

**CAPITAL IMPROVEMENTS
PROGRAM 2008-2014
TOWN OF CHESTER, NEW HAMPSHIRE**

PREPARED FOR
TOWN OF CHESTER
PLANNING BOARD

Final Draft
September 2007

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This is an Update to the Town's 2002-2008 CIP Previously Prepared
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I. INTRODUCTION

Purpose of Capital Improvement Program

The purpose of the Capital Improvements Program (CIP) and Budget is to anticipate the need for major capital expenditures and to enable the Town and School District to provide adequate community facilities for current and future needs. Authority for preparing the Capital Improvement Program is provided by RSA 674:5. The Capital Improvements Program is the link between local infrastructure investments, master plan goals, and community and economic development objectives. Another important use of the Capital Improvements Program is to promote better communication and coordination among Town departments, the Planning Board, the School District, the Board of Selectmen, and citizens as they outline long-term capital spending needs and priorities. The adoption of a Capital Improvements Program is also a prerequisite to growth management or impact fee ordinances.

Definition of a Capital Project

A capital project as defined by the Planning Board for this CIP are those projects outside of normal operations and maintenance, and having the following characteristics:

1. A gross cost of at least \$5,000; and
2. A useful life of at least 3 years; and
3. Is non-recurring (not an annual budget item); or
4. Any project requiring bond financing.

Process of this CIP

The following steps were utilized to develop the 2008-2014 Capital Improvements Program for the Town of Chester.

1. A detailed financial analysis illustrating a ten-year history of capital and operating costs of the Town and School District was prepared working with the Town's former Finance Director and current Bookepper by updating the previously prepared ten-year financial history in the Town's 2002-2008 CIP. On the basis of assumptions about rates of growth in expenditures and non-property tax revenues, programmed debt service, and future growth in taxable valuation and tax rates, a maximum supportable capital budget was projected.

2. The Planning Board issued requests to town departments and the School District, asking their representatives to submit lists of capital projects and priorities anticipated for the next seven years.
3. Summary information on proposed capital projects was submitted by municipal departments for review by the Planning Board. At this time, no projects were identified by the Principal of Chester Academy as part of this CIP. The Planning Board assessed the relative priority of the projects.
4. Capital improvements were scheduled over a 7-year time frame (current year plus 6 years projected) using various assumptions about methods of financing to project the annualized expenditure required to support the projects, and their cumulative tax impact.

Capital Projects Completed Since 2002-2008 CIP

Over the past five years, since the 2002-2008 Capital Improvement Program was prepared, a number of major capital projects have been approved for funding and or completed in Chester, including:

- Finished the upstairs of the Fire Station with \$50,000 appropriated at the 2005 Town Meeting. Work completed in FY 2006(07).
- Completed the reconstruction of several town roads through a \$2.1 million dollar bond appropriated at 2005 Town Meeting.
- Purchased Wason Pond (formerly Silver Sands Campground) with \$1.555 million from a \$3.0 million dollar bond appropriated for acquisition of conservation land at the 2003 Town Meeting.

The above projects alone represent over \$3.6 million in major capital improvement projects that have either been completed or initiated in Chester, not including other capital projects, such as vehicles, fire apparatus and other costs. The annualized impacts of a number of these expenditures have been reduced by the availability of capital reserve funds, off-site contributions, and the use of long-term bonded debt.

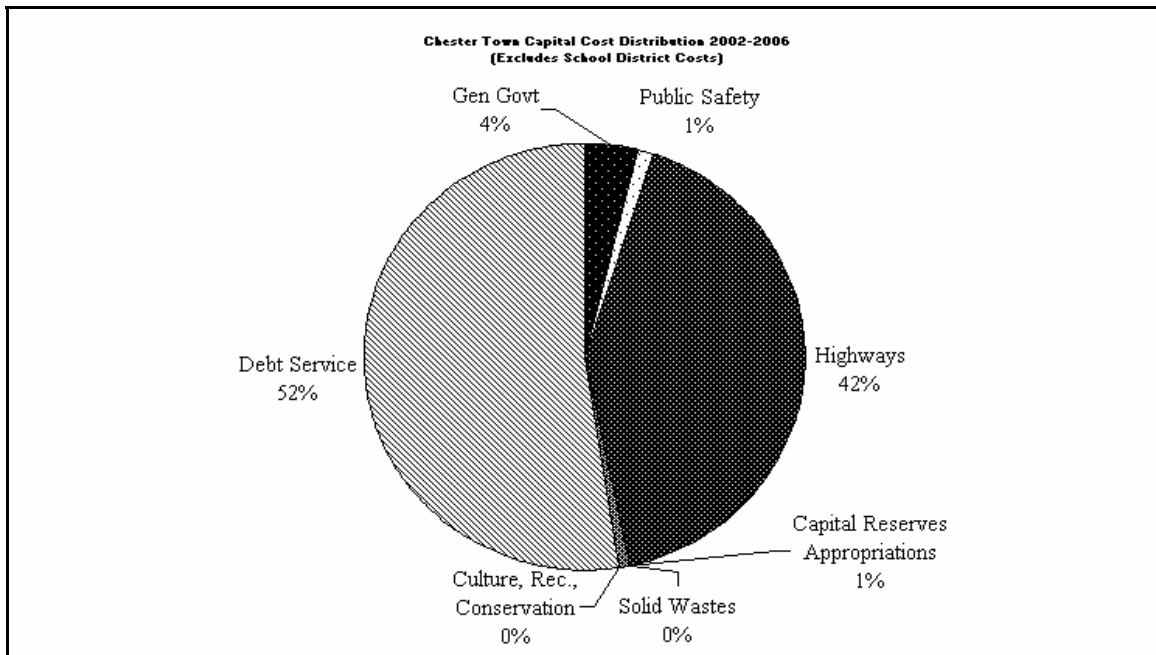
II. FISCAL ANALYSIS

The fiscal analysis in this section reviews historical spending patterns (capital and operating) as well as changes in available revenues. Based on past rates of growth and current economic conditions, projections were made of the likely growth in Town, School, and County operating costs borne by Chester. The existing programmed debt service commitments of the Town and School District were also identified for the current year (2006) plus a 6-year planning period (2006-2011). Assumptions about the future rates of growth in taxable valuation and property tax rates were used to project the amount of new supportable capital spending that Chester can reasonably support within the planning period.

History of Capital Projects - Past Ten Years

Owing to the significant amount of capital infrastructure investment made over the past several years by the Town of Chester, recent annualized capital costs continue to be well above the historical norm for the community. These costs for the Town continue to include debt service payments on projects such as the fire station, transfer station, conservation, street improvements and the new school, including the recent addition. Figure 1 summarizes the estimated distribution of capital expenditures by function for the period 2002-2006.

FIGURE 1



Source: Town of Chester Financial Reports

Table 1 is a history of municipal capital projects and dedicated revenues applied to those projects that were identifiable from the Chester Town Reports for the past ten years. *Actual* expenditures are shown for the fiscal years ending June 30 for 1997 to 2006. Annualized capital spending over the past ten years totaled just over \$9 million, or approximately \$919,964 as annualized per year. It is likely that actual capital spending was higher than this, since Table 1 reflects only those projects that could be specifically identified as capital items based on the Town reports. For example, if capital projects were funded from departmental operating budgets, they may not appear as "capital projects" in Table 1.

Major sources of dedicated revenues for capital projects in Chester have included capital reserve accounts, (principally for vehicles and equipment), donations, grants and bonded debt. After accounting for these revenue sources, the average annualized net Town capital expenditure averaged \$406,517 per year for the 1997-2006 period

For the past 10 years, however, Town capital expenditures supported by property taxes represented 43.3% of net Town expenses measured by the Town tax rate. Recent levels of capital spending have been much higher than the historical norm. In the most recent year measured (2006), net annual capital expenditures derived from taxes for Town facilities were \$1,344,633.

Highway capital projects funded by special exactions for roads under the subdivision approval process are not included in the Table 1 summary. Such exactions represent dedicated funds available only to specific roads benefiting selected new developments.

**TABLE 1
TOWN OF CHESTER**

TEN-YEAR HISTORY OF CAPITAL EXPENDITURES FOR MUNICIPAL GOVERNMENT DEPARTMENTS

FY ENDING 6/30:	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1997-2006 Total
DEPARTMENT											
General Government	\$10,660	\$24,288	\$138,500	\$373,684	\$72,546	\$5,112			\$92,088	\$112,742	\$829,620
Public Safety											\$0
Police Department	\$10,287	\$23,070			\$19,650						\$53,007
Fire Department			\$499,000	\$19,360				\$69,486			\$587,846
Highways and Streets			\$25,000	\$27,900	\$9,124	\$241,173	\$5,403	\$146,065	\$1,329,080	\$601,117	\$2,384,862
Solid Waste		\$1,066,000	\$25,000								\$1,091,000
Health & Welfare											\$0
Parks & Recreation											\$0
Library & Historic					\$6,000						\$6,000
Conservation			\$360,000	\$18,000	\$140,105						\$518,105
Approp. to Capital Reserves	\$11,000		\$13,000	\$64,208	\$102,386	\$28,000	\$20,000				\$238,594
Principal & Interest - Debt Service	\$12,680	\$11,880	\$149,564	\$180,222	\$205,480	\$186,819	\$609,059	\$614,670	\$640,110	\$880,130	\$3,490,614
TOTAL CAPITAL EXPENDITURES	\$44,627	\$1,125,238	\$1,210,064	\$683,374	\$555,291	\$461,104	\$634,462	\$830,221	\$2,061,278	\$1,593,989	\$9,199,648
REVENUES APPLIED TO PROJECT COSTS (excluding current year property taxes)											
Federal Funds			\$180,000						\$50,310	\$37,887	\$268,197
State Funds				\$12,359	\$13,388	\$18,391	\$33,100	\$56,811	\$16,868	\$13,995	\$164,912
Capital Reserve Withdrawal			\$39,000	\$65,330	\$7,697						\$112,027
Bond Proceeds/Long Term Notes		\$1,066,000	\$499,000						\$2,100,000		\$3,665,000
Impact Fee Accounts											\$0
Gifts/L.U. Change Tax/Other				\$330,303	\$115,105	\$1,749	\$5,237	\$130,962	\$143,513	\$197,474	\$924,343
TOTAL AVAILABLE REVENUES	\$0	\$1,066,000	\$718,000	\$407,992	\$136,190	\$20,140	\$38,337	\$187,773	\$2,310,691	\$249,356	\$5,134,479
NET ANNUAL CAPITAL EXPENSE	\$44,627	\$59,238	\$492,064	\$275,382	\$419,101	\$440,964	\$596,125	\$642,448	(\$249,413)**	\$1,344,633	\$4,065,169
(Funded by Current Year Property Tax)											
ASSESSED VALUATION (1)	\$82,488,653	\$83,885,467	\$213,213,892	\$232,677,594	\$257,409,082	\$277,216,622	\$288,693,700	\$297,461,500	\$304,229,200	\$569,040,300	
On Which Taxes Raised											
TAX RATE IMPACT OF CAPITAL PROJECTS	\$0.54	\$0.71	\$2.31	\$1.18	\$1.63	\$1.59	\$2.06	\$2.16	(\$0.82)	\$2.36	
TOTAL TOWN TAX RATE (1)	\$5.81	\$6.99	\$2.97	\$0.88	\$3.48	\$5.41	\$4.36	\$5.61	\$5.61	\$4.37	
(Excludes County & School Rates)											
CAPITAL PROJECT SHARE OF NET TAX EXPENSE	9.3%	10.1%	77.7	134.5	46.8%	29.4%	47.4%	38.5%	-12.9%	54.1%	10-Year Avg
(Estimate Only)											43.3

*Significant increases in 2000 and 2006 due to property revaluation.

**Negative net annual capital expensive is shown for FY 2005 as highway bond revenues where carried forward to following years.

School District Capital Costs

A 10-year history of School District capital costs is illustrated in Table 2. For the purpose of this CIP, the analysis of school capital costs has been limited to those projects relating to major construction or renovation that required debt service, and excluding capital projects that constitute maintenance of school facilities.

