



CAPITAL IMPROVEMENT PROGRAM COMMITTEE

December 19, 2022

5:00PM

AGENDA

1. Introductions
2. Review Existing Other Funds Report
3. Review Policy
4. Review "On the Horizon" Projects
5. Set Schedule for Request Presentations
6. Adjourn

Materials:

- CIP Worksheet w/Current Balances
- DRAFT Capital Improvement Policy
- Projects on the Horizon

CAP YEAR	FUND TYPE	FUND CODE	FUND DEPT	Project Name	TYPE	FY23 Approved	FY22 Year-End Transfers	Balance as of 12/11/2022	FY24 Plan	FY25 Plan	FY26 Plan	FY27 Plan	FY28 Plan	5 YR Totals	
CAPITAL HOLDING ACCOUNTS															
	HLDG	CP	4002	DPW	Right of Way Reserve	Infrastructure	\$ 600,000	\$ 150,000	\$ 329,068	\$ 600,000	\$ 600,000	\$ 600,000	\$ 600,000	\$ 2,400,000	
	HLDG	CP	4013	FD	Fire Apparatus & Vehicle Reserve	Vehicles & Equip	-	460,000	-	50,000	75,000	200,000	250,000	575,000	
	HLDG	CP	2057	GG	Open Space Reserve	Land Improv	-	25,000	25,000	-	-	-	-	-	
	HLDG	CP	4027	GG	Municipal Facility Reserve	Buildings	50,000	-	262,564	75,000	125,000	150,000	100,000	450,000	
CAPITAL HOLDING ACCOUNTS TOTAL							\$ 650,000	\$ 635,000	\$ 616,633	\$ 725,000	\$ 800,000	\$ 950,000	\$ 950,000	\$ -	\$ 3,425,000
CAPITAL RESERVE ACCOUNTS															
	RES	CP	4012	DPW	DPW Vehicles & Equipment Reserve	Vehicles & Equip	\$ 340,000		\$ 35,578	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 1,400,000	
	RES	CP	4017	DPW	MS4 Compliance Reserve	Infrastructure	40,000		43,409	40,000	40,000	40,000	40,000	160,000	
	RES	CP	4043	DPW	Parks Reserve	Land Improv	20,000		39,267	20,000	20,000	20,000	20,000	80,000	
	RES	CP	4056	FD	Fire Equipment Reserve	Vehicles & Equip	60,400		272,194	60,400	60,400	60,400	60,400	241,600	
	RES	CP	4020	TM	Municipal Technology Reserve	Technology	70,000		168,860	70,000	70,000	70,000	70,000	280,000	
	RES	CP	4011	KCC	KCC Vehicle Reserve	Vehicles & Equip	-		23,050	-	-	-	-	-	
	RES	CP	4019	KCC	KCC Equipment Reserve	Vehicles & Equip	30,000		52,993	30,000	35,000	35,000	45,000	145,000	
	RES	CP	4051	KCC	KCC Facility Reserve	Buildings	25,000		49,107	25,000	25,000	25,000	50,000	125,000	
	RES	CP	4018	KPA	KPA Boat Reserve	Vehicles & Equip	-		8,325	150,000	10,000	10,000	15,000	185,000	
	RES	CP	4055	KPA	KPA Equipment Reserve	Vehicles & Equip	3,500		35,869	25,000	25,000	30,000	30,000	110,000	
	RES	CP	4116	KPA	KPA Facility Reserve	Infrastructure	8,500		17,123	15,000	15,000	15,000	15,000	60,000	
	RES	CP	4022	PD	Police Vehicle Reserve	Vehicles & Equip	140,000		155,959	130,000	165,000	165,000	165,000	625,000	
	RES	CP	4129	PD	Police Equipment Reserve	Vehicles & Equip	10,000		20,000	35,000	35,000	35,000	15,000	120,000	
	RES	CP	4100	FD	Fire Facility Reserve	Buildings	-		37,319	25,000	25,000	25,000	25,000	100,000	
	RES	CP	4026	GG	Town Hall Records Preservation	Regulatory	12,000		15,510	12,000	12,000	12,000	-	36,000	
CAPITAL RESERVE ACCOUNTS TOTAL							\$ 759,400	\$ 974,562	\$ 987,400	\$ 887,400	\$ 892,400	\$ 900,400	\$ -	\$ 3,667,600	
CAPITAL PROJECTS															
2019	PRJ	CP	4060	GG	Rice Rehab and Expansion Design	Buildings	-		106,642	-	-	-	-	-	
2019	PRJ	CP	4123	GG	LED Lighting Conversion	Infrastructure	75,000		111,639	95,000	-	-	-	95,000	
2018	PRJ	CP	2094	DPW	Emery Field Phase 2	Infrastructure	-		350,484	-	-	-	-	-	
2022	PRJ	CP	2903	DPW	Fort Foster Invasive Plant Management	Land Improv	37,000		54,002	24,000	24,000	24,000	24,000	96,000	
2022	PRJ	CP	4128	GG	Climate Action Plan	Infrastructure	-		65,000	-	-	-	-	-	
2023	PRJ	CP	NEW	TM	Memorial Field Assessment	Infrastructure	30,000	-	30,000	-	-	-	-	-	
2023	PRJ	CP	NEW	TM	Roadside Landscaping	Infrastructure	-	55,000	55,000	-	-	-	-	-	
2022	PRJ	CP	5511	DPW	Bike/Ped Master Plan	Infrastructure	-		100,000	50,000	50,000	50,000	50,000	200,000	
CAPITAL PROJECTS TOTAL							\$ 142,000	\$ 55,000	\$ 872,767	\$ 169,000	\$ 74,000	\$ 74,000	\$ 74,000	\$ -	\$ 391,000
TOTAL ALL CAPITAL							\$ 1,551,400	\$ 2,463,962	\$ 1,881,400	\$ 1,761,400	\$ 1,916,400	\$ 1,924,400	\$ -	\$ 7,483,600	
Proposed Use of PEG Surplus (Fund 2081)							\$ (35,000)		\$ (35,000)	\$ (35,000)	\$ (35,000)	\$ (35,000)	\$ (35,000)	\$ (175,000)	
TOTAL ALL CAPITAL ADJUSTED							\$ 1,516,400	\$ 2,463,962	\$ 1,846,400	\$ 1,726,400	\$ 1,881,400	\$ 1,889,400	\$ (35,000)	\$ 7,308,600	
Increase (Decrease) from Prior Year							\$ 95,900		\$ 330,000	\$ (120,000)	\$ 155,000	\$ 8,000	\$ (1,924,400)		

