

CAPITAL IMPROVEMENT PLAN POLICY/PROCEDURE

Approved by the Town Council at the 10-20-15 Town Council Meeting

A Capital Improvement Plan (CIP) is a valuable and critical planning tool that is used to manage the continuing need to replace and add capital assets (as defined below). The purpose of this plan is to provide a method of planning that combines the needs of all the departments of the Town on both a short-term and a long-term basis.

This plan not only addresses the maintenance, improvement and replacement of existing assets, it also looks ahead for future needs, projects and one-time capital asset expenditures and economic development activities consistent with and in accordance with the Comprehensive Plan (or other similar guidelines provided by the official approval of the Town Council and/or the taxpayers) and contingent upon a favorable vote of Town meeting. The CIP is a guide to be used in preparing comprehensive annual budgets.

DESCRIPTION

Capital improvement planning involves the scheduling of short-term and long-term capital expenditures of the Town. Capital expenditures include funds for buildings, land, major equipment, and other assets that are of significant value and have a useful life of several years. For the Town's purposes, a capital improvement will be defined as a capital expenditure that is more than \$5,000 and that will have an anticipated useful life of at least five years.

The CIP provides a framework for the following administrative functions:

1. Estimating capital requirements
2. Scheduling projects over fixed periods with appropriate planning and implementation
3. Prioritization of capital improvements
4. Developing a financial plan for the requirements as scheduled
5. Coordination of activities between departments for project planning
6. Monitoring and evaluating the progress of capital improvements
7. Informing the Finance Committee, Town Council and the public of projected capital improvements

BENEFITS

The CIP provides a means of implementing the objectives and policies of the Comprehensive Plan and other similar guidelines provided by the official approval of the Town Council and/or the taxpayers. Considerable benefits may be derived from a systematic approach to the programming of capital projects. These benefits include:

1. Focusing attention on community goals, needs and capabilities
2. Achieving optimum use of the taxpayer's funds
3. Guiding future growth and development
4. Serving wider community interests over localized ones

5. More efficient government administration
6. Maintaining a sound and stable financial plan
7. Focusing attention on existing infrastructure conditions
8. Enhancing opportunities for participation in federal and state funding programs.

FIXED ASSET CAPITALIZATION

ASSET CRITERIA

Capital assets will meet the following minimum standards to be considered fixed assets and eligible to be included in the CIP schedules:

- Have a value of \$5,000 or more. This requirement can be for an individual item in excess of \$5,000 or for a collective project/class of assets (i.e. computer systems including software, and miscellaneous hardware items needed to be considered complete as a whole)
- Having an estimated useful life of at least five years or more
- Major asset categories are Road Resurfacing, Bridge Repair and Replacement, Fire and Public Safety, Public Works and Town Vehicles and Equipment, Sidewalks, Technology, Public Buildings, Land Acquisition and Miscellaneous
- For the purposes of this Policy, capital assets DO NOT include those properties acquired by the Town through the Tax Lien Foreclosure process as the handling of those assets are governed by the Tax Acquired Property Procedures Ordinance, until such time as a Tax Acquired Property is officially received and retained by Town as property that it does not intend to dispose of through the Ordinance

METHOD

All capital assets will be recorded at historical cost as of the date acquired or constructed, except for infrastructure (as detailed below). If historical cost information is not available, assets will be recorded as estimated historical cost by calculating current replacement cost and deflating the cost using the appropriate price-level index. The current financial auditing firm will maintain the fixed asset schedule for the purposes of recording and calculating the depreciation required for presentation on the annual financial statements.

ACQUISITIONS/DISPOSALS

The Town will capitalize new assets that meet the asset criteria. Directly after a capital asset is acquired it will be specifically identified to the Treasurer for inclusion into the fixed asset schedule and the CIP, with such details that clearly identify the asset, as well as being added to the Town's insurance policy.

The Town will remove assets that have been disposed of in a manner consistent with the process outlined later in this section. Directly after a capital asset is disposed of it will be specifically identified to the Treasurer for removal from both the fixed asset schedule and the CIP, with such details that clearly identify the asset, as well as being removed from the Town's insurance policy.

REPAIRS OR IMPROVEMENTS

The Town will capitalize expenditures that increase future benefits from an existing capital asset beyond its previously assessed value or condition.

COLLECTIVE PROJECTS/CLASSES OF ASSETS

The Town will capitalize the items listed below as collections:

- Computers and associated technology or devices
- Personal protective equipment
- Radios
- Telephone systems
- Artwork and historical treasures
- Any other assets bought in a bulk purchase that meet the asset criteria

INFRASTRUCTURE

The Town reports its infrastructure as an asset on its financial statements in accordance with GASB 34. The cost is recorded at historical cost (if purchased or constructed) or estimated fair value (if donated). The Town uses an estimated historical cost when the actual cost cannot be identified. Replacement costs for infrastructure assets are based on current year construction costs for similar assets or other information that approximates current replacement cost. The Town reports new acquisitions or constructs in the period during which they are expended. The Town uses existing sources of information to provide support for the initial cost estimates for its infrastructure assets, such as bond documents, engineering documents or budget expenditure records.