Total debt service payments for the past ten years for the School District totaled approximately \$4,241,550 million, less approximately \$705,000 in New Hampshire State building aid, leaving a net local debt service expenditure of \$3,536,550 in total, or about \$353,655 annualized per year in average annual debt service payments. The initial debt service payments on the bond for the new school began with interest payments in 1999. In 2000 and 2001, the debt service costs increased as both principal and interest were due on the bonds. Net local capital expenses averaged approximately \$500,000 in 2000 and 2001.

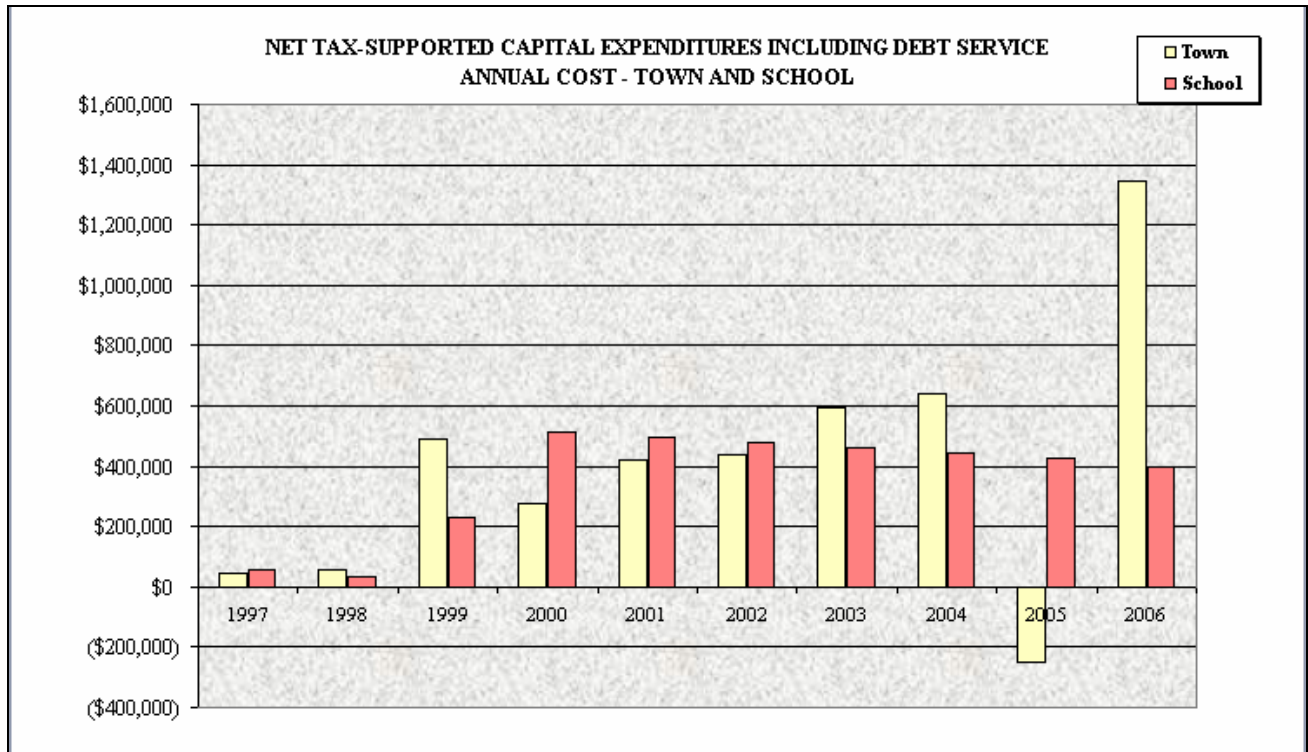
The development of a new grade 1-8 school in Chester (1998) was the first new construction of school space in the Town since 1987 (eleven years). Based on information prepared by the School Committee, the school as constructed in 1998 provides classroom capacity for up to 600 at desired District standards. Given the core facilities, and the design of the school, the facility was considered to have an estimated add-on potential for 8 to 12 classrooms. A 10-classroom addition was approved during 2002. The Grade 1-8 enrollment at the school was 536 in the fall of 2001, and 601 in June of 2002, indicating that enrollment was just above the rated capacity of the facility under local District standards. The addition in 2002 was intended to remedy the anticipated shortfall in school classroom capacity that would result if enrollment growth is moderate over the next 9 years.

Over the past 10 years, net debt service as percent of school tax averaged about 6.8% of the Chester School District tax assessment. Because debt service levels increased substantially after the construction of the new school, District capital expenditures rose to 10-15% of total District tax costs in 2000 and 2001.

The School District also approved additional debt service for the 2002 addition to the elementary school. Based on debt service (including payments for the 10-room addition), total District debt service payments for facility development between 1997 and 2006 was over \$4.2 million. After State building aid reimbursement of \$705,000 (estimated at 30% per year), the net local costs to the District totaled a little over \$3.5 million (about \$353,655 per year) for this period.

Figure 2 illustrates the annualized net capital spending for Town and School costs (including debt service) from property tax sources. Capital spending averaged about \$760,172 a year for combined Town and School capital costs during the period 1997-2006. However, more recent capital expenditure levels, illustrated by the 2004-2006 period, show an average combined expenditure of \$662,360 per year. This is higher than the average for the prior seven years (1997-2003) in which Town and School capital costs totaled only \$656,401 per year. This is in part due to recent major capital projects and associated debt service.

FIGURE 2



Source: Town of Chester Financial Reports

Figure 2 also demonstrates the significant change in the level of Town and School District capital expenditure supported by Chester over the past ten years. The development of capital facilities in Chester has been supported by an increased use of bonded debt service, which has spread the cost impacts of the projects out over a period of years, thus lessening the annualized impact on the property tax rate. As shown in Figure 2, there were no net tax-supported Town capital expenditures in FY 2005 as the Town's highway bond revenues were carried forward to the following years.

History of Operating Expenditures

The annual Town reports for Chester were used to identify total municipal expenditures; after deducting the items identified as "capital". The remainder was assumed to be operating expenditures. The recent and long-term average annual rate of growth (compounded) in operating costs for the past ten years are summarized below:

TABLE 3
Annual Compound Rate of Growth in Chester Expenditures

Area of Expenditure	1997-2006 (10Yrs-Compound Annual Rate)
Town Operating Costs	7.9 %
School District Tax Assessment	2.3 %
County Tax Assessment	9.6 %
Total Operating Costs	4.2 %

A detailed history of municipal expenditures by function is shown by department in Table 4, with the compound annual rate of change for 1997-2006 shown in the right-hand column. While we have attempted to standardize the categories of expense by functional category, there may be variations in comparability of departmental expenses from year to year due to changes in categories of reporting found in the annual Town reports. To keep the categories of expenditure for recent years consistent with past years, cemetery expense has been included with highways; building inspector costs have been included in general government rather than in public safety expense.

History of Non-Property Tax Revenues

History of Chester Municipal Operating Expenditures are shown on Table 4 and sources of non-property tax revenues (actual revenues) for municipal operations are illustrated in Table 5 for 1997-2006. In that period, as shown in Table 5, the average annual compound rate of growth in non-property tax revenues in Chester was 6.6 %. During the most recent five years (2001-2006) these revenues increased on an average annualized basis of 5% per year.

TABLE 4
History of Chester Municipal Operating Expenditures By Function

FY ENDING JUNE 30:	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Change 1997-2006		Annual
											Dollars	%	Compound Rate
DEPARTMENT:													
GENERAL GOVERNMENT	\$292,532	\$321,897	\$340,346	\$373,096	\$440,815	\$499,386	\$558,223	\$626,454	\$715,380	\$868,881	\$576,349	197.0%	12.9%
PUBLIC SAFETY													
POLICE DEPARTMENT	\$195,162	\$188,096	\$197,587	\$226,187	\$258,971	\$270,676	\$338,962	\$304,832	\$332,007	\$319,004	\$123,842	63.5%	5.6%
FIRE DEPT INCL FOREST, HAZMAT	\$34,805	\$37,078	\$39,430	\$46,498	\$47,998	\$67,207	\$242,409	\$202,780	\$234,557	\$259,998	\$225,193	647.0%	25.0%
AMBULANCE, BLDG INSP & OTHER	\$52,457	\$53,514	\$56,067	\$82,509	\$85,380	\$140,884	\$25,000	\$21,750	\$31,250	\$31,000	(\$21,457)	-40.9%	-5.7%
HIGHWAYS & CEMETERIES	\$263,009	\$189,342	\$226,315	\$235,140	\$323,578	\$272,063	\$445,882	\$473,814	\$513,963	\$294,413	\$31,404	11.9%	1.3%
SOLID WASTE	\$104,038	\$93,100	\$100,210	\$107,766	\$135,356	\$167,238	\$162,751	\$173,990	\$169,195	\$172,172	\$68,134	65.5%	5.8%
HEALTH & WELFARE	\$22,089	\$26,196	\$20,378	\$20,463	\$25,709	\$29,648	\$31,350	\$29,004	\$29,863	\$27,676	\$5,587	25.3%	2.5%
CULTURE & RECREATION, CONSERVATION	\$67,640	\$75,665	\$74,616	\$24,691	\$104,258	\$44,632	\$72,457	\$131,935	\$97,948	\$78,762	\$11,122	16.4%	1.7%
INTEREST-TAX ANTICIPATION	\$0	\$0											
MISCELLANEOUS/UNCLASSIFIED			\$4,650	\$16,000									
TOTAL OPERATING COSTS:	\$1,031,732	\$984,888	\$1,059,599	\$1,132,350	\$1,422,065	\$1,491,734	\$1,877,034	\$1,964,559	\$2,124,163	\$2,051,906	\$1,020,174	98.9%	7.9%
MUNICIPAL SERVICES													
SCHOOL DISTRICT ASSESSMENT (TAX SOURCES)	\$3,251,928	\$3,812,700	\$3,740,915	\$3,613,977	\$3,890,913	\$3,908,790	\$3,926,670	\$3,942,982	\$3,957,724	\$3,989,370	\$737,442	22.7%	2.3%
EXCLUDING DEBT SERVICE													
COUNTY TAX ASSESSMENT	\$209,226	\$203,295	\$210,357	\$238,276	\$242,195	\$396,910	\$419,883	\$450,357	\$453,596	\$479,202	\$269,976	129.0%	9.6%
NET TOTAL OPERATING COSTS	\$4,492,886	\$5,000,883	\$5,010,871	\$4,984,603	\$5,555,173	\$5,797,434	\$6,223,587	\$6,357,898	\$6,535,483	\$6,520,478	\$2,027,592	45.1%	4.2%

TABLE 5
History of Chester Non-Property Tax Operating Revenues and Net Local Tax Costs

FY Ending June 30:	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Change 1997-2006		
											Dollars	% Change	Compd. Annual Rate
SOURCES OF REVENUE													
TAXES: NON-PROPERTY	\$102,271	\$115,235	\$224,325	\$301,098	\$77,055	\$60,422	\$71,050	\$39,848	\$63,120	\$79,184	(\$23,087)	-22.6%	-2.8%
LICENSES, PERMITS & FEES	\$374,818	\$414,110	\$525,475	\$577,828	\$689,703	\$800,129	\$857,673		\$927,148	\$910,535	\$535,717	142.9%	10.4%
INTERGOVERNMENTAL-STATE	\$146,722	\$186,228	\$111,568	\$161,123	\$143,990	\$209,648	\$270,978	\$300,781	\$291,198	\$289,760	\$143,038	97.5%	7.9%
INTERGOVERNMENTAL-FEDERAL & OTHER	\$80,688	\$32,913	\$123,872		\$83,830					\$37,887	(\$42,801)	nc	N/A
CHARGES FOR SERVICES	\$10,585	\$20,219	\$24,154	\$28,877	\$28,723	\$20,829	\$26,297		\$179,293	\$37,938	\$27,353	258.4%	15.2%
INTEREST ON INVESTMENT	\$58,084	\$75,277	\$69,291	\$56,674	\$72,725	\$32,502	\$68,605	\$47,530	\$47,266	\$71,829	\$13,745	nc	nc
MISCELLANEOUS & OTHER	\$56,939	\$44,142	\$29,321	\$61,205	\$30,817	\$19,707	\$41,832	\$36,704	\$52,941	\$52,533	(\$4,406)	-7.7%	-0.9%
TOTAL NON-PROPERTY REVENUES	\$830,107	\$888,124	\$1,108,006	\$1,186,805	\$1,126,843	\$1,143,237	\$1,336,435	\$424,863	\$1,560,966	\$1,479,666	\$649,559	78.3%	6.6%
FOR MUNICIPAL SERVICES													
NET PROPERTY TAX EXPENSE													
MUNICIPAL	\$201,625	\$96,764	(\$48,407)	(\$54,455)	\$295,222	\$348,497	\$540,599	\$1,539,696	\$563,197	\$572,240	\$370,615	183.8%	12.3%
SCHOOL DISTRICT	\$3,251,928	\$3,812,700	\$3,740,915	\$3,613,977	\$3,890,913	\$3,908,790	\$3,926,670	\$3,942,982	\$3,957,724	\$3,989,370	\$737,442	22.7%	2.3%
COUNTY	\$209,226	\$203,295	\$210,357	\$238,276	\$242,195	\$396,910	\$419,883	\$450,357	\$453,596	\$479,202	\$269,976	129.0%	9.6%
TOTAL	\$3,662,779	\$4,112,759	\$3,902,865	\$3,797,798	\$4,428,330	\$4,654,197	\$4,887,152	\$5,933,035	\$4,974,517	\$5,040,812	\$1,378,033	37.6%	3.6%

Estimate of “Supportable” Target Capital Budget

Figure 3 depicts the history of assessed and equalized valuation of the Town. Figure 4 illustrates the history of assessed and equalized tax rates from 2002 through 2006. This data is used as part of the projection of future taxable valuation and typical tax rate increases.

