



**DOVER SCHOOL  
DISTRICT**

## DOVER SCHOOL BOARD - AGENDA

Meeting Type:	Special Session #4
Meeting Location:	Media Ctr. (Rm. 306) McConnell Ctr.
Meeting Date:	Monday, March 5, 2012
Meeting Time:	6:30 p.m.

### **A. ROLL CALL**

### **B. PLEDGE OF ALLEGIANCE**

### **C. CITIZENS' FORUM (Limited to Agenda Items Only)**

### **D. CONSENT AGENDA**

1. **Correspondence:** None
2. **Resignations/Retirements:**
  - a. Mark Covell, Food Service Director
3. **Leaves of Absence:** None
4. **Nominations:** None
5. **Extended Travel (Student Trips):** None

### **E. RESOLUTIONS:**

1. Request for Creation of Capital Reserve Funds

### **F. OLD BUSINESS:**

1. FY 2013 Budget

### **G. ADJOURNMENT**

## RESOLUTION

RE: REQUEST FOR THE CREATION OF CAPITAL RESERVE FUNDS

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- WHEREAS: The Dover School Department requires large capital investments for the maintenance and development of its Curriculum Adoption Programs, Technology Infrastructure, and Athletic Equipment; and
- WHEREAS: The Dover School Department has a well-established administrative team to advise the School Board and business office regarding 10 years of planned capital purchases for Technology, Curriculum, and Athletic Equipment; and
- WHEREAS: The City Council has requested that Dover School Department utilize capital reserve funds to provide savings opportunities and budget related security associated with long term planning of capital improvements.

NOW THEREFORE, BE IT RESOLVED THAT HEREIN IS A FORMAL REQUEST FROM THE DOVER SCHOOL BOARD TO THE MAYOR AND DOVER CITY COUNCIL THAT:

The City Council approves the creation of three distinct capital reserve funds to be used by the Dover School Department for the following: Curriculum Capital Reserve, Technology Capital Reserve, and Athletic Equipment Capital Reserve.

### SUBMITTED BY:

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Rocky D'Andrea, Chairperson

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Amanda Russell, Vice Chairperson

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Betsey Andrews Parker, Secretary

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Dr. Paul Butler

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Kathy Baker

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Ken Appel

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Doris Grady

February 23, 2012

## BACKGROUND FOR RESOLUTION

### What is a Capital Reserve Fund?

A fund reserved for long-term capital investment projects and/or other large anticipated capital expenses that will be incurred in the future. Contributions to this fund can be made from general fund related government subsidies, donated funds, and/or from all, or a portion of, funds collected from the municipality's regular revenue-generating operations. Once assigned, these funds can only be spent on the capital expenditures projects for which they were initially intended, excluding any unforeseen circumstances. (<http://www.investopedia.com/terms/c/capitalreserve> & see the attached RSA)

### How and why are these funds used?

EXAMPLE: Let's setup a capital reserve fund for use with our capital related technology purchases. For the current fiscal year we may budget \$108K for the replacement of tech equipment. In the following year we might budget this same \$108K (if we are on a consistent program for replacing old equipment), but we may also need \$10K to replace a server (new and additional tech equipment), and \$25K to replace laser printers at the High School. If this were the case, we would see a 30% jump in the budget from Year 1 to Year 2. More importantly, we would have no cushion to handle an emergency equipment failure. The following shows a hypothetical example of how a capital reserve would work:

Fiscal Year	Budgeted Transfers To Reserve	Actual Capital Expenditures out of Reserve	Ending Reserve Balance
2013	\$135,000	\$110,500	\$24,500
2014	\$135,000	\$105,500	\$54,000
2015	\$135,000	\$120,500	\$68,500
2016	\$135,000	\$180,500	\$23,000
2017	\$135,000	\$90,500	\$67,500
2018	\$135,000	\$124,500	\$78,000
2019	\$135,000	\$130,500	\$82,500
2020	\$135,000	\$210,500	\$7,000
2021	\$135,000	\$75,500	\$66,500
2022	\$135,000	\$162,500	\$39,000
2023	\$135,000	\$172,500	\$1,500

By creating a capital reserve for these costs, we are accomplishing several things:

1. Show the community that we have a planned multi-year strategy for program related capital improvements.
2. Spread the cost over multiple years as a fixed payment into a planned program that won't have a surprising effect on the budget in any individual year.
3. Create a small savings so that the district is prepared for an emergency.
4. The current tax cap language allows an exemption for the transfer of funds into a capital reserve. Once approved, subsidies from the general fund used to support the capital reserves may exceed the tax levy proposed by the tax cap language, protecting the multi-year capital plan from extreme changes in the consumer price index.