YEAR	CAP TYPE	FUND TYPE	FUND CODE	DEPT	Project Name	TYPE	FY23 Approved	FY22 Year-End Transfers	Balance as of 12/11/2022	FY24 Plan	FY25 Plan	FY26 Plan	FY27 Plan	FY28 Plan	5 YR Totals
DEBT SERVICE															
2016	TWN	DEBT	FD		Fire Stations (refinanced 2006 Bonds)	Buildings	\$ 125,500			\$ 118,250	\$ 116,050	\$ 113,713	\$ 111,238	\$ -	\$ 459,251
2010	TWN	DEBT	DPW		Public Works Department	Buildings	21,058			20,313	19,825	19,338	18,850	18,363	96,689
2012	TWN	DEBT	KCC		Community Center	Buildings	346,775			341,275	335,088	328,900	322,025	315,150	1,642,438
2014	TWN	DEBT	KLT		KLT Rustlewood	Other	10,315			10,315	10,315	10,315	10,315	10,315	51,575
2016	TWN	DEBT	KLT		KLT Braveboat	Other	18,090			18,090	18,090	18,089	18,089	18,089	90,447
2016	TWN	DEBT	DPW		Road Improvements	Infrastructure	139,100			136,500	133,900	131,300	-	-	401,700
2016	TWN	DEBT	KCC		Community Center Annex	Buildings	101,650			99,750	97,850	95,950	-	-	293,550
2021	TWN	DEBT	GG		Rice Proposed Expansion/Renovation	Buildings	337,230			330,030	322,830	315,630	308,430	301,230	1,578,150
2013	SCH	DEBT	SCH		Mitchell School (refinanced 2002 bonds)	Buildings	212,100			-	-	-	-	-	-
2010	SCH	DEBT	SCH		Mitchell & Shapleigh	Buildings	400,093			385,938	376,675	367,413	358,150	348,888	1,837,064
2016	SCH	DEBT	SCH		School Various	Buildings	85,600			84,000	82,400	80,800	-	-	247,200
TOTAL DEBT SERVICE							\$ 1,797,511		\$ -	\$ 1,544,461	\$ 1,513,023	\$ 1,481,448	\$ 1,147,097	\$ 1,012,035	\$ 6,698,064
Total Town and School Debt Service Increase(Decrease)										\$ (253,050)	\$ (31,438)	\$ (31,575)	\$ (334,351)	\$ (135,062)	
TOTAL CAPTIAL + DEBT							\$ 3,313,911			\$ 3,390,861	\$ 3,239,423	\$ 3,362,848	\$ 3,036,497	\$ 977,035	\$ 14,006,664
VARIANCE FROM PRIOR YEAR							\$ (41,094)			\$ 76,950	\$ (151,438)	\$ 123,425	\$ (326,351)	\$ (2,059,462)	
SEWER DEBT							\$ 763,738			\$ 691,937	\$ 865,858	\$ 865,858	\$ 865,859	\$ 865,858	\$ 4,155,370