FIGURE 3

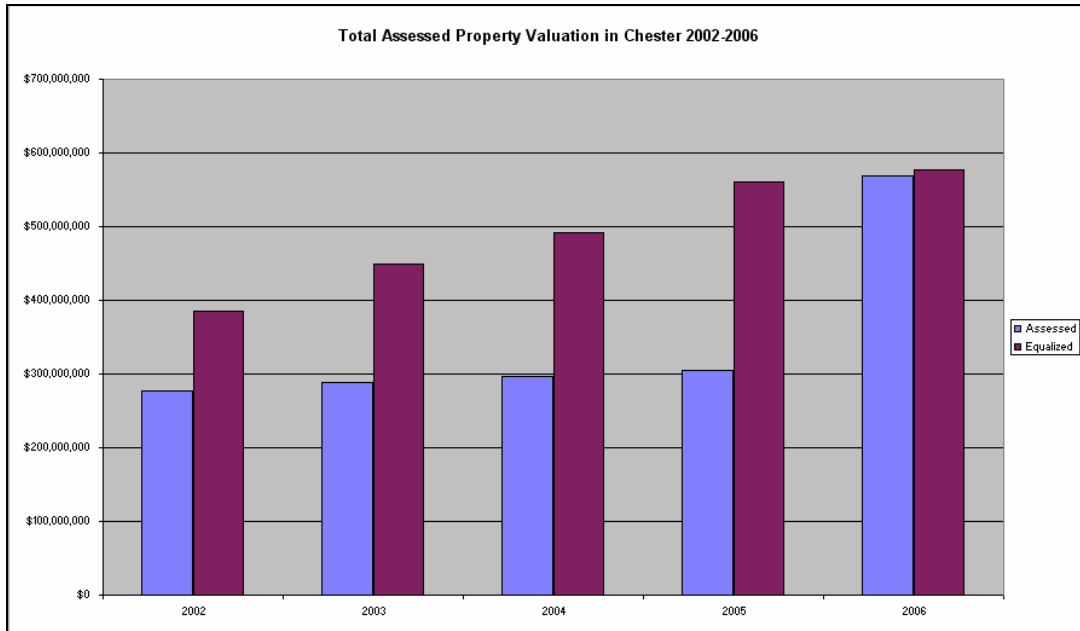


FIGURE 4

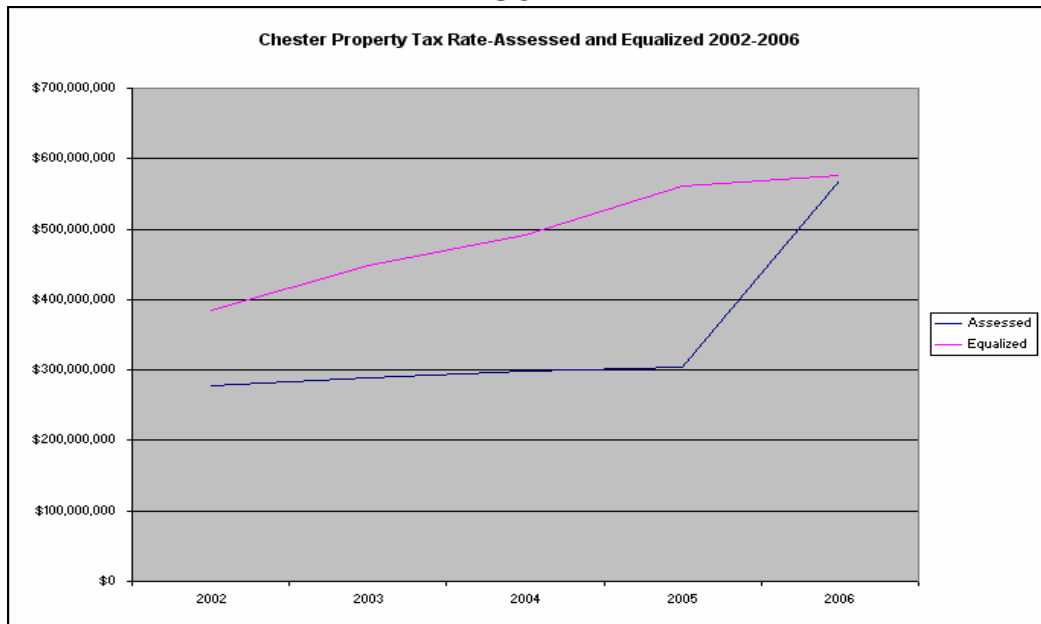


Table 6 provides the long-term history of property tax rates in for Chester from 1985 through 2006. Beginning in 1999, the school property tax rate includes the total for the local school district tax rate and the state education property tax rate applicable in Chester.

TABLE 6

CHESTER TAX RATES AND TAXABLE VALUATION								
		Assessed Tax Rate			1985-2006	Assessment	Property Valuation	
Year	Town	School	County	Total	Equalized Rate (DRA)	Ratio	Assessed**	Equalized
1985	\$3.43	\$22.07	\$1.18	\$26.68	\$15.21	58%	\$46,419,143.00	\$80,209,516.00
1986	\$2.23	\$28.54	\$1.18	\$31.95	\$14.70	47%	\$49,008,364.00	\$104,992,968.00
1987	\$3.54	\$29.11	\$1.12	\$33.77	\$12.49	37%	\$53,956,400.00	\$143,892,713.00
1988	\$6.67	\$32.74	\$1.59	\$41.00	\$13.94	34%	\$57,108,699.00	\$166,906,793.00
1989	\$6.56	\$34.50	\$2.24	\$43.30	\$16.02	36%	\$60,346,128.00	\$167,730,249.00
1990	\$5.31	\$34.40	\$2.20	\$41.91	\$17.18	41%	\$62,368,804.00	\$152,619,410.00
1991	\$3.50	\$34.59	\$2.06	\$40.15	\$18.07	44%	\$63,897,133.00	\$146,264,856.00
1992	\$4.82	\$37.74	\$2.44	\$45.00	\$22.95	51%	\$64,905,227.00	\$127,839,845.00
1993	\$4.49	\$40.90	\$2.41	\$47.80	\$25.81	53%	\$67,304,927.00	\$127,596,459.00
1994	\$6.93	\$38.32	\$2.35	\$47.60	\$24.75	51%	\$70,035,577.00	\$137,159,866.00
1995	\$6.91	\$38.70	\$2.44	\$48.05	\$24.51	52%	\$76,002,885.00	\$147,575,103.00
1996	\$6.67	\$42.19	\$2.54	\$51.40	\$25.19	50%	\$79,315,010.00	\$159,074,881.00
1997	\$5.81	\$45.68	\$2.49	\$53.98	\$25.91	49%	\$82,488,653.00	\$168,449,899.00
1998	\$6.99	\$46.79	\$2.38	\$56.16	\$23.67	43%	\$83,885,467.00	\$196,066,174.00
1999*	\$2.97	\$16.56	\$1.01	\$20.54	\$19.99	100%	\$213,213,892.00	\$211,109,308.00
2000	\$0.88	\$18.37	\$1.05	\$20.30	\$18.08	91%	\$232,677,594.00	\$251,296,686.00
2001	\$3.48	\$20.41	\$1.37	\$25.26	\$19.19	77%	\$257,409,082.00	\$326,874,022.00
2002	\$5.41	\$21.27	\$1.45	\$28.13	\$19.74	70.9%	\$277,216,622.00	\$384,840,734.00
2003	\$4.36	\$22.54	\$1.47	\$28.37	\$17.75	63.3%	\$288,693,700.00	\$448,835,246.00
2004	\$5.61	\$23.82	\$1.53	\$30.96	\$18.23	59.4%	\$297,461,500.00	\$492,319,941.00
2005	\$5.61	\$23.82	\$1.53	\$30.96	\$16.40	53.3%	\$304,229,200.00	\$560,212,813.00
2006*	\$4.37	\$13.00	\$0.85	\$18.22	\$17.53	97.2%	\$569,040,300.00	\$576,840,368.00

*Note: Revaluations occurred in 1999 and 2006; **Note: Assessed values include utilities

Source: NH Department of Revenue, Municipal Services Division

Change in Assessed Property Valuation. In the years prior to the town wide revaluation of property in 1999, local assessed valuation grew at an annual rate of 3.56% per year (compounded) over the period 1988-1998. During the more recent past five-year period (2002-2006) the compound rate of growth was 15.47% per year due to a revaluation in 2006. For the purpose of projections of future assessed valuation growth and based on discussions with the Town’s former Finance Director, this CIP update assumes a more conservative annualized rate of increase of 2.44%. This provides an estimate of tax base growth that seems reasonably conservative given the current pace of growth and development.

Change in Tax Rate & Non-Property Tax Revenues. During the 2000-2006 period, the annual compound rate of change in the total assessed *tax rate* was -1.55% per year. During the six years (1993-1998) prior to the revaluation in 1999, the compound rate of change in the total assessed tax rate was 2.72% per year. For the six years (2000-2005) prior to the 2006 revaluation, the compound rate of growth in the total assessed tax rate increased by 7.29% per year. For the purposes of projecting reasonable tax rate increases and an “affordable” capital budget, compound growth in the total tax rate has been held to a maximum rate of increase of 3% per year beginning in 2002. This rate of increase in the tax rate is more typical of the long-term history of the tax rate in Chester, and lower than the most recent rate increases sustained over the past five years. With respect to municipal non-property tax revenues, we have projected a 6% per year increase in this source of funds, which is less than both the long-term and most recent average rate of growth in non-property tax revenue sources (see discussion on page 9).

Existing Debt Service Commitments. The annual debt service commitments that are already scheduled for the payment of debt for the construction of capital projects was projected prior to estimating the additional amount of capital spending that might be supportable by the Town in the future. Existing programmed debt service is shown in Table 7 (Town) and Table 8 (School District). These debt service figures include recently approved bonded debt for conservation land and the anticipated debt service payments for an addition to the elementary school approved by the District during 2002.

Existing programmed net debt service costs for Town capital projects between 2002 and 2011 totaled \$6,393,356 million or roughly \$639,336 per year. However, in FY 2009 the Town’s Transfer Station bond will be paid off which will reduce the Town’s total net debt service by \$858,780 from \$6,393,356 to \$5,534,576. Local school debt service costs (net of state building aid) for improvements and construction of grade 1-8 facilities between 2002 and 2011 (10 years) will total about \$5.5 million or roughly \$553,524 per year. Together, total town and school district debt service costs will average \$1,165,599 million per year between 2008 and 2011 or roughly four years to finance prior capital expenditure commitments.