# TITLE III

## TOWNS, CITIES, VILLAGE DISTRICTS, AND UNINCORPORATED PLACES

### CHAPTER 34

#### CAPITAL RESERVE FUNDS FOR CITIES

##### Section 34:1

**34:1 Establishment of Reserves Authorized.** – Any city may raise and appropriate money as provided by RSA 34:2, from any source other than money given to the city for charitable purposes, for the establishment of a capital reserve fund for the financing of all or part of the cost of:

I. The construction, reconstruction, or acquisition of a specific capital improvement, or the acquisition of a specific item or of specific items of equipment;

II. The construction, reconstruction, or acquisition of a type of capital improvement or the acquisition of a type of equipment;

III. A reappraisal by appraisers of the department of revenue administration or such other appraisers, appraisal firms or corporations approved by the commissioner of revenue administration, of the real estate in such city for tax assessment purposes;

IV. The acquisition of land;

V. The acquisition of a tax map of such city;

VI. Municipal and regional transportation improvement projects including engineering, right-of-way acquisition and construction costs of transportation facilities, and for operating and capital costs for public transportation; or

VII. The repayment of bonded debt issued for the purpose specified in the fund, in conformance with existing Internal Revenue Service rules.

**Source.** 1949, 181:1. RSA 34:1. 1973, 51:1. 1977, 588:45. 1985, 285:1, eff. Aug. 10, 1985. 1998, 4:2, eff. May 17, 1998. 2000, 224:2, eff. July 31, 2000. 2007, 178:1, eff. Aug. 17, 2007.

##### Section 34:1-a

**34:1-a Non-Capital Reserve Funds Authorized.** – Any city may establish a reserve fund for the maintenance and operation of a specific public facility or type of facility, a specific item or type of equipment, or for any other distinctly-stated, specific public purpose that is not foreign to its institution or incompatible with the objects of its organization. Such funds shall be subject to all provisions and limitations of this chapter as are applicable to capital reserve funds. The legal validity of such a fund properly established shall not be affected by its designation as a "trust," "reserve," "capital reserve," or any other designation.

**Source.** 1995, 20:4, eff. June 11, 1995.

##### Section 34:2

**34:2 Hearing.** – The authority granted by RSA 34:1 shall be exercised by the city council only after a public hearing on the annual budget as required by RSA 44:10, and by the adoption of a capital

improvement budget and program. The public notice of said hearing shall include a statement distinctly stating the purposes for which such reserve is to be established.

**Source.** 1949, 181:2, eff. May 3, 1949.

### **Section 34:3**

#### **34:3 Payments Into Fund. –**

I. There may be paid into any such capital reserve fund such amounts as may from time to time be raised and appropriated therefor, from any source other than money given to the city for charitable purposes, within the limits as provided in RSA 34:4.

II. The city council may also by a favorable vote of 3/4 of its members, transfer to such fund after a public hearing with notice as provided in RSA 34:2, not more than 1/2 of its unencumbered surplus funds remaining on hand at the end of the fiscal year, within the limits as provided in RSA 34:4.

**Source.** 1949, 181:3, eff. May 3, 1949. 2000, 224:3, eff. July 31, 2000.

### **Section 34:4**

**34:4 Limitations on Appropriations. –** No city shall raise and appropriate or transfer from any of its unencumbered surplus funds in any one year for such reserves a total amount in excess of 1/4 of one percent of the last assessed valuation of the city.

**Source.** 1949, 181:4, eff. May 3, 1949.

### **Section 34:5**

**34:5 Investment. –** The moneys in such fund shall be kept in a separate account and not intermingled with the other funds of the city. Said capital reserve fund shall be invested only by deposit in some savings bank or in the savings department of a national bank or trust company, or in the shares of a cooperative bank, building and loan association, or federal savings and loan association, in this state or in bonds or notes of this state, in such stocks and bonds as are legal for investment by New Hampshire savings banks, or in participation units in the public deposit investment pool established pursuant to RSA 383:22, or in obligations with principal and interest fully guaranteed by the United States government. The obligations may be held directly or in the form of securities of or other interests in any open-end or closed-end management-type investment company or investment trust registered under 15 U.S.C. section 80a-1 et seq., if the portfolio of the investment company or investment trust is limited to such obligations and repurchase agreements fully collateralized by such obligations. When so invested in good faith the trustees hereinafter named shall not be liable for the loss of such moneys. Any interest earned or capital gains realized on the moneys so invested shall accrue to and become a part of the fund. Deposits in banks shall be made in the name of the city, and it shall appear upon the book thereof that the same is a capital reserve fund. Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment, an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the city. Only securities defined by the bank commissioner in rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral. The trustees shall formally adopt an investment policy for all investments made by them or by their agents for any trust funds in their custody in conformance with the provisions of applicable statutes. The trustees shall review and confirm the investment policy at least annually. A copy of the investment policy shall be filed with the attorney

general.

**Source.** 1949, 181:5. RSA 34:5. 1965, 174:1. 1991, 268:6; 383:3. 1995, 20:5, eff. June 11, 1995. 1996, 209:8, eff. Aug. 9, 1996. 2007, 164:2, eff. Aug. 17, 2007.

