

Minutes of Trustees of the Trust Funds Meeting
September 11, 2023

Wheelwright Room, Exeter Town Offices, Exeter, NH, 9:00 a.m.

Attendees: Peter Lennon, Leone Atsalis, and Pat Curtis, Trustees; Niko Papakonstantis, Select Board Chair; Russ Dean, Town Manager; Melissa Roy, Assistant Town Manager; Corey Stevens, Town Finance Director. Clerk for the meeting: Pat Curtis.

Mr. Lennon opened the meeting at 9:00 a.m.

Review of previous meeting's minutes: N/A

Agenda:

I. Definition of “Capital Improvement” Discussion.

Mr. Lennon began by addressing a draft document containing definitions and guidelines for what constitutes a capital expense, and used the reimbursement request from Parks and Recreation of an item he and the Trustees agreed did not constitute a capital expense.

Ms. Atsalis said that permanent structural alterations, such as a dock replacement, could be a capital expense. Mr. Lennon added that the tree trimming was not listed previously as part of an overall project. Mr. Papakonstantis said the trimming was part of an overall effort to modify tennis courts to also accommodate pickleball.

Mr. Lennon said that some requests appear to be a “pop up,” reactive-type requests rather than a preplanned expense. Mr. Papakonstantis replied that some items do pop up, but over the last few years, most requests have been for long-term projects like the Park Street Commons.

Mr. Dean added that there should not be a dollar threshold for capital expenses since some long-lasting items are relatively inexpensive. He added that the State's Department of Revenue Administration (DRA) offers a lot of leeway in defining capital expenses. Mr. Stevens said that he believes DRA does not want to tell towns how to spend their money.

Mr. Stevens said the town's spending of capital funds has been consistent, and that voters consistently approve Parks Improvements warrant articles of \$100,000. He added that we should broaden the definition of capital expense.

Mr. Dean outlined examples of projects that are in the town's Capital Improvement Program, such as crack repairs, infield repairs, spray pad repairs, and pool painting. Mr. Lennon replied that one could argue that any maintenance or repair on a capital asset could be construed as part of a Capital Improvement Program, and that he

would reject those as capital expenses; he added that capital expenses should have a discrete beginning and end.

Mr. Dean offered to take the draft definitions back to the Town staff to come up with parameters to define a capital expense. Mr. Curtis said he would rather find out right now what all parties could agree to.

After some further discussion, the parties agreed to not specify a dollar amount, left the years a project or asset would last in the “to be determined” category, and to rename “projects” as “improvements.” The participants then agreed to edit the document and circulate it among each other to finalize the definitions at a later meeting.

Mr. Papakonstantis asked what would happen if we asked to amend the present Warrant Article for Parks and Recreation funding to include the word “maintenance.” Mr. Dean said there would have to be budget meetings. Mr. Curtis worried there would be unintended consequences.

Mr. Papakonstantis recommended that instead of amending a Warrant Article, we put together the draft definition of capital improvements and use it for a year and hold Parks and Recreation accountable for its funding requests.

II. Preliminary Approval/Disapproval of Draft Requests for Reimbursement from Parks Improvements (Capital Reserve) Fund. Mr. Stevens asked for an early indication of the Trustees’ willingness to approve thirteen projects totaling \$61,494.64 for reimbursement from the Parks Improvements Fund. The projects and costs were informally submitted to the Trustees on August 7, 2023.

The Trustees unanimously voted to give preliminary approval to eleven projects for \$57,758.64 that they considered capital improvements eligible for reimbursement under the terms of the 2019 warrant article establishing the Fund. They unanimously voted to reject preliminarily a request for reimbursement of \$3,736 for two projects at 10 Hampton Road for temporary fencing and repairs that they did not consider met the definition of capital improvements.

Final action on the requests and issuance of a reimbursement check are expected to occur after the Town submits its formal voucher requesting such action sometime in October.

III. Review of Draft Investment Policy. The Trustees discussed the draft investment policy and made minor changes. The Trustees approved the draft 3-0. Mr. Lennon said he would circulate the draft to the Town and School Districts as a courtesy and for any reactions.

IV. Review of Draft Request for Qualifications (RFQ) for an Investment Advisor. The Trustees discussed the draft RFQ and expanded the recipient list to not exclude major brokerage firms. They reviewed the list of recipients. The Trustees approved the draft 3-0. Mr. Curtis would make final inputs and update the contact information for the recipients of the RFQ.

I. Old and New Business. The Trustees discussed the M&T Bank data breach. Mr. Curtis recommended contacting M&T and asking how the bank intends to prevent such a breach from happening in the future, and to find out if any of the Trusts' accounts were compromised. Mr. Curtis said that the latest statement from M&T did not show any fraudulent activity.

VI. Adjournment. Meeting adjourned by unanimous vote at 11:00 p.m., with the next meeting subject to the call of the chair.

ADDENDUM: "CAPITAL IMPROVEMENTS" Definition Approved by Trustees after Discussion with Town Select Board Chair and Town Staff

I. Is there a common understanding of what is a "capital improvement?"

The *NHMA Basic Law of Budgeting 2022* devotes an entire Chapter 10 to "Capital Improvement Plans", and it defines a capital improvement as follows:

"D. What is a "capital improvement"?"

"In the most general sense, a capital improvement is something that has a high cost and a useful life of several years, in contrast with regular operations and maintenance, which generally have a lower cost and occur on a more frequent basis. Typically, capital improvements will include infrastructure projects, land acquisition, buildings, or engineering studies for any of those projects, and may include vehicles or highway maintenance equipment in some municipalities. One useful starting point is the list of improvements for which impact fees may be assessed; the list in **RSA 674:21, V** is a good place to look for ideas."

RSA 674:21, V, mentions "public recreational facilities not including public open space" in the list of "capital facilities" improvements referred to above.

The *NHMA Basic Law of Budgeting 2022* does say that each community must define for itself what qualifies as "high cost" and a "useful life of several years," and the Exeter CIP says that Municipal departments submit proposed projects, including vehicle and equipment needs, "that are in excess of \$25,000."

II. What might an Exeter definition of a "capital improvement" include --

- A project or asset with a useful life of at least three years.
- No improvement cost threshold, assuming the improvement meets other requirements to be a capital improvement.
- A maintenance item that is directly related to the initial execution, enhancement, or completion of a capital improvement.
- Is not a regularly recurring maintenance or repair task.