Table 9 summarizes the projected growth in operating expenditures in combination with existing debt service commitments. Average annual growth in operating costs was projected using the following estimates of the compound annual rate of growth in operating expenditures at the local level:

Town	7.9% per year
School	2.3% per year
County	2002 budget estimate + 5.0% per year

The rates of growth in town operating costs and school district operating cost assessments reflect the trends in costs during the prior 10 years.

**TABLE 7
Town of Chester Bonded Debt- Existing Commitments**

Fiscal Year Ending June 30:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total 2002 to 2011	2012	2013	2014	2015	2016	2017	2018	2019
Conservation Bond (2002)																			
Principal	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$2,700,000	\$300,000							
Interest	\$84,969	\$107,625	\$97,125	\$86,625	\$76,125	\$65,625	\$54,750	\$43,125	\$31,125	\$18,937	\$666,031	\$6,375							
Total	\$384,969	\$407,625	\$397,125	\$386,625	\$376,125	\$365,625	\$354,750	\$343,125	\$331,125	\$318,937	\$3,366,031	\$306,375							
Fire Station (1999)																			
Principal	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$250,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Interest	\$21,016	\$19,669	\$18,875	\$17,750	\$16,894	\$15,406	\$14,219	\$13,030	\$11,844	\$10,625	\$159,328	\$9,375	\$8,125	\$6,875	\$5,625	\$4,375	\$3,125	\$1,875	\$625
Total	\$46,016	\$44,669	\$43,875	\$42,750	\$41,894	\$40,406	\$39,219	\$38,030	\$36,844	\$35,625	\$409,328	\$34,375	\$33,125	\$31,875	\$30,625	\$29,375	\$28,125	\$26,875	\$625
Transfer Station (1998)																			
Principal	\$102,262	\$104,957	\$107,722	\$110,561	\$113,474	\$116,464	\$119,533				\$774,973								
Interest	\$20,421	\$17,726	\$14,960	\$12,122	\$9,209	\$6,219	\$3,150				\$83,807								
Total	\$122,683	\$122,683	\$122,682	\$122,683	\$122,683	\$122,683	\$122,683				\$858,780								
Less State Reimb. Est. @ 13.2% of Principal	(13,499)	(13,854)	(14,219)	(14,594)	(14,979)	(15,373)	(15,778)				(\$102,296)								
Net Town Cost	\$109,184	\$108,829	\$108,463	\$108,089	\$107,704	\$107,310	\$106,905				\$756,484								
Street Bond(2005)																			
Principal					\$210,000	\$210,000	\$210,000	\$210,000	\$210,000	\$210,000	\$1,260,000	\$210,000	\$210,000	\$210,000	\$210,000				
Interest				\$31,815	\$60,742	\$56,967	\$48,930	\$42,630	\$36,330	\$30,030	\$289,678	\$23,730	\$17,325	\$10,605	\$3,570				
Total				\$31,815	\$270,742	\$266,967	\$258,930	\$234,864	\$246,330	\$240,030	\$1,549,678	\$233,730	\$227,325	\$220,605	\$213,570				
Net Town Cost of Pre-Existing Bonded Debt																			
Principal	\$413,763	\$416,103	\$418,503	\$433,089	\$642,704	\$651,464	\$638,755	\$535,000	\$535,000	\$535,000	\$5,219,381	\$535,000	\$235,000	\$235,000	\$235,000	\$25,000	\$25,000	\$25,000	\$0
Interest	\$126,406	\$145,020	\$130,960	\$148,312	\$162,970	\$144,217	\$121,049	\$56,155	\$79,299	\$59,592	\$1,173,980	\$39,480	\$25,450	\$17,480	\$9,195	\$4,375	\$3,125	\$1,875	\$625
Total	\$540,169	\$561,123	\$549,463	\$581,401	\$805,674	\$795,681	\$759,804	\$591,150	\$614,299	\$594,592	\$6,393,356	\$574,480	\$260,450	\$252,480	\$244,195	\$29,375	\$28,125	\$26,875	\$625

**TABLE 8
Chester School District- Scheduled Debt Service Payments on Bonds- 10 Years**

YEAR:	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	10- YR TOTAL
SCHOOL DISTRICT BONDED CAPITAL EXPENDITURES											
Yr. Issued Purpose Payments:											
1985 Series D- State Guaranteed Principal	\$20,000	\$20,000	\$20,000	\$20,000							\$80,000
Multipurpose Room Interest	\$6,567	\$4,887	\$3,197	\$1,353							\$16,004
Total	\$26,567	\$24,887	\$23,197	\$21,353							\$96,004
1985 Series D- State Non-Guaranteed Principal	\$5,000	\$5,000	\$5,000	\$5,000							\$20,000
Multipurpose Room Interest	\$1,688	\$1,238	\$791	\$343							\$4,060
Total	\$6,688	\$6,238	\$5,791	\$5,343							\$24,060
1998 New Construction Principal	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$3,000,000
Grade 1-8 School Interest	\$241,893	\$226,143	\$211,968	\$199,518	\$187,068	\$174,393	\$161,568	\$148,593	\$135,393	\$121,893	\$1,808,430
Total	\$541,893	\$526,143	\$511,968	\$499,518	\$487,068	\$474,393	\$461,568	\$448,593	\$435,393	\$421,893	\$4,808,430
Note: Final payment year is 2018											
2002 Addition Principal	\$0	\$0	\$205,521	\$205,000	\$205,000	\$205,000	\$205,000	\$205,000	\$205,000	\$205,000	\$1,640,521
Grade 1-8 School Interest	\$0	\$36,248	\$69,053	\$62,125	\$55,155	\$44,700	\$41,112	\$33,848	\$26,762	\$19,383	\$388,386
Total	\$0	\$36,248	\$274,574	\$267,125	\$260,155	\$249,700	\$246,112	\$238,848	\$231,762	\$224,383	\$2,028,907
Note: Final payment year is 2013											
TOTAL EXISTING COMMITMENTS											
Principal Payments	\$325,000	\$325,000	\$530,521	\$530,000	\$505,000	\$505,000	\$505,000	\$505,000	\$505,000	\$505,000	\$4,740,521
Interest Payments	\$250,148	\$268,516	\$285,009	\$263,339	\$242,223	\$219,093	\$202,680	\$182,441	\$162,155	\$141,276	\$2,216,880
Total Debt Service	\$575,148	\$593,516	\$815,530	\$793,339	\$747,223	\$724,093	\$707,680	\$687,441	\$667,155	\$646,276	\$6,957,401
STATE BUILDING AID REIMBURSEMENT											
Estimated @ 30% of Annual Principal	\$97,500	\$97,500	\$159,156	\$159,000	\$151,500	\$151,500	\$151,500	\$151,500	\$151,500	\$151,500	\$1,422,156
SCHOOL DISTRICT NET CAPITAL EXPENSE											
After State Aid Reimbursement	\$477,648	\$496,016	\$656,374	\$634,339	\$595,723	\$572,593	\$556,180	\$535,941	\$515,655	\$494,776	\$5,535,245

Summary of Town of Chester & School District Bonded Debt – Existing Commitments

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002 To 2011 Total
Net Town Cost of Pre-Existing Bonded Debt											
Principal	\$413,763	\$416,103	\$418,503	\$433,089	\$642,704	\$651,464	\$638,755	\$535,000	\$535,000	\$535,000	\$5,219,381
Interest	\$126,406	\$145,020	\$130,960	\$148,312	\$162,970	\$144,217	\$121,049	\$56,155	\$79,299	\$59,592	\$1,173,980
Total	\$540,169	\$561,123	\$549,463	\$581,401	\$805,674	\$795,681	\$759,804	\$591,150	\$614,299	\$594,592	\$6,393,356
School District Bonded Net Capital Expense (after State Aid Reimbursement)	\$477,648	\$496,016	\$656,374	\$634,339	\$595,723	\$572,593	\$556,180	\$535,941	\$515,655	\$494,776	\$5,535,245
Net Town and District Cost	\$1,017,817	\$1,057,139	\$1,205,837	\$1,215,740	\$1,401,397	\$1,368,274	\$1,315,984	\$1,127,091	\$1,129,954	\$1,089,368	\$11,928,601

Continuation of Table 9

Annual Compound Rate of Change Carried Forward							
2012	2013	2014	2015	2016	2017	2018	2019
\$4,745,969	\$5,120,900	\$5,525,451	\$5,961,962	\$6,432,957	\$6,941,161	\$7,489,513	\$8,081,185
\$535,000	\$235,000	\$235,000	\$235,000	\$25,000	\$25,000	\$25,000	\$0
\$39,480	\$25,450	\$17,480	\$9,195	\$4,375	\$3,125	\$1,875	\$625
\$574,480	\$260,450	\$252,480	\$244,195	\$29,375	\$28,125	\$26,875	\$625
\$5,894,929	\$5,641,800	\$6,028,411	\$6,531,351	\$6,491,707	\$6,997,411	\$7,543,263	\$8,082,435
\$5,121,603	\$5,239,400	\$5,359,906	\$5,483,184	\$5,609,297	\$5,738,311	\$5,870,292	\$6,005,309
\$0	\$0	\$0	0	0	0	0	0
\$0	\$0	\$0	0	0	0	0	0
\$0	\$0	\$0	0	0	0	0	0
\$5,121,603	\$5,239,400	\$5,359,906	\$5,483,184	\$5,609,297	\$5,738,311	\$5,870,292	\$6,005,309
\$565,852	\$594,145	\$623,852	\$655,045	\$687,797	\$722,187	\$758,296	\$796,210
\$11,582,384	\$11,475,345	\$12,012,169	\$12,669,580	\$12,788,801	\$13,457,909	\$14,171,851	\$14,883,954

Target Capital Budget. The projection of future operating costs for municipal services, school district, and county tax assessments, and existing debt service commitments are illustrated in Table 10. Non-property tax revenues are projected to increase at 5% per year, taxable valuation at 3% per year, and the total tax rate at 3.5% per year. The resulting projections in Table 10 indicate the maximum amount of future revenues from non-property tax and property tax funds potentially available to new capital projects (after deducting funds needed for operating costs and existing programmed debt service).

The average annual new capital expenditure supported by the assumptions of the model is about \$720,000 per year for Town and School District capital costs. However, some additional capital spending for eligible conservation projects may be supportable from the proceeds of the existing conservation bond. For 2003-2005, the average supportable capital budget for other new projects was recommended at an average of not more than \$500,000 per year. The projected supportable expenditure for years 2006-2008 averages about \$800,000 if the assumed rate of growth in revenues, taxable value, and tax rate are realized, or if the assumed rate of change in operating expenditures is lower.

This projection is made with respect to the net *local funds* committed annually to new capital spending and debt service. Higher total expenditures may be supportable if they are offset by outside sources of funds such as grants and donations. New capital expenditures that exceed the annualized estimates in Table 10 might be supported if the assessed valuation of property grows by more than the assumed compound rate of 3.0% per year, *and* if the tax rate increases faster than 3.5% per year. *It should be noted that the projection of supportable new capital spending estimated by this model incorporates assumptions that represent increases in non-property tax revenues, as well as moderate rates of increase in the assessed property tax rate, and continued growth in taxable valuation.* Even if the tax base grows at 3% per year and non-property tax revenues grow at 5% per year, property tax rates will still need to go up to support the level of expenditures indicated.

Any significant changes in state school funding revenues would significantly impact these assumptions and projections.

These figures do not represent a capital budget based on any potential project or set of projects. However, the estimates do provide an order-of-magnitude guideline to the dollar amount of annual expenditures supportable based on a continuation of past trends.

