

DRAFT Middlesex Capital Improvement Program Planning Process

Definitions

Capital Improvement Program: The program of planned expenditures by year needed to fund prioritized capital improvements. The minimum planning horizon for the CIP is 10 years. The capital improvement program is meant to meet the requirements of 24 VSA §4430.

Capital Improvement: A planned investment in a town facility, town equipment, or a planning or engineering study.

Capital Improvement Budget: The portion of tax revenue used to fund capital improvements. These funds could be used to pay for current improvements directly, go to a reserve fund for future expenditures, or be used to pay down debt.

The Capital Improvement Program Planning Process

1. Principles

- a. The capital improvement program(CIP) is meant to help the residents of Middlesex better understand why and when large municipal capital expenses are needed.
- b. The CIP is a multi-year plan that identifies each proposed capital improvement, the source of funding, the cost, and cash flow information.
- c. The CIP is prepared using an open process and providing opportunity for residents, and municipal departments, and organizations to propose and comment on capital improvements and priorities.
- d. The CIP should be linked to, and consistent with, the goals and future needs identified in the Town Plan.
- e. The CIP is prepared by the Middlesex Budget Committee for the Middlesex Select Board.
- f. The CIP is advisory. It is the responsibility of the Select Board to include items in the town budget for consideration by voters at Town Meeting.

2. Middlesex Budget Committee

- a. The Middlesex Budget Committee shall serve as an advisory committee to the Select Board (24 V.S.A. § 4433), responsible for overseeing the CIP and the corresponding process. Responsibilities shall include:

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- i. Setting the schedule for the annual CIP update, including an annual public meeting of the proposed CIP;
 - ii. Maintaining communication with the Select Board, including regular updates to the Select Board on the CIP process;
 - iii. Reviewing the existing CIP;
 - iv. Soliciting and reviewing proposed capital improvements for inclusion in the CIP;
 - v. Prioritizing improvements in the CIP;
 - vi. Monitoring capital improvement implementation;
 - vii. Maintaining a transparent and inclusive process for public involvement.
 - b. The Budget Committee shall also be responsible for setting any minimum capital expenditure values and useful life thresholds.
3. Policies (Financial & Programmatic)
 - a. Financial Policies
 - i. Capital improvement plan scheduling should strive for stable annual capital budget levels, rather than highly-fluctuating levels, in order to provide predictability for town taxpayers. To the extent possible, scheduling should also consider the capital planning of Middlesex Fire Department, Washington Central Unified Union School District including Rumney Elementary School and U-32 Middle and High School.
 - ii. The Town's debt management policies and fund balance policies will be followed when budgeting for capital improvement planning.
 - iii. The CIP will include not less than ten years of programming.
 - iv. A minimum threshold of \$5,000 will be used to focus planning on larger cost items.
 - b. Programmatic policies
 - i. Recreation
 - ii. Planning
 - iii. Town facilities
 - iv. Town equipment
 - v. Town infrastructure
 - vi. Transportation
 - vii. Emergency services

- viii. Energy planning
- ix. Adherence to the 46 goals outlined in the 2019 Town Plan

4. Inventory

- a. Various boards, committees, organizations, and departments, will work with the budget committee to develop/update a capital asset inventory that includes both capital facilities and capital equipment.
- b. The **capital facilities inventory** will cover: land, buildings, transportation assets (roads, sidewalks, bridges and culverts), and other high value assets. The capital facility inventory will identify: age/purchase date, asset condition, major repair dates and costs, original and replacement cost.
- c. The **capital equipment inventory** will cover vehicles and other capital equipment. The equipment inventory will identify: age/purchase date, major repair dates and costs, original and replacement cost. The capital equipment inventory will also include a replacement schedule and criteria for replacement (e.g., # years or # miles).
- d. The Budget Committee will annually review the capital asset inventory, evaluating the cost and scheduling for repairs or replacement.

