belknap County Tax is expected to increase by approximately 1.7% between 2003 and 2008.

Town Debt:

Barnstead has not traditionally entered into any substantial town debt. From 1991 through 2000 the total town debt expenditures ranged from \$5,200 to \$15,000. In 2001, as a result of the Oscar Foss Memorial Library Bond, the town debt expenditure increased dramatically to more than \$170,000. It is expected, however, that the amount of town debt will return to pre-2001 levels, therefore the projection of \$8,470 was developed by averaging the amount of expenditures on town debt incurred by Barnstead from 1991 to 2000.

School Debt:

From 1991 to 2001 the town of Barnstead included School Debt as part of its overall School Appropriations. The recent agreement with the town of Alton to construct a new school, however, allows for the development of projections which can be viewed separately. At the time of preparing this document the details of the School Bond for Barnstead were not known. Specifically, the interest rate, and thus the total principal and interest annual payments for the bond were not known. However, the New Hampshire Municipal Bond Bank had previously prepared an estimated debt schedule for the Barnstead School District based on an interest rate provided on a draft debt schedule. Although this interest rate will not be the same, it is felt by the financial manager of the Superintendent of Schools SAU #51 that using this estimated debt schedule will closely approximate the actual debt incurred as a result of the issuance of the bond. Therefore, the projected school debt values have been derived from the original estimated school debt schedule produced by the New Hampshire Municipal Bond Bank on January 8, 2002.

3.7 Projected Impact of Operating Expenditures on the Tax Rate

The projected impact of operating expenditures on the municipal budget and tax rate is presented at the bottom of Tables 3-3 and 3-4. It should be noted that the projections show an increase in the assessed valuation in Barnstead of approximately 11% between 2003 and 2008. In contrast, total operating expenditures are expected to increase by 31% between 2003 and 2008. Therefore, growth in expenditures is outpacing growth in the tax base. As such, Barnstead will likely experience continued increases in property taxes simply to cover operating costs.

As can be seen in Table 3-3, the amount to be raised by property taxes increases by 27% from 2003 to 2008. This results in the portion of the tax rate accountable to operating expenditures' increasing from \$25.69 per thousand valuation in 2003 to \$29.38 in 2008 (Table 3-4). Of course, the tax rate in 2003 is considerably lower than it was in 2001 (\$33.57) as a result of the valuation's being performed as this CIP is completed.

3.8 Capital Expenditures and Their Affect on the Tax Rate

Table 3-4 shows how projected capital expenditures, as identified in Table 2-1, would affect the tax rate. This table shows that, according to the proposed capital projects and funding schedule, the impact on the tax rate of capital expenditures can be spread out evenly throughout the six-year period through the use of a mix of available funding techniques, including capital reserves, current revenue, and lease-purchase financing. As proposed, there would be no need for the community to take out any additional bonds for capital projects for this period.

Not only are the capital expenditures well distributed throughout the six year period, they will also have a minor impact on the total local tax rate. This low impact (for example, \$0.87 per thousand valuation in 2003) will offset the additional impact on the tax rate encumbered by the school bond, which is approximately \$4.71 per thousand dollars valuation in 2003. It will be important for the community to monitor this CIP and make adjustments as required. Due to the relatively low level of capital spending over the next six years, the town may be able to make adjustments should any emergency capital projects arise. However, any non-emergency projects should be reviewed on a yearly basis and included in annual updates to the CIP to avoid unexpected capital expenditures which will, ultimately, result in fluctuations to the tax rate in Barnstead.

Table 3-4: Projected Capital Expenditures and Tax Rates for Barnstead: 2003-2008

	2003	2004	2005	2006	2007	2008
Assessed Valuation (*Before 2002 Revaluation)	165,622,865	169,115,708	172,682,213	176,323,932	180,042,452	183,839,392
Assessed Valuation (*Estimate of Post 2002 Revaluation)	276,590,184	282,423,233	288,379,296	294,460,966	300,670,895	307,011,785
CAPITAL EXPENDITURES						
Town - Capital Reserve	137,500	120,000	157,500	212,500	207,500	232,500
Town - Current Revenue	70,000	90,000	50,000	0	0	0
Town - New Borrowing/Lease	32,500	62,500	62,500	62,500	62,500	37,500
School - Current Revenue	0	0	0	0	0	0
School - New Borrowing	0	0	0	0	0	0
TOTAL	240,000	272,500	270,000	275,000	270,000	270,000
LOCAL TAX RATE NECESSARY TO SUPPORT CAPITAL EXPENDITURES	\$0.87	\$0.96	\$0.94	\$0.93	\$0.90	\$0.88
LOCAL TAX RATE NECESSARY TO SUPPORT OPERATING EXPENDITURES (From Table 3-3)	\$25.69	\$26.36	\$27.06	\$27.80	\$28.57	\$29.38
PROJECTED LOCAL TAX RATE FOR ALL TOWN EXPENDITURES	\$26.56	\$27.32	\$28.00	\$28.73	\$29.47	\$30.25

3.9 *Summary and Recommendations*

The fiscal analysis presented above provides a summary of historic revenue and expenditure trends in the town of Barnstead from 1991 through 2001. It also offers projections for revenues and expenditures for the years 2003 through 2008. The town should recognize these projections as “best guess” scenarios that may or may not change through time. It is important that the town monitor changes and compare real levels of revenues and expenditures with those projections provided above.

Projections indicate that the total valuation of the town of Barnstead will increase steadily through 2008. For the same period, operating expenditures will also increase, although at a faster rate than assessed valuation. As a result, the local property tax rate can also be expected to increase as a natural response to increased operating expenditures.

The proposed scheduling and budgeting of capital projects (see Table 2-1) attempts to moderate the impact that capital projects will have on the property tax over a six-year period. According to the projects identified by department heads and town officials, the impact capital projects will have on the property tax will be relatively minor through this period. The CIP proposes approximately \$270,000 per year in capital expenditures in Barnstead, whether through investment in capital reserves, annual appropriations through current revenue, or lease-purchase arrangements.