TABLE 10

	FORECAST OF FUTURE REVENUES AVAILABLE FOR NEW CAPITAL PROJECTS AND ADDITIONAL DEBT SERVICE								Compound Annual Rate Carried Forward						
	2002	2003	2004	2005	2006	2007	2008	Change in Dollars 2002- 2008	Annual Change in % (Compound)	2009	2010	2011	2012	2013	2014
TOWN/SCHOOL/COUNTY OPERATING AND EXISTING DEBT SERVICE	\$8,201,171	\$8,548,377	\$8,989,325	\$9,353,257	\$10,104,751	\$10,424,061	\$10,719,428	\$2,518,257	4.6%	\$10,183,241.98	\$10,682,220.84	\$11,205,649.66	\$11,754,726.49	\$12,330,708.09	\$12,934,912.79
TOTAL NON-PROPERTY REVENUES															
MUNICIPAL @ 5% GROWTH/YR	\$1,553,649	\$1,631,332	\$1,712,898	\$1,798,543	\$1,888,470	\$1,982,894	\$2,082,039	\$528,389	5.0%	\$2,186,140.59	\$2,295,447.62	\$2,410,220.00	\$2,530,731.00	\$2,657,267.55	\$2,790,130.92
PROPERTY TAXES NEEDED (Excluding New Capital Projects)	\$6,647,522	\$6,917,045	\$7,276,427	\$7,554,714	\$8,216,281	\$8,441,167	\$8,637,389	\$1,989,868	4.5%	\$7,997,101.39	\$8,386,773.22	\$8,795,429.66	\$9,223,995.49	\$9,673,440.54	\$10,144,781.87
PROPERTY TAX REVENUES AVAILABLE															
NET ASSESSED VALUATION (1) (Estimated - Assumes 3% growth per year)	\$250,418,182	\$257,930,727	\$265,668,649	\$273,638,709	\$281,847,870	\$290,303,306	\$299,012,405	\$48,594,223	3.0%	* Assumes 2.44% Growth Rate					
Tax Rate Needed to Support Costs (Projected Cost of Services & Debt Less Other Revenue)	\$26.55	\$26.82	\$27.39	\$27.61	\$29.15	\$29.08	\$28.89	\$2.34	1.4%	\$26.11	\$26.73	\$27.36	\$28.01	\$28.68	\$29.36
ASSUME TAX RATE GROWTH @ 3.5% /YR	\$25.26	\$26.14	\$27.06	\$28.01	\$28.99	\$30.00	\$31.05	Avg Annual	3.5%	\$32.14	\$33.26	\$34.43	\$35.63	\$36.88	\$38.17
CAPITAL BUDGET TAXES AVAILABLE	(\$1.29)	(\$0.67)	(\$0.33)	\$0.40	(\$0.17)	\$0.92	\$2.16	\$0.15							
TAX REVENUE FOR CAPITAL PROJECTS (1)	(\$321,958)	(\$173,679)	(\$87,661)	\$108,870	(\$46,517)	\$268,210	\$647,242	\$56,358							

Statutory Debt Limitations

Under RSA 33:4-a, a town may not incur net outstanding bonded indebtedness exceeding 3% of its most recent equalized assessed valuation as established by the NH Department of Revenue Administration (NH DRA). As of this writing, the most recent NH DRA data for the year 2006 equalization survey, shows an equalized valuation of \$576,840,368 in Chester. This equalized value would allow for a statutory debt ceiling (subject to some exclusions) of \$7.41 million for the Town.

Under RSA 33:6-d, the outstanding debt on the cost of the landfill closure and transfer station is exempt from inclusion in this statutory debt limitation. The bonded indebtedness of the town (from 2007) subject to limitation includes the fire station bond (about \$405,124 outstanding), conservation bond, (\$2,016,937 outstanding), transfer station (\$245,366), and street bond (\$2,142,321 outstanding) totaling \$4.80 million.

The maximum outstanding debt limitation for the School District is 7% of equalized valuation, or approximately \$9.7 million. The outstanding debt of the District, (from 2007) including amounts due on past bond issues (\$2,241,840 outstanding) plus the anticipated (\$1,190,805 outstanding) for the addition, would total about \$3.4 million. Bonded indebtedness is therefore well within statutory limits for both the Town and School District.

III. IDENTIFICATION OF CAPITAL PROJECT NEEDS 2008-2014

The function of the CIP is to focus on shorter-term capital needs that may be implemented within a minimum six-year period. The primary purpose of the CIP is to anticipate future capital improvement needs so that capital spending may be scheduled over time, reducing the need for sharp increases in spending and associated spikes in the tax rate. The CIP is also a tool by which the Town can plan for adequate capital facilities to meet the needs of current residents and the demands of future development. A six-year time frame is the minimum period required by statute in anticipating future capital projects.

A capital project as defined by the Planning Board for this CIP are those projects outside of normal operations and maintenance, and having the following characteristics:

5. A gross cost of at least \$5,000; and
6. A useful life of at least 3 years; and
7. Is non-recurring (not an annual budget item); or
8. Any project requiring bond financing.

The priority (point scoring system) utilized by the Planning Board in determining the projects to be included in this CIP is provided below. Each Planning Board member rated each project request and a cumulative score was obtained. Project requests receiving total cumulative scores greater than 6.2 were voted by the Planning Board to be included in this CIP.

Priority: (Point Score System)

<u>Evaluation Criteria</u>	<u>Point Score</u>
A – Addresses an emergency or public safety need	5 4 3 2 1 0
B – Corrects a deficiency in service or facility	5 4 3 2 1 0
C – Provides capacity needed for future growth	5 4 3 2 1 0
D – Results in long-term cost savings	5 4 3 2 1 0
E - Furthers the goals of the Master Plan	5 4 3 2 1 0
F - Supports job development/increased tax base	5 4 3 2 1 0
G - Leverages the non-property tax revenues	5 4 3 2 1 0
H - Matching funds available for limited time	5 4 3 2 1 0

Proposed Capital Projects 2008-2014 (See Table 12)

Municipal Department Heads (except the Chester School District) submitted data and project requests to the Chester Planning Board for possible inclusion in the CIP late in calendar year 2007. The total dollar value of all new capital projects anticipated for the 2008-2014 period represents approximately \$4.7 million in new capital outlay, all of which is related to Town capital expenditure. At this time, no capital project needs were identified by the School District for inclusion in this CIP.

For town projects, some funds will be drawn from existing capital reserves, and other income may be derived from state and federal grants. Local costs may also be reduced as the result of future donations or matching funds.

Based on the amount of non-property tax funds anticipated to be available, the local net tax-supported capital outlay for the planning period 2008-2014 represents about \$4.6 million. The following narrative provides a brief description of the capital projects proposed for the planning period of this CIP.

General Government. The Town's primary administrative capital needs have been addressed through the renovation of the old Chester Elementary School. A significant amount of funds were donated to the Town for the purpose of accomplishing this renovation. In response to the Planning Board's request for capital projects, the Town Clerk/Tax Collector's Office reported that they did not have a need for any major capital expenditures at this time. The Board of Selectmen submitted a request to purchase and install a 20 KW Generator for the multi-purpose room for life safety and backup needs as well as a request to purchase a new backhoe. However, in applying the CIP priority scoring and evaluation criteria, these requests did not obtain a high enough score from the Planning Board to be included in this CIP. A total of ten CIP requests were also submitted by the Trustees of Stevens Memorial Hall and the Chester Historical Society primarily for maintenance, repair and renovation of the building, including ADA improvements. Stevens Memorial Hall was dedicated to the Town in 1910. In submitting these requests the Trustees and the Chester Historical Society have cited a need for securing and preserving the building over the next 3-5 years to correct extensive deferred maintenance. The Trustees have also requested that a permanent line item in the capital budget for maintenance be created for the building to ensure that the building remains safe and is preserved for future use. The specific project requests include remedial actions to address mold abatement throughout the building, especially the basement, remove walls and wallboard (formerly the Police Station) and restore basement to original condition, replace currently disintegrating rain gutters, paint exterior of building, restore hardwood floors on both levels, repair leaks in tin ceilings in auditorium and

dining room and hire an architectural historian to ensure projects are completed in conformance with US Department of Interior Standards. The Trustees have recommended budgeting \$350,000 or \$50,000 annually for 7 years to address the building's maintenance and rehabilitation needs. The Society has recommended budgeting \$153,000 or \$30,600 annually over 3-5 years to address building's repair and maintenance needs. Because building maintenance is not part of the definition of a capital improvement project, the Planning Board determined that only three of the project requests for Stevens Memorial Hall – install storm windows in second floor (\$15,000), remove elevator and structure around it and replace railing at top of former ramp (\$10,000) and create a new handicap access ramp on the “Library side” of the building (\$15,000) qualify as capital projects. These projects were reviewed by the Planning Board and received a high priority score for inclusion in the CIP. As of the end of FY 2007, approximately \$9,803 was available in the Town's Capital Reserve Fund dedicated to this project. Therefore, an average of \$10,066 per year has been included in the CIP schedule (for a total of \$30,197) for the first three years of the 7-year period. Because the Chester Historical Society has secured the listing of the building to the National Register of Historic Sites, there is the possibility that the Society may be able to secure additional matching funding through this grant and donations to complete or address some or most of the building's repair needs. The Society is currently investigating the eligibility of the site for a “Save our American Treasures” NPS Grant.

Police. Since the last CIP, the Police Department now has 4,000 square feet of renovated space located in the former elementary school building. Donated funds were used to support these improvements. For the past six years this renovation has addressed the Department's basic spatial needs, but the need for a connecting garage and walkway to the building remains. In response to the Planning Board's request for CIP projects, the Police Chief has submitted a request to remove two portable classrooms at back of the building (currently storing yard sale items) and build a new detached three bay garage with insulated doors. This garage would be used for the purpose of limited vehicle maintenance and to secure storage of supplies. Road access to the new garage would be on the northerly side of the building with a walkway from the garage directly to the Police Department entrance. The total cost of this project is estimated to be \$72,320. An average of \$24,107 has been scheduled for this project in the first three years of the CIP. This project received a high priority score from the Planning Board. Other Department requests for the 2008-2014 period center on vehicle or cruiser replacement which is an ongoing need. This averages to be \$16,545 annually over the 7-year CIP schedule. In its memo to the Planning Board, the Police Chief noted that the Department is currently using four vehicles at a time suggesting that the Town should be replacing the oldest every year. The estimated cost to purchase and set up a vehicle is \$29,000.

Approximately \$186 will be available beginning in FY 2007 from the Town's capital reserve fund to help offset the Police Department's CIP costs.

Fire Department. The construction of Chester's new seven bay Fire Station has provided room for housing the equipment of the Department, providing a training room, two offices and a radio room. The gross area of the building is approximately 14,000 square feet on two floors. In 2005, \$50,000 was appropriated to finish the upstairs of the Fire Station. This work was completed in FY 2006/07. In response to this CIP, the Department has submitted 5 project requests in order of priority. 1. A stand alone generator to provide emergency power to the Fire Station in the event of a power loss as the building is the Town's Emergency Operations Center (estimated cost is \$35,000). 2. A diesel powered medium duty Rescue truck with seating for at least 4 persons (estimated cost is \$150,000 to \$180,000). 3. Plymovent Vehicle exhaust extraction system for the apparatus bays of the Fire Station (estimated cost is \$52,700). 4. Finishing of the concrete floors in the apparatus bays of the Fire Station (estimated cost \$60,000). 5. Upgrade back-up emergency access road from the Fire Station to Rt. 102 (estimated cost \$10,000). In applying the CIP priority scoring and evaluation criteria, only the generator and rescue truck requests obtained high enough scores from the Planning Board to be included in this CIP. In the CIP, the cost for the new generator is averaged at \$17,500 per year for the first two years of the schedule and the cost of the new rescue truck is averaged at \$26,000 over the 7-year schedule.

Highways. An extensive list of Highway Department capital costs is included in Table 11. These roadway improvement projects were recently updated and revised by the Road Agent and reflect major road reconstruction and drainage improvements, excluding regular maintenance. The roadway projects are based upon an estimated cost of \$44 per foot times the length of the road which covers a road 20 foot wide and four inches of pavement. This estimate does not cover the cost of shoulder work, additional gravel, ditches and culverts. To address these costs, the project costs were adjusted annually for inflation by 5% per year. There were two projects, Halls Village Road and Cole Road which were scheduled by the Road Agent to take place in the year 2015. Because this CIP only goes out to the year 2014, these two projects were moved back a year in the schedule. The overall scheduling of the projects in this CIP are as recommended by the Road Agent. Off-site funds collected from various developers are available to fund part of the improvement costs to specific roads: North Pond Road, Old Sandown Road and Harantis Lake Road. A total of \$2,920,820 in capital roadway costs is included in the CIP. To fund all of these improvements, a highway bond will need to be approved by the community at Town meeting. No state matching grants or state aid is anticipated for these projects. Overall, the local cost (net of developer contributions) of the proposed

roadway improvements would average between \$477,070 to \$787,968 per year based upon the exiting CIP schedule.