### **Section 34:6**

**34:6 Trustees of Funds.** – The trustees of trust funds of the city shall have custody of all capital reserves. Said trustees shall give bond in such amount and in such form as the city council or board of aldermen shall prescribe, and any trustee who shall make payment of income or principal from any such capital reserve fund before the approval of his bond in writing by the city council or board of aldermen shall be personally liable to the city for any loss resulting from such payment, to be recovered by the city at the suit of any citizen. The expenses of said trustees in said capacity and the expense of their bonds shall be charged as incidental city charges.

**Source.** 1949, 181:6, eff. May 3, 1949.

### **Section 34:7**

**34:7 Payments From Surplus.** – Whenever the city councils have voted in accordance with RSA 34:3 to transfer any accumulated surplus to the capital reserve fund, the city clerk shall forward immediately to the city treasurer a certified copy of said vote; and the city treasurer on receipt of said copy shall transfer immediately to the trustees of trust funds of said city the amount specified in said vote.

**Source.** 1949, 181:7, eff. May 3, 1949.

### **Section 34:8**

**34:8 Transfer of Sums Appropriated.** – Whenever the city councils legally vote to raise and appropriate any sum for the capital reserve fund, the same duties shall devolve upon the city clerk and city treasurer, as specified in RSA 34:7, except that said sum must be transferred on or before the end of the fiscal year in which said vote is made.

**Source.** 1949, 181:8, eff. May 3, 1949.

### **Section 34:9**

**34:9 Penalty for Failure to Perform.** – Any of the above officers who shall fail to perform the duties above set forth shall be guilty of a violation for every week said failure shall continue.

**Source.** 1949, 181:9. RSA 34:9. 1973, 531:8, eff. at 11:59 P.M., Oct. 31, 1973.

### **Section 34:10**

#### **34:10 Expenditures.** –

I. The trustees of trust funds holding said capital reserve funds in trust, as hereinbefore provided, shall hold the same until such time as the city councils shall name agents of the city to carry out the objects designated by the city councils as prescribed by RSA 34:2. Expenditures from said capital reserve funds shall be made only for or in connection with the purposes for which said fund was established, or as

amended as provided by RSA 34:11.

II. Notwithstanding the prohibition of debt retirement fund establishment in RSA 33:2, capital reserve funds may be used for multiple payments under a financing agreement for the purpose for which the capital reserve was established. If the financing agreement is a lease purchase agreement, the lease purchase agreement may not contain an "escape clause" or a "non-appropriation clause."

**Source.** 1949, 181:10, eff. May 3, 1949. 2007, 178:2, eff. Aug. 17, 2007.

### **Section 34:11**

**34:11 Change of Purpose.** – After the purpose for which a capital reserve fund is established has been determined, no change shall be made in the purpose for which said fund may be expended unless and until such change has been authorized by a favorable vote of 3/4 of all members of the city councils or board of aldermen, for a specific capital improvement or specific item or type of equipment and such change shall be made only after a public hearing held pursuant to notice as provided in RSA 34:2.

**Source.** 1949, 181:11, eff. May 3, 1949.

### **Section 34:11-a**

**34:11-a Discontinuing Fund.** – The authority granted by RSA 34:1 may be discontinued by the city council only after a public hearing. The public notice of such hearing shall include a statement distinctly stating the reasons for which such reserve is to be discontinued. If such fund is discontinued, the trustees of trust funds holding the account for such fund shall pay all the moneys in such fund if any, to the city treasury as applicable.

**Source.** 1995, 137:2, eff. May 24, 1995.

### **Section 34:12**

**34:12 Audit; Records.** – The accounts of the trustees of trust funds holding the capital reserve funds shall be audited annually by the city auditor, the securities shall be exhibited to said auditor, and said auditor shall certify the facts found by the audit and the list of all securities held. Said trustees holding said funds shall keep a record of all such capital reserve funds in a record book, which shall be open to public inspection.

**Source.** 1949, 181:12, eff. May 3, 1949.

### **Section 34:13**

**34:13 Disbursements.** – No person holding in custody such capital reserve fund shall make any payment of income or principal or authorize the same to be done except in accordance with the provisions hereof. Whoever violates the provisions of this section shall be guilty of a misdemeanor if a natural person, or guilty of a felony if any other person.

**Source.** 1949, 181:13. RSA 34:13. 1973, 529:4, eff. at 11:59 P.M., Oct. 31, 1973.

### **Section 34:14**

**34:14 Definition.** – Where the words "trustees of trust funds" are used herein they shall be construed

to mean the board in any city which is charged, by the city charter, with duties of town trustees of trust funds.

**Source.** 1949, 181:14, eff. May 3, 1949.

### **Section 34:15**

**34:15 Application of Chapter.** – The provisions of any city charter inconsistent with the provisions hereof are hereby repealed to the extent of such inconsistency.

**Source.** 1949, 181:15, eff. May 3, 1949.