

Town of Brunswick, Maine Capital Improvement Program Policy

Purpose of this Policy

The purpose of this policy is to establish guidelines for the annual development of the Town's Capital Improvement Program (CIP). Further, it defines the components of the CIP documents and the definition of projects and items eligible for inclusion in the CIP.

Background and Consideration

Article VI of the charter of the Town of Brunswick, Maine requires the Town to have a capital improvement program (CIP). A CIP is universally recognized as a fundamental financial management tool. The top three bond rating agencies in the United States all emphasize the importance of a valid CIP in their evaluation of a municipality's finances and as an important factor in a community's bond rating. The Government Finance Officers Association (GFOA) has several recommended best practices that speak to the importance of a CIP and how one should be developed.

In 2003, the Town developed its first systematic approach to the development of a CIP. That system or a variant of it has been used since, with varying degrees of success. In 2012, the Town decided to revisit many of the assumptions upon which that model was based, with the goal of improving the document as a planning and financial management tool. A CIP committee was appointed to develop a new process and new documentation. Based on experience with the old model and input from staff, the Committee adopted the following guiding principles for its work in developing a new process and revised documents:

- Focus on larger projects with significant cost and life expectancy that may also result in the issuance of debt.
- Establish a mechanism and annual funding for the replacement of vehicles that is consistent among all departments.
- Enhance public and stakeholder opportunities for involvement.

In 2014, the Town Council established a Finance Committee consisting of three (3) members of the Town Council, to assume the duties of the CIP Committee as follows:

- administer this policy and make recommendations regarding amendments to the policy;
- develop and administer any procedures consistent with this policy as necessary to meet the goals of this policy;
- review the Town Manager's proposed CIP, hold public workshops, and provide recommendations prior to the delivery of the CIP to the Town Council.

Public and Stakeholder Participation

The Finance Committee shall establish procedures to insure participation in the development and review of the CIP. At a minimum, the Committee shall establish two dates during the development and review period to allow for input from the public, the Town's departments, and other stakeholders.

CIP Project Classifications

Projects in the CIP shall be listed in four classifications:

- I. *CIP Projects Recommended for Funding* - Projects and acquisitions included shall have been sufficiently developed and defined as to clearly identify the scope and cost of the project and the recommended funding sources. It is highly likely that projects in this class will eventually be

authorized for completion and funding.

- II. *CIP Projects In Development* - Projects and acquisitions of this class are under active consideration but have not been sufficiently developed or defined to clearly identify the scope or cost of the project. Typically, projects in this category are being evaluated from several alternatives, or there is not sufficient confidence in the cost estimates to determine whether the project should be recommended for funding.
- III. *CIP Projects Not Recommended* - Projects and acquisitions of this class have been identified or requested by departments or others but are either insufficiently developed or defined, or have been deemed to be beyond the funding capacity of the Town. These projects may receive consideration at a future date should circumstances warrant.
- IV. *CIP Projects Non-Town Funded* - Projects to be completed and funded solely by entities other than the Town, with an estimated operational cost impact to the Town of less than \$25,000, are of interest to the Town in its planning efforts. However, as they have a minimal, or no, impact on Town finances, they are shown separately from Town funded projects.

Because operating costs, especially in situations where non-town funding is involved, can be a significant cost in evaluating the life cycle costs of a project, the Town shall include in the CIP any project or acquisition with an estimated annual operating cost or savings of \$25,000, regardless of the source of funds proposed to construct or acquire the project.

CIP Project Categories

Within each of the four classifications identified above, the Town Manager and Finance Committee shall establish project categories. For the initial CIP, the categories within the classifications will include:

- Facilities – New
- Facilities – Improvements
- Infrastructure
- Acquisitions
- Annual Programs
 - Vehicle/Equipment Replacement
 - Facilities Repair Program
 - IT/Cable TV Equipment Program
 - Work Programs
 - Road Construction/Reconstruction
 - Sidewalk Construction/Reconstruction
 - Road Resurfacing

The Town Manager and Finance Committee may amend these categories as it deems appropriate.

Definitions

The following definitions shall guide in the development of the CIP:

Capital Project or Acquisition – a CIP project, item, or a network or system of items must have a cost of at least \$100,000 and a life expectancy of five years or more.