The Highway Department also submitted a request to construct a new Town Garage with office and septic system at a total estimated cost of \$149,400. However, these projects did not score high enough by the Planning Board to be included in this CIP.

Library. The library's principal spatial needs have been addressed by an addition to the facility since the last CIP was prepared (funded by donation). The project requests from the Library for this planning period relate primarily to the circulation desk and kitchen renovation. In discussing the library with the Finance Director, it was determined that while the Town of Chester owns the land, the Library Trustees actually hold the deed to the building. In addition, the Finance Director reported that the Town of Chester currently provides the Trustees an annual appropriation of \$97,000 for operation, building maintenance and staff salaries.

Recreation/Conservation. The Recreation Department is responsible for coordinating the operation of the multipurpose room of the old elementary school (also now housing town administration and police departments) for programs including basketball, floor hockey, baseball, softball, and children's pre-school. In addition, the Wason Pond Conservation and Recreation Committee manages the Town's relatively new Wason Pond Conservation and Recreation Area. Some of the major capital needs identified by the Recreation Department include the construction of additional ballfields within the Town. This has continued to remain a need in Chester, as expressed in earlier CIPs dating back to 1996. In addition, there is a need for the continued purchase of open space/conservation lands as identified in the Town's Open Space Plan.

In 2003, the Town voted to spend \$1,555,000 in conservation bond funds to purchase the former Silver Sands 105-acre campground for future recreation and conservation purposes. The 25-acre Wason Pond which is part of this parcel has allowed the Town to create its first public swimming area. Since the purchase of this land, the Wason Pond Committee has completed a comprehensive land development plan for this recreation and conservation area, which includes both conservation lands and active recreation facilities consisting of a public swimming area, a playground, and two baseball diamonds. While an initial recreation facility development cost of \$50,000 was approved for the site, the full cost of site development and the construction of facilities was not addressed. Therefore, there remains significant and ongoing recreation construction needs.

In response to the Planning Board's request for capital projects, the Wason Pond Committee submitted a total of four CIP requests consisting of the following projects.

Decommissioning of all electrical in the conservation area of the property which includes PSNH removal of poles and transformers as well as the removal of water and sewer pipes from the former campsites at an estimated cost of \$15,000. Construction of athletic fields, associated utility buildings and restrooms at an estimated cost of \$400,000. Construction of a covered foot bridge across Wason Dam at an estimated cost of \$30,000 and purchase of additional adjacent land for conservation purposes. The Strategic Land Planning Committee has researched the purchase of two parcels, one 6 (+/-) acres to the west of the Wason Pond Conservation and Recreation Area, and another 72 (+/-) acres located on the northeast side of the area at an estimated cost of \$900,000. The estimated cost of all four projects totals \$1,345,000 or \$192,143 annually over 7 years. Each of these projects are included in this CIP as they received a high priority score by the Planning Board.

The Conservation Commission, the Wason Pond Conservation and Recreation Committee and the Strategic Lands Planning Committee have all identified the need for a general obligation bond in the amount of \$1,345,000 to fund these projects. Part of the cost of these projects could be reimbursed by the allocation of Land Use Change Tax (current use penalties) revenues for the land acquisition project. In addition, Impact Fees could help reduce the cost of some of the improvements if the Planning Board determines that such fees are necessary and occasioned by future growth. The Town should anticipate additional capital costs for the planning, improvement and operation of the Wason Pond Conservation and Recreation Area in the future.

In addition to these projects, on August 30, 2007 the Board of Selectmen and engineers from Dubois & King, Inc. meet recently to discuss repairs needed at the Wason Pond Dam as a result of the May 14, 2006 storm. Five alternatives were identified to repair the dam. These alternatives are summarized below.

Alternative 1, Basic Repair estimated at a probable cost of \$175,000. Alternative 2, Raise Dam Crest 2.3 feet estimated at \$225,000. Alternative 3, Raise Dam Crest and Widen Spillway 10 feet, estimated at \$250,000. Alternative 4, Widen Spillway 20-ft. and Lower Water Level, estimated at \$285,000. Alternative 5, Reconstruct Spillway with 3-sided Box, estimated at \$300,000. Another alternative is pending.

A decision regarding which alternative to implement has not been made yet as the town has been waiting on the possibility of federal financial assistance to address these repairs. When the town has made a decision, this CIP should be updated/amended accordingly.

Schools. Schoolchildren in grades 1-8 attend Chester Academy while high school students are tuitioned at Pinkerton Academy in Derry. Chester Academy also accommodates a combined preschool and kindergarten program for children ages three to five with educational disabilities. Additionally, the school formerly housed a readiness program for students who met the age requirements for first grade but needed an additional year for development.

Chester Academy was recently constructed at 22 Murphy Drive and opened in September of 1999 with 27 instructional classrooms for grades 1-8. In 2003, the school opened a ten-classroom addition. The facility at Murphy Drive has replaced the former school building (built in 1948), now used for town offices and the police department.

Chester Academy’s core capacity of 800 students can be accommodated in the 34 instructional classrooms. The school also houses three additional classrooms for Title I enrichment, music, and art; a gymnasium; cafeteria, and a media center. The average class size for grades two through six is 21 students, and the average class size for first grade is 15 students.

**Table 11
Chester Academy Enrollment History 1996-2007**

Grade	Academic Year										
	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07
Pre-K					0	27	32	24	25	31	31
Readiness					12	8	0	0	0	0	0
1	52	42	72	69	74	82	82	78	85	73	75
2	63	51	45	71	65	81	82	77	80	79	80
3	46	71	46	54	76	70	82	85	78	84	78
4	58	53	66	51	58	73	74	81	90	78	83
5	48	57	55	72	53	56	78	73	91	90	79
6	48	51	59	57	57	57	60	77	81	89	91
7	52	41	53	66	83	83	62	59	87	84	88
8	56	55	43	55	64	64	89	66	66	85	81
Total	423	421	439	495	536	601	641	620	683	693	686

Source: Chester Master Plan, August 2006

From the fall of 1996 to the fall of 2007 Chester Academy’s student population (excluding pre-school/kindergarten and readiness which were not available in 1996) has increased by 55 percent, from 423 to 655 students, with the largest single year increases co-occurring with the new facility opening. As of October 2007, the school could host an additional 114 students, a fourteen percent increase, before reaching its core capacity (see Table 11 above).

Chester students in grades 9 through 12 are accommodated by Pinkerton Academy in Derry. Similar to Chester Academy’s student population growth since 1996, there has been a 86% increase in the number of Chester’s high school students enrolled at Pinkerton. This student population saw its greatest single year increases in the fall of 1997, 2003 and 2007 (see Table 12 below).

Table 12
Chester Students Tuitioned at Pinkerton Academy Enrollment History 1996 – 2007

Grade	Academic Year										
	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07
9	49	67	50	41	56	67	74	103	74	69	100
10	47	50	62	49	42	59	64	68	105	74	64
11	44	50	46	64	53	42	59	68	77	103	77
12	41	37	42	41	58	51	38	52	52	71	96
Total	181	204	200	195	209	219	235	291	308	317	337

Source: Chester Master Plan, August 2006

To track the future student population demand on Chester Academy, the school department has prepared two sets of projections for the school. The first simply moves the existing number of students in each grade through to the next grade. The second adds a two percent increase in each grade level onto the first age-progression-based projection. However, if Chester Academy realized an average annualized growth rate of 5.1 percent, as it did between 1996 and 2005, the school population could grow from 662 to 807 by 2010. With the addition of a capped preschool/kindergarten population of 31, this scenario would cause the school to exceed its core capacity in the next five years.

Table 13
Chester Academy Population
Progression 2005 to 2010

Table 14
Chester Academy Population
Progression 2005 to 2010

Grade	Academic Year				
	05/06	06/07	07/08	08/09	09/10
Pre-K	31	31	31	31	31
1	73	80	80	80	80
2	79	73	80	80	80
3	84	79	73	80	80
4	78	84	79	73	80
5	90	78	84	79	73
6	89	90	78	84	79
7	84	89	90	78	84
8	85	84	89	90	78
Total	693	688	684	675	665

Source: Chester Master Plan, August 2006

Grade	Academic Year				
	05/06	06/07	07/08	08/09	09/10
Pre-K	31	31	31	31	31
1	73	80	80	80	80
2	79	74	82	82	82
3	84	81	76	83	83
4	78	86	82	77	85
5	90	80	87	84	79
6	89	92	81	89	86
7	84	91	94	83	91
8	85	86	93	96	84
Total	693	700	706	705	701

Source: Chester Master Plan, August 2006

As of its June 6, 2002 enrollment count of 616 pupils, Chester Academy (grade 1-8 facility constructed in 1998) has already exceeded its optimal classroom capacity (600). Grade 9-12 pupils continue to attend Pinkerton Academy under a contract that extends to the year 2012. As of June 2006 Chester pupils enrolled at Pinkerton Academy totaled 317. The rapid growth in Chester’s resident public school enrollment is illustrated in Figure 5.

Figure 6 illustrates historic and projected enrollment (February 2002 report) for grades 1-8 prepared by the Chester School District and its consultant, New England School Administrators Association. Given the enrollment growth projected through 2011, the School District approved a 10-classroom addition to Chester Academy that should provide additional classroom capacity sufficient for the growth anticipated for this period. The estimated cost of the addition is \$2.1 million, with payments on a 10-year bond starting with interest expense in 2003, and principal payments beginning in 2004. (The annual debt service on this new bond is included within the pre-existing school capital expenses shown earlier in Table 8). Existing debt service on the original construction of the school in 1998 is scheduled to continue until 2018 (20-year bond). The growth projections of future enrollment indicate a slowdown in the recent rates of increase in school enrollment in Chester. The School District projections of future enrollment through 2011 indicate a peak enrollment potential during this period of 750 pupils in 2008. If the very high rates of growth experienced in recent years were to continue over the long term, enrollment growth and demands on facility space could be higher.