Notes:

POLICY	FY23	FY24
FY2023 Combined Town & School Operating Budget	\$ 36,662,016	
FY2023 Combined Town, School and Sewer Operating Budget	\$ 39,320,745	
Capital as a % of Combined Budget (Town and School)		5.13%
Capital & Debt as a % of Combined Budget (Town and School)		9.25%
Debt as a % of Combined Budget (Town and School)	Policy: 8%	4.21%
Capital & Debt as a % of Combined Budget (Town, School & Sewer)	Policy: 15%	10.38%
Unassigned Reserve Fund Requirement - Policy: 2.5 Months (Town & School)	\$ 7,637,920	
Unassigned Fund Balance as of 6/30/2022	\$ 8,131,323	AWAITING FINAL AUDIT - Town Only
Surplus/(Deficit) Unassigned Reserve Fund:	\$493,403	



CAPITAL IMPROVEMENT PROGRAM

POLICIES AND GUIDELINES

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MANDATE

The Kittery Town Charter mandates a capital program as follows:

“Sec. 6.05. Capital program”

(1) Submission to manager. The town manager shall prepare and submit to the council a 5-year capital program at least 90 calendar days prior to the final date for submission of the proposed budget.

(2) Contents. The capital program shall include:

(a) A clear general summary of its contents;

(b) A list of all capital improvements which are proposed to be undertaken during the 5 fiscal years next ensuing, with appropriate supporting information as to the necessity for such improvements;

(c) Cost estimates, method of financing and recommended time schedules for each such improvement;

(d) The estimated annual cost of operating and maintaining the facilities to be constructed or acquired; and

(e) Recommendations to fund improvements in the established capital program dedicated reserve account; any proposed multi-year capital bonds for voter approval; or any to be addressed as a separate budget line item to be fully funded in the ensuing fiscal year with voter approval. Debt service for voter approved capital bonds and capital improvement program dedicated reserve funds are annual appropriations.

(3) Capital program requirements approved by council to be entirely funded in the ensuing fiscal year, as a separate budget account line item outside the capital program dedicated reserve account, must be submitted to the qualified voters of the town after a public hearing, at a regular or special election, or town meeting as prescribe herein, and are obligated provided a majority of the legal votes cast in such election are in the affirmative.

(4) The above information may be revised and extended each year with regard to capital improvements still pending or in process of construction or acquisition.”

Overview

One of the primary responsibilities of municipal government and school officials is to preserve, maintain, and improve a community's stock of buildings, roads, parks, sewer facilities, machinery, apparatus and equipment. Planning for capital improvements is a matter of prudent financial management as well as sound development practice.

Kittery's capital improvement program (CIP) is to be a blueprint for planning capital expenditures and is one of the most important responsibilities of local government officials. It coordinates community planning, financial capacity and physical development and is a community plan for short and long-range physical development in the form of capital purchases of equipment or facilities. It is intended to link the Town's comprehensive plan and fiscal plan to physical developments.

The capital improvement program is a five-year outlook that includes the upcoming year's proposed spending plan for capital items, the annual funding for reserve and holding accounts that support ongoing maintenance and/or projected future capital outlays, and projected capital expenditures and needed reserves for the four years beyond the capital budget.