5. Program Maintenance and New Capital Improvement Intake Process

- a. Capital improvements will be added to the inventory by the Budget Committee based on the improvement meeting the goals of the financial and programmatic policies included above. The Budget Committee will brief the Select Board two or more times annually on those capital improvements that have been considered for inclusion in the CIP.
- b. The Budget Committee will annually review the status of previously approved capital improvements and consider ongoing inclusion in the CIP and budget.
- c. The sponsor of a new proposed capital improvement will complete and submit a New Capital Improvement Intake Form. It is the responsibility of the sponsor to illustrate the purpose, need and funding source for a new capital improvement. The Budget Committee will provide assistance with the form, if requested.
- d. The sponsor of a new capital improvement will prepare a detailed budget. For complex proposals, the Budget Committee or the Select Board may request a planning and feasibility study be completed first in order to

adequately determine the final scope and budget of the requested capital improvement. **These initial studies may themselves be capital improvements.**

- e. The sponsor of a new capital improvement should investigate the availability of grants and subsidized funding for the proposed capital improvement. Any proposal for a capital improvement should identify whether non-tax revenues are available to pay for all or part of the capital improvement.
- f. The budget committee may request additional description, justification, budget information and/or schedule before completing their evaluation.
- g. New capital improvement intake forms will be transmitted to each of the budget committee members and the Select Board once complete.
- h. The capital improvement process is timed one year in advance of the fiscal year. Intake forms may be submitted and reviewed on a rolling basis. However, to be considered in the development of the forthcoming CIP update and town budget, a completed form, as determined by the Budget Committee, must be submitted before April 30.
- i. The Budget Committee and Select Board will work to provide well informed, inclusive, deliberative public participation throughout these efforts, using welcoming and accessible discussion forums. This may include a formal public outreach process undertaken for any capital improvements that have historical, financial, or cultural significance, as determined by the Select Board. Additionally, subcommittees may be formed to evaluate cost estimates or funding strategies for capital improvements that are identified as financially significant by the Select Board.

6. Evaluation

- a. Capital improvements will be evaluated by several methods.
 - i. **Purpose and Need:** Based on the narratives included in the capital improvement intake form, proposals will also be evaluated on how well they meet the programmatic and fiscal goals of the CIP planning process, as outlined under items 3.a. and 3.b. of this document.
 - ii. **Numerical Score:** As one evaluation tool, capital improvements may be evaluated and ranked based on an agreed-upon numerical capital improvement scoring system.
 - 1. The Budget Committee may establish the criteria and their

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weighting, both of which will be periodically reviewed and updated based on the best judgment of the committee.

2. In developing a score, the Budget Committee may consider the following criteria:
 - a. Is the capital improvement required by law? Legal requirements should receive a higher score as failing to address them may have adverse impacts or penalties on the municipality.
 - b. What impact will the capital improvement have on public health and safety? Middlesex prioritizes the safety of its residents and visitors, and capital improvements that advance this goal will be given higher priority. This may mean, but is not limited to, improving automotive safety, pedestrian safety, or investing in the town's emergency services to improve outcomes.
 - c. Will the capital improvement significantly decrease operating or maintenance expenses? Capital investments that reduce or stabilize operating costs can lead to long term savings for the community and will be scored higher.
 - d. Does the capital improvement help maintain existing town assets? Maintenance is often more cost effective than allowing a facility or piece of equipment to deteriorate. Therefore and as appropriate, investments in maintenance will be scored higher.
 - e. Will the capital improvement contribute to the implementation of an ongoing phased project? Advancing or completing an ongoing project will be prioritized.
 - f. How does the capital improvement relate to an adopted plan or study? Plans and studies are an opportunity for the community to articulate their vision and goals for the Town. Proposals that can show they have this community support will receive more points.
 - g. Does the capital improvement have an available funding source? Capital improvements that have their own funding source and that will have no or minimal impact on the town budget will be scored higher.

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- h. Will the capital improvement impact the municipal tax rate? The goal of the CIP is to provide predictability to the tax rate. Capital improvements that have a large impact on the capital improvements budget should be reviewed closely.
 - i. Does the expenditure on the capital improvement serve a wide proportion of the town's residents? Capital improvements that impact a larger portion of the population will be given priority over those with a more narrow impact.
3. The Budget Committee may numerically rate each proposal for each criterion using the following rating:
- a. 0 (none)
 - b. 1 (moderate)
 - c. 2 (high)

| Criteria | a.) Weight | b.) Rating (0-2) | Score (a.* b.) |
|-------------------------------|------------|------------------|----------------|
| Legal Requirements | 4 | | |
| Public Health & Safety | 4 | | |
| Reduce Operating Expense | 4 | | |
| Maintain Existing Assets | 3 | | |
| Ongoing Phased Project | 3 | | |
| Availability of Grant Funding | 3 | | |
| Relation to Adopted Plans | 2 | | |
| Impact on Tax Rate | 2 | | |
| % of Population Served | 1 | | |
| Total Score | | | |

The score is the weight of the criterion multiplied by the rating for the capital improvement. The criteria scores will be summed for each proposal to give a total score. Proposals will be ranked based on the total scores.