FIGURE 5

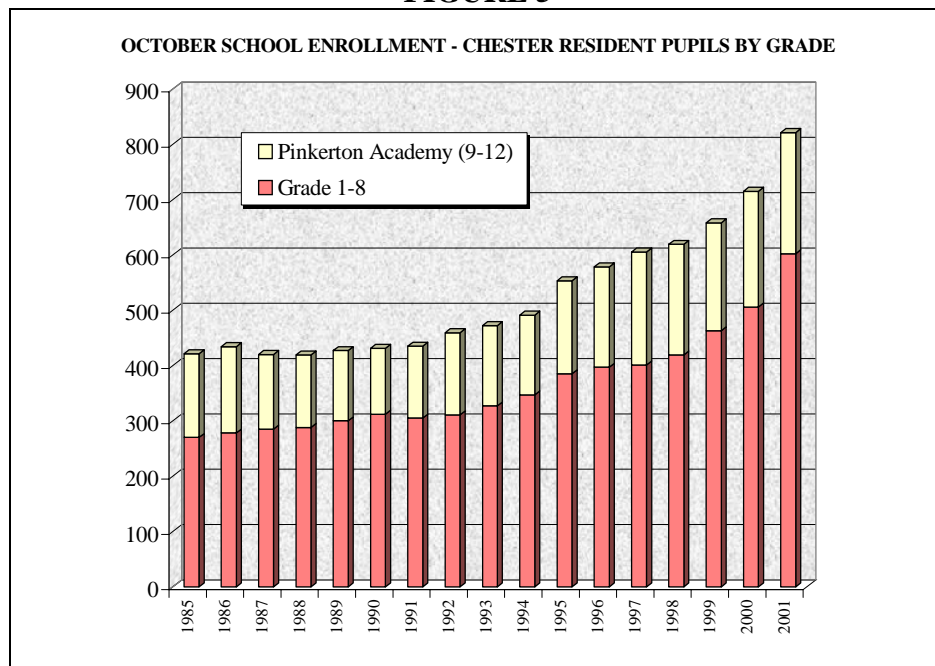
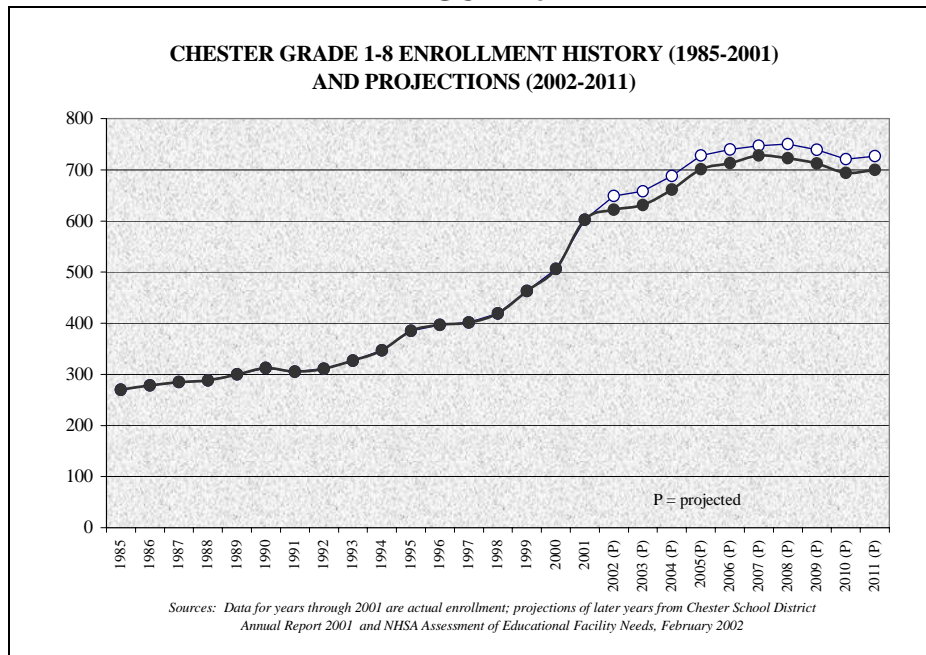


FIGURE 6



Caution: The Town of Chester has seen a significant decline in the construction of new homes over the last three years. Over that time numerous subdivisions (approximately 250 housing unites) have received Planning Board approval, however, they have not been built due to current economic conditions. A turn around in the housing market causing this backlog of unbuilt housing units to be built may have a dramatic impact on projected enrollment predictions and related capital expenditures for additional facilities.

Schedule for Implementation (2008-2014) (Table 15)

A schedule of capital expenditures (current year plus six-year projection) is shown in Table 15. The relative priority or urgency of the projects is indicated by the proposed year(s) of implementation within the schedule. The goal of the CIP schedule is to spread project costs as evenly as possible over a period of years and to anticipate the combined fiscal impact of new projects and the cost of existing and anticipated debt service.

Given the schedule of new capital expenditures shown in Table 15, the net local expenditure for new projects will represent an additional capital cost averaging about \$666,024 per year. The earlier projections in Table 10 indicated a supportable annual budget for average annual amount of new capital expenditures is within the range of projected capital spending that is commensurate with the assumptions of growth in Chester's taxable valuation and its property tax rate.

In total, capital spending in Chester during the late 1990s and in the 2002-2008 period is far greater than the level of capital expenses the Town typically supported in prior years. If tax base growth is slower than expected, it is likely that the difference will need to be recovered in the form of tax rate increases that are higher than 3.5% per year.

The CIP schedule is intended primarily as a planning tool to aid the Town in anticipating the cumulative impact of a number of major capital improvement costs which may be funded during the next six years. The schedule is not intended to commit the Town or the School District to any specific capital expenditure. However, the Town can use this CIP schedule as a guideline document for the planning and coordination of its major capital projects and related expenses.

Annual Capital Budget

Each year, the Planning Board should prepare its recommendation for a Capital Budget, showing a series of capital projects for the ensuing fiscal year, for review by the Budget Committee and/or the Selectmen. In order to review fiscal conditions with respect to Chester's Growth Management Ordinance, the total capital expenditures incurred for the preceding fiscal year for the Town and School District (including debt service) should be summarized, along with the revenue sources funding them, so that the Town can accurately determine the impact of capital spending in each year.

Unbuilt housing units to be built may have a dramatic impact on projected enrollment predictions and related capital expenditures for additional facilities.

TABLE 15
SCHEDULE OF CAPITAL IMPROVEMENT PROJECTS AND ANNUALIZED COSTS

DESCRIPTION OF PROJECT OR EQUIPMENT By Department or Service Area	Gross Capital Cost	Available Revenues (CR, Grants)	Source Other Funds	Balance From Local Funds	Annualized Town Capital Cost Funded From Taxes						Total For 7-Year Period	
					2008	2009	2010	2011	2012	2013		2014
GENERAL GOVERNMENT/ADMIN												
Stevens Memorial Hall (Renovation/ADA Improvements) - Gross Cost of \$40,000 anticipated - \$ per year shown in this CIP	\$40,000	\$9,803	Cap Reserve	\$30,197	\$10,066	\$10,066	\$10,066					\$30,197
PUBLIC SAFETY												
POLICE DEPARTMENT												
Cruiser Replacement	\$116,000	\$186	Cap Reserve	\$115,814	\$16,545	\$16,545	\$16,545	\$16,545	\$16,545	\$16,545	\$16,545	\$115,815
3-Bay Garage Addition to Station	\$72,320			\$72,320	\$24,107	\$24,107	\$24,107					\$72,321
FIRE DEPARTMENT												
Generator	\$35,000			\$35,000	\$17,500	\$17,500						\$35,000
Rescue Truck	\$180,000			\$180,000	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	\$26,000	\$24,000	\$180,000
SUBTOTAL PUBLIC SAFETY	\$403,320	\$186		\$403,134	\$84,152	\$84,152	\$66,652	\$42,545	\$42,545	\$42,545	\$40,545	\$403,136
HIGHWAY DEPARTMENT												
Donna Street - 1.5 inch paving	\$76,840			\$76,840		\$76,840						\$76,840
Carkin Street - 1.5 inch paving	\$25,614			\$25,614		\$25,614						\$25,614
North Pond Rd. - 3 inches paving	\$430,304	\$6,194	Off-Site	\$424,110			\$424,110					\$424,110
Great Oak Drive - 1.5 inch paving	\$112,955			\$112,955				\$112,955				\$112,955
Birch Road - 1.5 inch paving	\$199,153			\$199,153					\$199,153			\$199,153
Ed Mill Road - 1.5 inch paving	\$112,955			\$112,955				\$112,955				\$112,955
Halls Village Road - gravel	\$194,617			\$194,617						\$194,617		\$194,617
Shattigee Road - gravel	\$122,054			\$122,054					\$122,054			\$122,054
Hal Tru Road - 1.5 inch paving	\$93,400			\$93,400					\$93,400			\$93,400
Reed Road - 1.5 inch paving	\$59,300			\$59,300					\$59,300			\$59,300
Old Sandown Road - 3 inches paving	\$384,199	\$9,583	Off-Site	\$374,616		\$374,616						\$374,616
Harnts Lk Road - 3 inches paving	\$516,078	\$21,209	Off-Site	\$494,869		\$494,869						\$494,869
Wason Rd. - gravel	\$103,005			\$103,005						\$103,005		\$103,005
Cole Road - 1.5 inch paving	\$65,378			\$65,378						\$65,378		\$65,378
Jennifer Drive - 1.5 inch paving	\$424,968			\$424,968						\$424,968		\$424,968
SUBTOTAL HIGHWAYS	\$2,920,820	\$36,986		\$2,883,834	\$0	\$477,070	\$494,869	\$424,110	\$225,910	\$473,907	\$787,968	\$2,883,834

DESCRIPTION OF PROJECT OR EQUIPMENT By Department or Service Area	Gross Capital Cost	Available Revenues (CR, Grants)	Source Other Funds	Balance From Local Funds	Annualized Town Capital Cost Funded From Taxes						Total For 7-Year Period	
					2008	2009	2010	2011	2012	2013		2014
PARKS, RECREATION, CONSERVATION												
Electrical - Wason Pond	\$15,000		Bond	\$15,000								\$15,000
New Fields/Roadway	\$400,000		Bond	\$400,000								\$0
Footbridge	\$30,000		Bond	\$30,000								\$30,000
Purchase Additional Land (Bond)	\$900,000		Bond	\$900,000								\$0
SUBTOTAL RECREATION & CONSERVATION	\$1,345,000	\$0		\$1,345,000	\$192,143	\$192,143	\$192,143	\$192,143	\$192,143	\$192,143	\$192,143	\$1,345,001
LIBRARY												
												\$0
SUBTOTAL LIBRARY	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NEW TOWN CAPITAL COSTS												
TOTAL TOWN CAPITAL COSTS	\$4,709,140	\$46,975		\$4,662,165	\$286,361	\$763,431	\$763,730	\$658,798	\$460,598	\$708,595	\$1,020,656	\$4,662,168
Avg. Annual over Planning Period (Excludes Existing Debt Service)												\$666,024
SCHOOL CAPITAL COSTS: LOCAL SHARE												
No Projects Were Requested	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NEW CAPITAL EXPENDITURES FOR PERIOD												
Total Capital Expenditures 2002-2008	\$4,709,140	\$46,975		\$4,662,165	\$286,361	\$763,431	\$763,730	\$658,798	\$460,598	\$708,595	\$1,020,656	\$4,662,169
PROJECTED ASSESSED VALUATION												Avg. Annual over Planning Period:
Net Local Assessed Valuation (Projected at 2.44% annualized rate of growth between 2007-2014)					\$562,464,657	\$573,713,950	\$588,056,799	\$602,758,219	\$620,840,965	\$639,466,194	\$658,650,180	\$666,024
TAX RATE IMPACT OF NEW DEBT AND CAPITAL PROJECTS												(Avg. for Period)
Tax rate needed to support NEW capital projects (Assumes 2.44% Annual Growth in Taxable Value)		Town			\$0.51	\$1.33	\$1.30	\$1.09	\$0.74	\$1.11	\$1.55	\$0.87
		School			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
		Total			\$0.51	\$1.33	\$1.30	\$1.09	\$0.74	\$1.11	\$1.55	\$0.87

Note: Road projects were adjusted annually for inflation by 5%

Growth Management Thresholds

A number of possible thresholds are found in the Chester Growth Management Ordinance that could indicate a “period of unsustainable growth” resulting in limitations on the rate of residential development. Two possible measures of such conditions center on the rate of residential development relative to norms established in the ordinance, and three other measures relate to information that may be derived from the CIP process.

Housing Units Authorized vs. Local Norm (See Table 16). Under section 13.3.1 of the growth management ordinance, “unusually rapid growth per Chester norms” exists where the number of dwelling units authorized in the preceding year exceeds the average for Chester over the four years preceding that year. The current year is 2007. In the prior calendar year (2006), a total of 21 dwelling units were authorized by permit in Chester. The average for the preceding six years is 40. On this basis, the Town does not meet the criterion of unusually rapid growth by Chester norms as of 2006.

TABLE 16
Dwelling Units Authorized by Building Permits

Year	2001	2002	2003	2004	2005	2006	Avg. Prior 6 Years
Chester	80	47	30	34	28	21	40
<u>Abutting Towns</u>							
Auburn	32	29	44	44	NA	11	27
Candia	33	4	9	3	11	12	12
Derry	40	45	61	48	44	13	42
Fremont	13	19	33	32	27	NA	21
Raymond	49	71	35	69	31	23	46
Sandown	61	63	41	37	26	NA	38

Source: Chester Town Reports

Local Growth Rate vs. Regional Norms (See Table 17). Under section 13.3.2, “unusually rapid growth per regional norms” may be established relative to the rate of growth in total housing units for the prior calendar year. If the rate of growth (percent increase) in housing units in Chester for the prior year exceeds that of the total for abutting communities by 1/3 or more, the condition is met. The current year is 2007.