The CIP goal is to insure sound fiscal and capital planning through effective leadership with the involvement and cooperation of all municipal departments. The CIP will support the following objectives:

- Developing revenue policies for proposed improvements.
- Determining budgeting methods for projects.
- Promoting inter-department coordination of projects within the town.
- Informing the public of planned capital improvements.
- Facilitate coordination between capital needs and the operating budgets.
- Enhance the community's credit rating, control of its tax rate, and avoid sudden changes in its debt service requirements.
- Identify the most advantageous means of financing capital projects.
- Increase opportunities for obtaining federal and state aid.
- Relate public facilities to other public and private development and redevelopment policies and plans.
- Focus attention on community objectives and fiscal capacity.
- Keep the public informed about future needs and projects.
- Coordinate the activities of neighboring and overlapping units of local government to reduce duplication.
- Ensure public capital is resilient to environmental factors such as climate change and sea level rise.

Under GASB 34, the town is required to capitalize and depreciate long-term assets; including such items as equipment, real property, and infrastructure; and report this information in the town's annual financial report.

DEFINITIONS

Accumulated Depreciation The total depreciation expense accumulated since the acquisition date of the fixed assets to the current fiscal year.

Ancillary Costs Costs, in addition to purchase or construction costs, related to placing a fixed asset into its intended state of operation. Normally, ancillary costs are to be included in the capitalized cost of a fixed asset. However, minor ancillary costs, not measurable at the time a fixed asset is recorded in the department's fixed asset inventory system, may be expensed.

Construction in Progress A long-term asset reflecting the cost of construction work undertaken, but not yet completed (usually a capital project).

Capital Improvement Holding Accounts The accounting identifier line in the town chart of accounts grouping the CIP funds dedicated for replacement of assets with a cost above \$25,000 and a life cycle greater than five years

Capital Improvement Reserve Accounts CIP budget lines maintained by the departments for future demands for, repair, rehabilitation, or replacement, of fixed assets that cost between \$5,000 and \$25,000 and have a useful life more than five years.

Capital Replacement Cost The figure calculated for replacement of an asset. Capital replacement cost may be calculated based on original cost multiplied by the Schedule of Useful Life and an inflation factor, by current replacement costs multiplied by an inflation factor and the remaining Useful Life.

Depreciation Method For the purposes of implementing GASB 34, depreciation will be calculated using the straight-line depreciation method. Straight-line assumes that the asset will depreciate at the same rate each year of its useful life.

Infrastructure Long-lived fixed assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Infrastructure may include roads, bridges, dams, and similar fixed assets. For capitalization purposes, the town only considers roads and bridges that are the town's responsibility, to be infrastructure. Departments should maintain records for all infrastructure for asset management purposes but should not capitalize or report infrastructure that is not roads or bridges.

Intangible Asset Intangible assets are long-term assets that have no physical substance and are used in operations to produce products or services. Intangible asset costs must be systematically allocated to expenses over their useful life through a process called amortization.

Useful Life The length of time something is expected to last for its intended purpose. For depreciation purposes the useful life will be determined by departments using published guidelines from professional organizations and industries, available information for comparable assets used by similar government agencies, and internal information based on experience.

COORDINATING COMMITTEE

The Town Council establishes and appoints a Capital Improvement Committee composed of one (1) Town Council representative, one (1) School Committee representative, two (2) citizen representatives for three (3) year staggered terms, the School Superintendent or designee, the Finance Director, and the Town Manager.

The Committee is to study proposed capital projects and improvements involving major tangible assets and projects which:

- 1) are purchased or undertaken at intervals of not less than five years;
- 2) have a useful life of at least five years; and
- 3) cost over \$25,000.

The Town Manager, and any applicable boards and committees, including the Council and the School Committee will provide information concerning all anticipated projects requiring June Election voter action during the ensuing five years. The Committee will establish the deadline and form in which information must be provided.

The Committee is to consider the relative need, impact, timing and cost of these expenditures and the effect each will have on the financial position of the town. No appropriation may be voted for a capital improvement unless the proposed capital improvement is considered in the Committee's report, or the Committee first submitted a report to the Town Council explaining the omission.

The Committee will prepare an annual report recommending a Capital Improvement Budget for the next fiscal year, and a Capital Improvement Program including recommended capital improvements for the following

four fiscal years. The report is submitted to the Town Council for its consideration and approval. Upon approval, the Town Council will submit the Capital Improvement Program to the Town Manager as required by the Charter. The Town Manager will incorporate the Capital Improvement Budget into the proposed operating budget for the ensuing fiscal year.