REPLACEMENT CYCLE

Each capital asset will be scheduled on a replacement cycle based on the asset type and/or replacement schedules for similar asset types accepted by industry standards specific to that asset type. Each Department Head is required to review all of their capital assets during the annual needs assessment review and will take into careful consideration the replacement cycles for the asset types to recommend any changes that may be made to the type as a whole (based on performance over time) or individually (based on specific circumstances).

ANNUAL PLAN PROPOSALS

The CIP is developed and presented for approval on an annual basis during the annual budget process, as detailed further below. A variety of internal and external factors influence the proposal and the decision:

1. Maintenance of existing assets – The Town has considerable investment in roads, bridges, buildings, grounds, etc. With limited financial resources available to the Town, the decision to acquire capital assets may be secondary to keeping existing assets in good working condition.

2. Current availability of federal and state funding – The decreasing availability of such revenues is cause for caution on becoming overly dependent on them for short-term or long-term CIP planning or decisions in general, and may indicate the need for prioritizing any projects for which the Town may be eligible for funding.
3. Federal and state requirements – Federal and state mandates may require the renovation or repair of existing facilities, in some cases even the construction of new facilities.
4. Unforeseen Circumstances – Even the best planning cannot anticipate future, unforeseen circumstances. Each circumstance will have its own consequences to the CIP, either positive or negative.

The CIP is proposed in both short-term and long-term schedules. Short-term is considered to be the subsequent five year period. Long-term is considered to be the ten year period after the short-term period.

CAPITAL NEEDS ASSESSMENTS

Capital assets, asset improvements and infrastructure needs and/or deficiencies are based on the recommendations of each Department Head, and/or may be brought to the attention of the Department Head by the public or the recommendation of the Town Council, applicable Committees, etc. Capital asset recommendations of Department Heads must include an estimated replacement value of each asset in as detailed a format as possible to ensure that every potential cost associated with that asset has been considered. Capital asset improvements must include an estimated cost of each improvement in as detailed a format as possible to ensure that every potential cost associated with that improvement has been considered. Infrastructure recommendations may be made or based on third-party information (i.e. a Pavement Management Study is relied on by the Road Commissioner and the Public Works Director to schedule roads for resurfacing or reconstruction based on industry-accepted criteria used to rate their condition), the expenditures which require pre-approval by the Town Council. All recommendations are to include a proposed timeline which will include the estimated start date and duration of project for Town employee and/or independent contractor planning purposes.

ANNUAL FINANCIAL PLAN PROPOSAL PROCEDURE

The Treasurer is responsible for annually compiling data and recommendations from Department Heads to update the CIP and schedule its financial plan. All data and recommendations from Department Heads are required annually during the budget preparation process (deadlines of which are set by the Treasurer to be consistent with the Town Charter requirements, Town Council budget workshops and/or other deadlines required to ensure proper completion of the CIP and its financial plan). The CIP generally requests appropriation of funds available in the Capital Reserve Fund. The decision to propose the financial plan to the public in the form of the annual Capital Reserve Fund appropriation is a responsibility of the Town Council. However, certain projects and/or one-time capital asset expenditures and/or economic development activities may be proposed to be appropriated from the General Fund based on the recommendation of the Finance Committee or the Town Council. Please refer to the Budgeting section of this policy for more details.

The annual CIP and its financial plan proposal are based solely on the replacement cycles and estimated costs/replacement values/expenditures provided by Department Heads and occasionally may include one-time capital asset expenditures and economic development activities consistent with and in accordance with the Comprehensive Plan (or other similar guidelines provided by the official approval of the Town Council and/or the taxpayers). Both the short-term and long-term schedules are compiled in their entirety and presented to the Town Council during the budget process. The focus of the Town Council is on the short-term schedule, but the long-term schedule is used to maintain a diversified and stable estimated revenue allocation into the Capital Reserve Fund to mitigate short-term fluctuations in any one year, while also properly anticipating longer-lived assets such as bridges and buildings.

ALTERNATIVE REVENUE(S)

The CIP's financial plan must be realistic as it relates to the Town's fiscal capacity. The financial plan is scheduled and intended to be fully-funded at the scheduled time for each asset expenditure. However, the Town may seek alternate methods of revenue sources to fund individual or multiple expenditures.

The Town may choose to borrow funds (incur debt) to finance its Capital Improvement Plan, and/or one-time capital asset expenditures and economic development activities consistent with and in accordance with the Comprehensive Plan (or similar guidelines provided by the official approval of the Town Council and/or taxpayers) and contingent upon a favorable vote of Town meeting, which may be proposed in the same manner as full-funding during the annual budget process. The financial plan may propose to incur debt to fund the CIP, but only in manners consistent with the Debt Management section of this policy, which describes in detail the procedure and process that is acceptable for the Town to incur debt. Debt service payments will be proposed in the annual Capital Reserve Fund appropriation in the manner consistent with the annual plan proposal previously detailed.