- b. Based on an evaluation of the proposed capital improvement's purpose and need, its score, budget constraints, the availability of non-municipal funds, and competing municipal capital needs, the Budget Committee will prioritize capital improvements for the CIP.

7. Adoption of the CIP

- a. The initial CIP will cover the maintenance of current assets: Municipal Buildings, the Town Shed, Emergency Services Facilities (fire station), highway vehicles and equipment, and paving. The initial CIP will include a preliminary capital improvement budget for the maintenance of current assets.
- b. In subsequent years, proposals and new capital improvements may be considered for inclusion in the CIP.
- c. The Budget Committee will prepare a draft CIP one year in advance of the fiscal year it is meant to cover, including a proposed capital improvement budget. This process is meant to precede the Select Board's budgeting process.
- d. The Budget Committee will submit the draft CIP to the Planning Commission for review and adherence to the town plan.
- e. The Budget Committee will hold a public meeting in June to present and obtain public input on the draft CIP.
- f. The Budget Committee will finalize the CIP, taking Planning Commission and public input into consideration. Based on the final CIP, the Budget Committee will present a proposed capital improvement budget item to the Select Board.
- g. The Select Board is responsible for including a capital budget item in the annual Town Budget for consideration by voters at Town Meeting.

8. Monitoring the CIP

- a. The Budget Committee will annually review the CIP, noting whether capital improvements are progressing on schedule and on budget.
- b. Budget and schedule assumptions for capital improvements may need to be adjusted based on actual conditions.

9. Evaluation and Review of the Process

- a. The Budget Committee will annually evaluate the process for developing the CIP. This review will include reviewing:
 - i. the calendar for developing the CIP;
 - ii. the thresholds for capital improvement planning;

- iii. the programmatic policies from the current adopted Town Plan;
 - iv. the forms and instructions for preparing the CIP, as well as the data in the inventory;
 - v. the forms and instructions for identifying capital improvements;
 - vi. the capital improvement evaluation and prioritization criteria and ranking system;
 - vii. the forms, assumptions and data used to schedule capital asset maintenance or replacement;
 - viii. whether the capital expenditure rate adequately balances the community's need for capital improvements with the community's ability and willingness to pay for them; and
 - ix. The effectiveness of the overall process and its documentation.
- b. Based on this evaluation, the Budget Committee may make changes to the process. The Budget Committee may update the Capital Improvement Program Planning Process to reflect these changes.
10. Record keeping
- a. The Budget Committee will maintain records of:
 - i. The Capital Improvement Program Planning Process;
 - ii. The capital asset inventory and related assessment documents;
 - iii. Submitted new capital improvement intake forms;
 - iv. Capital improvement ranking and prioritization; and
 - v. Capital improvement planning.
 - b. The Town Clerk will keep the files and records of the Budget Committee.
 - c. These records will be maintained in accordance with the town's record retention policies.

Further considerations:

Background and Developing a Capital Investment Budget

The primary goal of a CIP and budget is to manage the impact of capital improvements on the tax rate. The financial impact of capital improvements on taxpayers may be expressed in terms of the growth in the annual expenditures for capital improvements.

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For example, it may be decided that capital expenditures for improvements should be level, or should increase at a specified rate over a period of years. This capital improvement budget should be reviewed annually. Determination of the capital improvement budget sets the amount of money available from taxes for capital improvements.

Capital improvements can be financed through grants from other entities, or through tax dollars. Generally, there are three basic options for financing a improvement from tax dollars:

1. Pay in cash from current taxes (paid for by current taxpayers);
2. Set up a capital reserve from current tax dollars to pay for a future capital expense (paid by past taxpayers); and
3. Pay the expense by a loan or bond (paid by future taxpayers).

Any given capital improvement can be financed by a combination of these methods to stay within the dollars available as set by the capital improvement budget.

When a project sponsor considering the options available for financing a given capital improvement, they should consider:

1. Whether grants or subsidized financing can be obtained to pay for all or a portion of the capital improvement;
2. Efficiency and cost effectiveness of the financing option;
3. Equitable balancing of who pays for the capital improvement with the population who will benefit from the improvement; and
4. The period for financing a capital improvement should not exceed the useful life of the capital improvement.

The timing of a capital improvement may be subject to the dollars available, or may require that the capital improvement budget be adjusted.

Maintenance of existing assets requires an annual capital budget amount that will be determined by the schedules established and annually reviewed by the Budget Committee.