The Committee's report and the Council's recommended Capital Budget is to be published and made available in a manner consistent with budget materials distribution. The Committee submits its original report with the Town Clerk.

PLANNING SCHEDULE

Timetable	Action
Oct – Nov	<p>Status of Previously Approved Projects CIP Committee reviews status of previously approved projects.</p>
Nov – Jan	<p>Solicitation, Compilation and Evaluation of Project Requests Department Managers prepare and submit project requests.</p>
Dec - Jan	<p>Town's Financial Capacity Town Manager prepares financial analysis.</p> <p>Financing Plan Town Manager assembles project list and supporting data; Reserve and depreciation account requests to CIP Committee with preliminary funding source recommendations.</p>
Jan – Feb	<p>Project Prioritization CIP Committee reviews requests.</p> <p>Capital Improvements Program Development CIP Committee prepares five-year schedule of projects and makes recommendations on method of financing based upon financial analysis.</p>
Feb	<p>Capital Improvement Program Presentation and Approval CIP Committee presents Capital Budget and Capital Program to the Town Council. Council reviews CIP and holds public hearing. Council approves prepared CIP, as may be adjusted/amended.</p> <p>Approved projects scheduled for upcoming year are submitted to the Town Manager for incorporation into budget.</p> <p>Council reviews Capital Budget and prepares recommendation for June Election Warrants</p>

Jun	Election Voter approval of upcoming year's capital budget warrants and review of capital plan, followed by department head preparation for acquisition and development activities on July
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CAPITAL IMPROVEMENT POLICIES

- The town will make all capital improvements in accordance with an adopted capital improvement program, except as may be necessary under the emergency provisions of the town charter.
- The town will develop and enact an annual capital budget based on the multi-year capital improvement program.
- The town will maintain all its assets at a level adequate to protect the town's capital investment and to minimize future maintenance and replacement costs.
- The town will plan for environmental factors and variations, such as sea level rise and other impacting climate changes, and invest responsibly in infrastructure and infrastructure modifications to ensure the resiliency of the community, public operations, municipal assets.
- The town will determine the most advantageous financing method for all new projects.
- The town will maintain an unassigned fund balance (unencumbered surplus) at a minimum equal to two and a half months of current fiscal year operating budget inclusive of Town and School budgets.
- The town will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to June Election Voters for approval.
- Departments will coordinate development of the capital improvement budget with development of the operating budget. Future operating, repair and maintenance costs associated with new capital improvements will be projected and included in operating budget forecasts.
- Departments will project equipment replacement and maintenance needs of \$5,000 or more for the next several years and will update this projection each year. From this projection, a schedule will be developed to establish/maintain budget capital improvement reserve accounts for replacement of fixed assets between \$5,000 and \$25,000 in original cost.
- Departments will address annual operating, repair and maintenance (R&M), and materiel acquisition/replacement costs less than \$5,000 in operating budgets.
- The town will establish/maintain asset depreciation accounts in the capital improvement program.
- The fund established for cable franchise fees shall be utilized to defray the capital and operating cost of providing public, education, and government access through local broadcast and streaming of local proceedings, meetings, events, and programs of interest to the community. The fund balance shall not

exceed \$200,000 at the close of each fiscal year. When the fund balance does exceed \$200,000, the excess funds may be transferred to capital holding accounts or capital reserve accounts. The Town Manager will recommend fund transfers to the Town Council in accordance with Charter and Town Ordinance.

DEBT POLICIES

- The town will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues and/or reserves.
- When the town finances capital projects by issuing bonds, it will pay back the bonds within a period not to exceed the expected useful life of the project.
- The town annual capital budget and debt service appropriation will not exceed 15 percent of the total combined Town, School and Sewer operating budget.
- Total annual tax revenue supported debt service for will not exceed 8 percent of the approved annual combined Town and School budget.
- Total general-obligation debt will not exceed 2.5 percent of total property valuation, excepting as provided in state statutes.
- Total annual sewer revenue supported debt service for general or revenue obligation debt will be as approved by Town Council.
- Where possible, the town will use special assessment, revenues or other bonds, instead of general obligation bonds.
- The town will not use long-term debt for annual operations.
- The town will maintain regulatory communications with bond rating agencies about its financial condition.
- The town will follow a policy of full disclosure on every financial report and bond prospectus.