The Town annually proposes a warrant article to the taxpayers during the Town Meeting process which would allow all Town owned personal property (capital assets) revenue with a maximum set value (to be determined annually by the Town Council) or less to be received directly into the Capital Reserve Fund to be utilized for the annual plan proposal as available funds. The Town Council may, on a case-by-case basis, approve funds received from the disposal of personal property (capital assets) in excess of that amount to be received directly into the Capital Reserve Fund to be utilized for the annual plan proposal as available funds.

The Town may choose to utilize Special Revenue Funds (as further defined in the Internal Control section of Policy) as applicable/allowable to be included in the annual plan proposal as such.

The Town may choose to apply for and accept a Grant from Federal/State or private organizations. A Grant may only be applied for to finance the Capital Improvement Plan (more specifically a specific asset expenditure) with the prior approval of the Finance Committee as they are authorized to proceed by the Town Council. In some cases, more specifically for one-time capital asset expenditures specifically for economic development activities consistent with and in accordance with the Comprehensive Plan (or similar guidelines provided by the official approval of the Town Council and/or taxpayers) the Town Council may authorize the Director of Economic Development to apply for a Grant directly instead of

through the Finance Committee. In all cases, acceptance of any Grant awarded to the Town is required by official approval of the Town Council. If the Town Council accepts a Grant award, the funds may then be included as alternate revenue and included in the annual plan proposal as such.

The Town may choose to charge Special Assessment Fees to properties which would receive a direct benefit from a specific infrastructure project located on-site or nearby. The revenue generated from these fees are used to directly finance the project benefitting the property. Most often, Special Assessment Fees have been charged by the Town under the authority of the Zoning Ordinance and under the regulation of the Planning Board in connection with projects presented to them by applicants, but the Town may choose to utilize this method of alternate revenue concerning its own infrastructure with the recommendation of the Finance Committee and the approval of the Town Council.

The Town may choose to enter into an Inter-local agreement with another municipality to jointly provide assets (and thereby services) to each of their residents. The ability to combine resources may provide alternate revenue or a possible decrease in appropriation for a particular asset depending on the details of each Inter-local agreement. Any such agreement would require the approval of the Town Council and any proposed revenue or appropriation concerning the same would be included in the annual plan proposal.

The Town may choose to charge Impact Fees to new developments based on the need to either expand/construct infrastructure or capital facilities either on or off-site to serve the new development. Unlike Special Assessment Fees, Impact Fees would not have to directly finance the project benefitting the property, but they must be spent on the same type of infrastructure or capital facilities for which the new development was charged. Impact Fees would be charged by the Town under the authority of the Zoning Ordinance and would be recorded as revenue in a Special Revenue account which could be proposed as applicable/allowable to be included in the annual plan proposal.

The Town may choose to utilize funds from property taxes raised within a Tax Increment Financing (TIF) District as long as the project/expense is specifically allowable by the applicable TIF Plan (previously approved by the Town Council, the taxpayers and the State of Maine and within guidelines detailed further in the Tax Increment Financing Districts section of this Policy) and would be included in the annual plan proposal.

ASSET DISPOSAL PROCEDURE

Asset disposal will be determined by the manner which is considered to have the maximum benefit to the Town with consideration of the following:

1. Any monetary value the asset may still retain whether by sale or trade-in
2. Any need for which the Town may reallocate the asset
3. Any recommendation or request by the Town Manager and/or Department Head

Generally, the procedure for disposal will be recommended by the Treasurer to the Town Council for approval for each major asset categories in the following manner and the following order:

- Road Resurfacing – N/A
- Bridge Repair and Replacement – N/A
- Fire and Public Safety
 - Equipment or Vehicles
 - Reuse elsewhere in the Town
 - Trade-in value
 - Sale to another municipality
 - Sale by auction
 - Sale by bid
- Public Works and Town Vehicles and Equipment
 - Equipment or Vehicles
 - Reuse elsewhere in the Town
 - Trade-in value
 - Sale to another municipality
 - Sale by auction
 - Sale by bid
- Sidewalks – N/A
- Technology
 - Reuse elsewhere in the Town
 - Trade-in value
 - Sale to another municipality
 - Disposal in the waste stream for profit
- Public Buildings
 - Sale by auction/or private sale
 - Demolition
- Land Acquisition – N/A
- Miscellaneous
 - Reuse elsewhere in the Town
 - Trade-in value
 - Sale to another municipality
 - Disposal in the waste stream for profit

This general procedure may be revised as far as order is concerned upon the recommendation of the Treasurer as it relates to the each individual asset category, circumstance and any future needs of the Town which may be considered on a case-by-case basis.