Network or System of Items - items that are intended to be a part of a larger network or system,

that when purchased individually may have a cost of less than \$100,000. For example, a computer network may be comprised of several components, each of which cost less than \$100,000, but as a group comprise a network costing \$100,000 or more. The terms “project” and “projects” shall include items that are acquisitions.

Vehicle/Equipment Replacement Program – a systematic annual funding process for the replacement of fleet vehicles and equipment. These programs shall be included as items in the CIP even when the annual funding is less than \$100,000.

Facilities Repair Program– a systematic annual funding process for substantial repair/replacement projects on municipal buildings that have cost more than \$10,000 but less than \$100,000.

IT/Cable TV Equipment Program – a systematic annual funding process for the replacement and upgrade of Information Technology and Cable TV equipment with a cost more than \$10,000 but less than \$100,000.

Work Programs – refers to capital project work generally performed by department or contracted resources and funded annually. These programs shall be included as items in the CIP.

Minor Capital – Refers to items that, although capital in nature, do not meet the above definitions of a project or acquisition, or of a system or network or items. Minor capital items should be included in the Town’s annual operating budget.

Operating costs – Refers the ongoing annual costs associated with a capital project or acquisition. The Town shall identify the estimated annual operating cost impact (net increase or decrease) related to a project when those operating cost impact to the Town is estimated to be \$25,000 or greater.

Project Funding Sources

Debt Financing – Projects or acquisitions to be funded wholly or partially with debt issued by the Town of Brunswick should have a cost to the Town of at least of \$325,000 and a life expectancy of five years or greater. However, the Town Council may authorize the issuance of debt for projects and acquisitions that have a cost to the Town of at least \$100,000. Debt shall never be issued for a term longer than the life expectancy of the project or acquisition.

General Revenues – Projects or acquisitions funded from general revenues or property taxation. Annual funding from this source should represent 4-7% of the total operating budget.

Fund Balances – Projects to be funded with fund balances shall be those that meet the purpose and intent of the fund. Funding from the unassigned general fund balance should be consistent with the Town’s General Fund Policy.

Reserves – Projects to be funded from reserves should be those that meet the purpose and intent of the reserve.

Non-Town Sources – Projects to be funded from non-town sources should meet the restrictions requirements of the funding provider.

Vehicles/Equipment, Facilities Repair, IT/Cable TV and Annual Work Programs

Vehicles and equipment in the CIP - shall be listed in one of two categories:

1. *Annual Replacement Program* - Replacement funds, established for all departments owning vehicles, to be funded annually through the municipal budget. The replacement funds will be used to fund replacement of vehicles/equipment with a life expectancy of less than 15 years and a cost of less than \$325,000. The funds will also be used to replace the equipment that is an integral part of the vehicle.
2. *Stand Alone Consideration* – Vehicles/Equipment that meet the definition of a capital item, are eligible for stand-alone consideration in the CIP as follows:
 - Replacement vehicles with a life expectancy of 15 years or greater and a cost in excess of \$325,000. (e.g. fire engine)
 - New vehicles are defined as those that expand the service capacity of the department, program, or function. (e.g. new plow truck required as the result of new or expanded plow routes)

Facilities Repairs in the CIP – will be established and funded annually through the municipal budget. The reserve will be used to fund substantial repair/replacement projects on Town Buildings (such as roof repairs, heating system replacements, etc.), that cost more than \$10,000, and would represent significant one-time increases in department budgets, yet are less than \$100,000, and do not qualify for inclusion in the CIP.

IT/Cable TV Equipment in the CIP – will be established and funded annually through the municipal budget and the capital funding from the Cable Franchise Agreement. The reserve will be used to fund substantial repair/replacement/upgrade projects to the Town’s IT and Cable TV equipment and systems that cost more than \$10,000 and less than \$100,000.

Work Programs in the CIP - will be established for the public works and school departments. These programs will be funded annually through the municipal budget. The public works department work programs shall include:

- Road Construction/Reconstruction
- Sidewalk Construction/Reconstruction
- Road Resurfacing

Projects Not in the CIP

The Town recognizes that certain projects will be proposed by or to the Town Council that are not included in the adopted CIP. Nothing prevents the Town Council from considering or funding those projects. However, prior to funding, the Town should consider the impact those projects have on the Town’s ability to finance and operate the projects included in its adopted CIP.

Proposed to Town Council: February 19, 2013
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Amended by Town Council: December 3, 2018