FIXED ASSET POLICIES

All assets meeting the definition of a fixed asset or intangible asset are to be considered an inventoried long-term asset and recorded in the town's fixed asset inventory system. Each department is responsible to account for all long-term assets under its jurisdiction. Such assets must be systematically and accurately recorded; properly classified; and adequately documented in their department's asset inventory system. All Departments will establish an internal control structure over long-term assets that provide reasonable assurance of effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

Asset Valuation

Departments will record long-term assets at historic cost or, if the cost is not readily determined, at estimated historic cost. Cost includes applicable ancillary costs. All costs must be documented, including methods and sources used to establish any estimated costs.

Asset Classification

Long-term assets are categorized into the following classes:

- Machinery & Equipment,
- Real Property,
- Infrastructure,
- Technology, or
- Construction in Progress.

These categories are used for reporting cost and depreciation (or amortization) amounts.

Capitalization

For Inventory, Financial Reporting and Depreciation Purposes

All long-term assets with a cost equal to or greater than \$5,000 and a useful life of greater than five years.

Construction in Progress Capitalization:

A construction in progress asset reflects the cost of construction work undertaken, but not yet completed (frequently capital budget items). For construction in progress assets, no depreciation is recorded until the asset is placed in service.

When construction is completed, the asset should be reclassified, capitalized and depreciated.

Depreciation/Amortization for Long-Term Assets

All long-term assets (except for land, certain land improvements, and building in progress) identified in the capitalization policy, will be depreciated/amortized. The Town Manager will be responsible for calculating depreciation/amortization.

Retention

For each long-term asset recorded in the town's asset inventory system, evidential information to support estimated actual costs will be kept permanently and maintained until the asset is disposed of. If the asset is disposed of during a fiscal year, documentation should be maintained until June 30 of that year for audit purposes.

Annual Physical Inventory

All departments will complete a physical inventory of their long-term assets annually. Long-term assets greater than \$5,000 and with a useful life of five or more years are to be included in the annual physical inventory conducted.

Internal Controls

All departments will establish internal controls over long-term assets that provide reasonable assurance of effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The major objective of the internal control over long-term assets is accountability.

Departments will have procedures in place so that assets are adequately safeguarded from loss or theft.

Departments will establish and update their schedule of useful life for each asset or category of asset maintained by the department. The useful life will be determined using published guidelines from professional organizations and industries, available information for similar assets used by comparable government agencies, and internal information based on experience.

PROCESS SUMMARY

Inventory of Existing Facilities

The Town Manager will provide a complete inventory of all town and school properties and assets. The inventory should include the year the asset was placed in service, assigned department as applicable, current condition, anticipated useful life, remaining useful life, and scheduled date for replacement.

Status of Previously Approved Projects

The Town Manager will provide a status of previously approved projects. The update will should include for each active project or account the total available funding, spent year to date, projected remaining cost and highlighted anticipated overages, and anticipated completion date. Projects or accounts with unspent funds not needed for the approved project should be identified for release or reallocation.

Solicitation, Compilation, and Evaluation of Project Requests

The CIP Committee will solicit departmental recommendations for CIP projects. Each department submits requests which include a clear statement of the need and justification for the project, its costs, its net effect on the operating budget, and an implementation schedule. The Committee then evaluates each request by reviewing the project information provided and meeting with the requesting department head, if necessary.

Based on its review, the Committee should summarize its findings in preparation for establishing the Capital Improvement Program.

Town's Financial Capacity

With the assistance of the Town Manager, Finance Director, and School Superintendent or designee, the Committee should analyze the town's ability to afford major expenditures. This analysis should examine recent and anticipated trends in revenues, expenditures, debt and unfunded liabilities such as pension costs. The analysis should be included with the Committee's presentation of the capital budget and program to the Council.

This financial analysis will permit the scheduling of funding sources for capital improvements to:

- Keep the tax rate stable
- Balance debt service and operating expenditures
- Determine available debt capacity and acceptable debt service levels

- Maximize intergovernmental aid for capital expenditures

Project Prioritization

Proposed projects are ranked in priority as objectively as possible. This is perhaps the most difficult aspect of the Committee's duties, although the adoption by the Town Council of Capital Improvement Budget Policies and Debt Policies can provide helpful guidance.