Using the 2000 decennial Census as a base count of housing units, there were 1,247 dwelling units in Chester. Between calendar year 2000 and 2005, 219 housing units were authorized by building permit (NH Office of State Planning data) bringing the total housing stock of Chester to 1,466 units. A total of 21 units were authorized in 2006, representing an increase 1.0%. This rate was more than the percentage growth rate of the abutting communities at 0.3% in 2006. For the regional percentage rate of growth to be exceeded by 1/3 or more, a 0.4% growth rate would be required for Chester to meet the threshold for unusually rapid growth. Chester's growth rate was 1%, well above the threshold. In calendar year 2006, the Town met the condition of unusually rapid growth per regional norms as defined in the ordinance.

During 2007 through September, the Town also realized prior year growth that exceeded the regional norm threshold. The 9 units authorized in Chester during 2007 through September (Chester Planning Department) represent an estimated 1.0% increase in the Town's 2006 housing stock estimated at the beginning of that year. Year 2007 building permit data for new housing in the abutting communities indicates that Chester's rate of growth is one-half times more than that of abutting towns. Abutting towns together had a growth rate of 0.4%, indicating a growth rate threshold of 0.53%. A finding that unusually rapid growth per regional norms is indicated for 2007.

TABLE 17 – GROWTH IN HOUSING UNITS

	2000 Census - Count of Housing Units	2000Census Plus Total Units Authorized 2001-2005	2006 Dwelling Units Authorized	2006 Units Authorized as % of Stock	Housing Stock Begin of Yr 2007	2007 Units Authorized (as of Sept. 07)	2007 Units Authorized as Percent of Stock
CHESTER	1,247	1,466	21	1.0%	1,487	9	1.0%
Abutting Towns							
Auburn	1,622	1,771	11	1.0%	1,782	11	1.0%
Candia	1,384	1,444	12	1.0%	1,456	7	0.5%
Derry	12,735	12,973	13	0.01%	12,986	22	0.2%
Fremont	1,201	1,325	N/A	N/A	1,325	12	1.0%
Raymond	3,710	3,965	23	1.0%	3,988	28	1.0%
Sandown	1,777	2,005	N/A	N/A	2,005	23	1.0%
Abutters	22,429	23,483	59	0.3%	23,542	103	0.4%

**Threshold Growth Rate at 1/3 Over
Abutters**

0.4%

0.53%

Among the other conditions that may form a basis for findings of sustainable or unsustainable growth are indicators of service and facility strain (13.3.3) based on the Capital Improvement

Program most recently approved by the Planning Board. The possible thresholds established in the ordinance include the following conditions (paraphrased below):

- a. Pupils enrolled in the school system, or enrollment at the rate of residential growth in the preceding year, will *not* exceed the stated capacity of school facilities and those proposed in the CIP; or

[With respect to school capacity, information from the School Board indicates that enrollment at Chester Academy as of 2006/2007 (686) does not exceed its optimal core capacity of 800. Anticipated enrollment growth for 2007 and beyond (anticipated at up to 701 during the planning period) indicates that the core capacity of the school will not be strained. With respect to grades 9-12, students are tuitioned to Pinkerton Academy in Derry under a contract that should provide for adequate capacity through the year 2012.]

- b. The capacity of the Town to service growth with public facilities (other than schools), including those planned in the CIP or to be provided by developers, would be exceeded, given continuation of residential development at the rate of the preceding year; or

[For non-school facilities, the data and information submitted by Town departments in the CIP process do not indicate major shortfalls in facility capacity available to serve a reasonable level of growth. However, no specific standards are established to measure such needs. There is an indication that the fire and police departments may be requesting more full-time staffing in the next few years. The Departments would need to assess whether or not their current or their proposed staffing levels will provide adequate service capacity relative to the growth of the Town.]

- c. The tax rate impact of combined municipal and school capital expenditures in the current fiscal year will exceed 15% of the total combined municipal and school tax rates, as indicated by the CIP.

[The growth management ordinance does provide a specific numerical standard to assess service and facility strain evidenced by the level of capital expenditure tax impacts on Town and School District taxes. The data in the CIP can be used to measure the tax rate impact of capital expenditures as a proportion of the tax rate for past years, and to make projections to future years.]

Table 18 illustrates the estimated capital cost share of the combined town and school district tax rates, as described in part 13.3.3.c of the growth management ordinance. Based on this data, the

tax rate impact of capital expenditures exceeded 15% of the combined municipal and school tax rates in 2004, 2005 and 2006. Prior to that time, capital expenditures averaged around 7.2% of the combined town and school rates and in 2004 and 2005, the town's capital expenditures declined to an annualized average of 4.9%. However, in 2006 the percentage increased substantially to 15.9%. Much of this increase in the level of capital spending was necessary to cover debt service from the 2002 school addition and spending as a result of the town's street bond.

Table 19 estimates the future capital cost share of the town and school tax rates under assumptions of future growth in spending and assessed valuation. Assuming continued assessed valuation growth of 3% per year, and annual tax increases of 3.5% per year, total tax-supported capital spending is projected to remain close to or above 15% of the combined town and school tax rates throughout the 2007-2014 period. If the total tax rate were to increase by 5% per year, the 15% threshold is likely to decrease from 2010 through 2014 given the assumptions made in these projections.

TABLE 18

**CAPITAL COST IMPACT ON TOWN/SCHOOL TAX RATE – PAST EXPENDITURES
SUMMARY OF PAST YEARS CAPITAL EXPENSE RELATIVE TO GROWTH MANAGEMENT ORDINANCE 13.3.3. C**

FISCAL YEAR ENDING JUNE 30TH:	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
NET ANNUAL TOWN CAPITAL EXPENSE	\$44,627	\$59,238	\$492,064	\$275,382	\$419,101	\$440,964	\$596,125	\$642,448	(\$249,413)	\$1,344,633
NET ANNUAL SCHOOL CAPITAL EXPENSE	\$55,686	\$34,369	\$230,755	\$513,561	\$495,525	\$477,648	\$459,768	\$443,456	\$428,714	\$397,068
TOTAL ANNUAL CAPITAL COST	\$100,313	\$93,607	\$722,819	\$788,943	\$914,626	\$918,612	\$1,055,893	\$1,085,904	\$179,301	\$1,741,701
NET TAX COSTS - OPERATING - TOWN	\$1,031,732	\$984,888	\$1,059,599	\$1,132,350	\$1,422,065	\$1,491,734	\$1,877,034	\$1,964,559	\$2,124,163	\$2,051,906
NET TAX COST - OPERATING - SCHOOL	\$3,251,928	\$3,812,700	\$3,740,915	\$3,613,977	\$3,890,913	\$3,908,790	\$3,926,670	\$3,942,982	\$3,957,724	\$3,989,370
ANNUAL TAX COST TOWN & SCHOOL	\$4,283,660	\$4,797,588	\$4,800,514	\$4,746,327	\$5,312,978	\$5,400,524	\$5,803,704	\$5,907,541	\$6,081,887	\$6,041,276
TOTAL CAPITAL AND OPERATING	\$4,383,973	\$4,891,195	\$5,523,333	\$5,535,270	\$6,227,604	\$6,319,136	\$6,859,597	\$6,993,445	\$6,261,188	\$7,782,977
NET ASSESSED VALUATION (October of Prior Year)	\$82,488,653	\$83,885,467	\$213,213,892	\$232,677,594	\$257,409,082	\$277,216,622	\$288,693,700	\$297,461,500	\$304,229,200	\$569,040,300
TAX RATE IMPACT CAPITAL COSTS	\$1.22	\$1.12	\$3.39	\$3.39	\$3.55	\$3.31	\$3.66	\$3.65	\$0.59	\$3.06
TOTAL TAX RATE FOR TOWN & SCHOOL	\$38.09	\$42.56	\$45.39	\$45.25	\$45.61	\$48.86	\$51.49	\$53.78	\$19.53	\$19.25
CAPITAL SHARE (%) OF TAX RATE	3.2%	2.6%	7.5%	7.5%	7.8%	6.8%	7.1%	6.8%	3.0%	15.9%

TABLE 19

CAPITAL COST IMPACT ON TOWN/SCHOOL TAX RATE – PROJECTIONS

FISCAL YEAR ENDING JUNE 30TH:	2007	2008	2009	2010	2011	2012	2013	2014
NET ANNUAL TOWN CAPITAL EXPENSE	\$450,853	\$2,281,983	\$870,017	\$697,781	\$786,619	\$796,205	\$801,325	\$811,090
NET ANNUAL SCHOOL CAPITAL EXPENSE	\$477,648	\$496,016	\$656,374	\$634,339	\$595,723	\$572,593	\$556,180	\$539,495
TOTAL ANNUAL CAPITAL COST	\$928,501	\$2,777,999	\$1,526,390	\$1,332,120	\$1,382,342	\$1,368,798	\$1,357,505	\$1,350,585
NET TAX COSTS - OPERATING - TOWN	\$2,214,798	\$2,390,622	\$2,580,404	\$2,785,251	\$3,006,361	\$3,245,023	\$3,501,380	\$3,606,421
NET TAX COST - OPERATING - SCHOOL	\$4,081,003	\$4,174,741	\$4,270,632	\$4,368,725	\$4,469,072	\$4,571,723	\$4,676,732	\$4,770,266
ANNUAL TAX COST - OPERATING - TOWN & SCHOOL	\$6,295,801	\$6,565,363	\$6,851,035	\$7,153,976	\$7,475,432	\$7,816,746	\$8,178,112	\$8,376,687
TOTAL CAPITAL AND OPERATING	\$7,224,303	\$9,343,362	\$8,377,426	\$8,486,096	\$8,857,775	\$9,185,544	\$9,535,617	\$9,727,272
NET ASSESSED VALUATION	\$250,418,182	\$257,930,727	\$265,668,649	\$273,638,709	\$281,847,870	\$290,303,306	\$299,012,405	\$307,982,777
TAX RATE IMPACT CAPITAL COSTS	\$3.71	\$10.77	\$5.75	\$4.87	\$4.90	\$4.72	\$4.54	\$4.39
Town/School Total Tax Rate if Held To 3.5% Increase/YR								
TOTAL TAX RATE FOR TOWN & SCHOOL	\$23.92	\$24.73	\$25.62	\$26.54	\$27.49	\$28.47	\$29.49	\$30.55
CAPITAL SHARE (%) OF TAX RATE	15.5%	43.6%	22.4%	18.3%	17.8%	16.6%	15.4%	14%
Town/School Tax Rate Increase 5% Year								
TOTAL TAX RATE FOR TOWN & SCHOOL	\$23.92	\$26.31	\$28.94	\$31.84	\$35.02	\$38.52	\$42.38	\$46.63
CAPITAL SHARE (%) OF TAX RATE	15.5%	40.9%	19.9%	15.3%	14.0%	12.2%	10.7%	9.0%

Ironically, if the town and school tax rates were to increase sharply due to increased operating costs, rather than due to capital costs, the percentage of the tax rate supporting capital expense would decline. However, the Town could still be under fiscal stress due to growth impacts on operating costs. This type of fiscal stress is not measured by the growth management threshold criteria in the ordinance.

In this CIP, future operating expenses have been projected based on growth in operating costs of the town and school district, and the town's county tax assessment using the trends of the prior 10 years. The only fully predictable future capital expenditures are the principal and interest due on existing bond commitments. When capital spending assumptions for the 2007-2014 period are projected *only with respect to the known costs of programmed and anticipated debt service* (town and school), the projected capital cost portion of the tax rate would average between 14%-15% of the town/school tax rates projected for the period. Again, this assumes tax base growth of 3% per year and tax rate increases at 3.5% per year.

Using the projections of this CIP, virtually any additional significant new capital spending supported by property taxes for additional capital projects (over and above the annual cost for the 2002 school addition and the 2001 conservation bonds already factored in) would likely bring total capital spending to 15% or more of the town/school tax rate. Since anticipated new annual capital spending for the 2007-2014 period is projected to average about \$632,519 per year based on the projects listed in Table 15, it seems likely that this measure of "service and facility strain", as defined by the growth management ordinance, will persist. The capital share of the tax rate (for growth management monitoring purposes) can be determined annually based on the actual impact of net local capital expenditures (including net local debt service costs) as a percent of the town and school tax rates applicable in that year.