The Committee should review each project utilizing a consistent set of criteria. The Committee should evaluate each project in relation to other projects and determine their relative importance. This will permit the Committee to establish project priorities based on both the community's goals and objective analysis.

Capital Improvement Program Financing Plan

Based upon the adopted debt and CIP policies and the assessment of the town's financial capacity, the Committee will recommend the method of financing each project. There are several ways to finance capital improvement projects. Some of the most common long and short-term financing options are:

Long-Term Financing:

1. General obligation bonds and, for municipal utility improvements only, revenue bonds.
2. State and federal loans and grants.
3. Setting aside money in the capital holding account to pay for all or a portion of a capital project.

Short-Term Financing and other Service Provision options:

1. Appropriation of current revenue or reserves such as free cash.
2. Short-term debt such as bond anticipation notes and grant anticipation notes.
3. Capital outlay expenditure exclusions
4. Contracting/leasing provisions authorized by ordinance and Maine General Laws.

NOTE: The town may enter into a multi-year contract for any period of time which services the best interest of the town; however, payment and performance obligations for succeeding fiscal years is dependent on the availability and appropriation of funds.

Capital Improvement Program Recommendation

Detailed Project Descriptions are prepared by the CIP Committee to reflect its final recommendation on each specific project. It presents all that is known about each project in a manner that is conducive to discussion and decision.

The CIP Committee's completed report should be presented to the Town Council for review and adoption. The report will include a summary of the CIP Committee's recommendations for the upcoming year's Capital Budget and the following years' Capital Program as well as its analysis of the town's fiscal capacity.

The Town Council will hold its own public hearing to present the CIP and solicit further citizen comment. The CIP hearing can be incorporated into the regular budget hearing.

The entire CIP will also be presented at the public hearing held by the Council. This will demonstrate to the community that the Capital Budget is part of a long-range plan to upgrade and maintain the town's infrastructure.

The June Election voter's adoption of capital warrants informs the balance of the community of the commitment to plan for and fund the acquisition and/or development of capital improvements and/or acquisitions.

Monitoring Approved Projects

Once the June Election voters have approved the Capital Warrants and the fiscal year begins, departments are authorized to begin project implementation. Periodic reports by the Town Manager to the Council should indicate changes in the targeted completion dates, identify serious problems, and document the financial status of each project. Those reports may be based on project updates provided by the responsible departments.

Capital Improvement Program Updates

Subsequent annual updating of the Capital Program involves repeating the process to reflect new information, policies and proposed projects. The CIP Committee will review the policies and revise the entire CIP as necessary to reflect its most recent determination of the need and goals of the Town. After the first year has been budgeted, one year is added to the Capital Program and the remainder of the plan updated. This completes the CIP process.

**PROJECTS IMPACTING FINANCIAL POSITION
CAPITAL IMPROVEMENT PLAN
FY24- FY28**

FY22 Unassigned Fund Balance ¹	\$8,131,323
Policy Requirement (2.5 months of Town and School operating budgets)	<u>\$7,637,920</u>
Surplus/(Deficit)	\$493,403

Planned	Funded Year	COST	Unassigned Fund	Capital	Annual Debt	Grants	Notes
Senior Tax Circuit Breaker	Ongoing	\$50,000	\$ 50,000	\$ -	\$ -	\$ -	Annual
Compensated Absences	Ongoing	\$125,000	\$ 125,000	\$ -	\$ -	\$ -	Annual
In Evaluation Phase							
Memorial Field	TBD	TBD					Assessment underway
Stevenson Sidewalk	TBD	\$600,000					Awaiting decision from MDOT on grant.
Removal of Cole Street Bldg	TBD	\$80,000					Applied for Brownfields funds through SMPDC
Bike/Ped Master Plan Implementation	TBD	\$590,000					Includes Mid- and Long- term improvements
KCC Campus Improvements (Parking, Playground, Playing Fields)	TBD	TBD					Master Plan in Development
Shapleigh Track Replacement (unclear School or Town)	TBD	\$250,000					Track requires replacement or repair cost \$120K - \$250K
Dredge Pepperell Cove - Engineering and Permitting (incl.)	2024	\$500,000					Saco just purchased a dredge, may make this less costly
TOTAL		\$ 2,195,000	\$ 175,000	\$ -	\$ -	\$ -	

Notes:

1. FY22 Audit is still underway. Unassigned Fund Balance will be updated once the audit is complete