

Town of Durham CIP Policy

1. Introduction

Communities need more capital improvements than they can often afford at one time. Vehicle purchases and major facility maintenance must be spread out over a period of years. The following CIP policy lays out the framework for the Town of Durham's Capital Improvement Program (CIP). It provides the process to rank and prioritize annual capital expenditures based on the goals set forth in the Comprehensive Plan, the CIP Five-year Plan, and a formalized set of CIP Committee evaluation criteria.

Benefits of a Capital Improvement Program (CIP) include:

- Focuses attention on achieving community goals while discouraging uncoordinated approaches to problem solving.
- Provides a mechanism to save for capital expenditures over time. This helps to reduce debt and costs related to financial borrowing.
- Helps to stabilize the tax rate by carefully vetting and distributing expenditures over time.
- Improves departmental administration by requiring departments to carefully analyze and forecast their future needs.
- **Promotes early review of capital expenditure requests and good communication of recommendations, resulting in a coordinated approach across committees.**
- Encourages citizen interest and participation in decision making.

2. Applicability

A Capital Expenditure, as defined in this policy, is any expenditure meeting the following criteria:

- An anticipated cost over \$10,000.
- A life expectancy of 5 years or more.

Examples of Capital Expenditures include: vehicles; equipment; land purchases; major maintenance or improvements to a facility. They are expenditures that do not recur annually as part of the Town's operating budget. Capital Expenditures may include contracted services.

The Town recognizes that certain projects will be proposed by or to the Selectmen that are unable to follow the CIP process due to timing or other special circumstances. Nothing prevents the Selectmen and legislative body from considering and/or funding those projects **without going through CIP.** However, prior to funding, the Town should consider the impact those

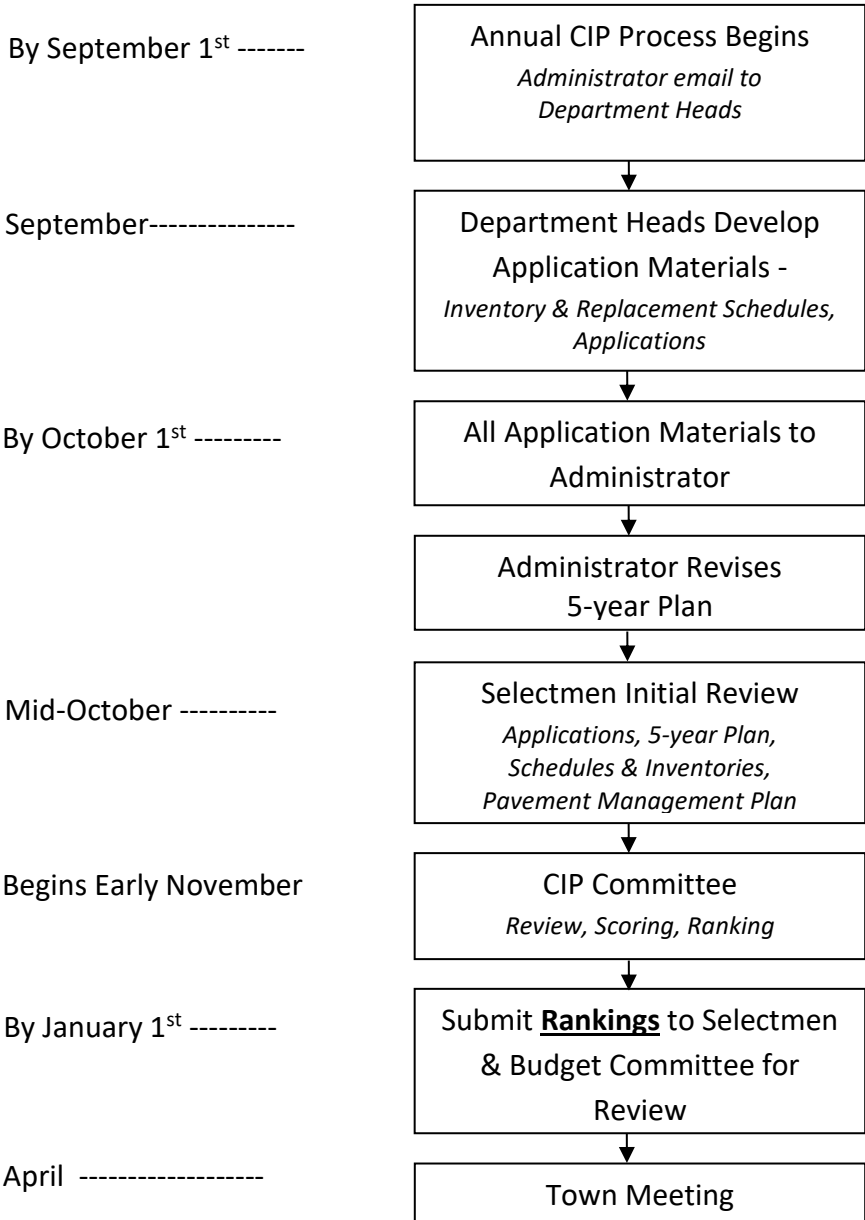
projects have on the Town’s ability to finance and operate the projects included in its Capital Improvement Program.

3. CIP Process Overview

Figure 1 provides an overview of the annual CIP process. Following these steps and the associated timeline will ensure that the annual CIP process is thorough and completed prior to the Selectmen and Budget Committee’s annual budget workshops.

The major steps and materials referenced in Figure 1 are further discussed in the later sections of this policy.

Figure 1. Town of Durham Annual CIP Process



4. Replacement Schedules and Inventories

Vehicle and equipment replacement schedules are developed and updated annually by department heads. They constitute a proposed plan for future expenditures needed to provide anticipated municipal services, informing committee members and stakeholders beyond the five-year plan time period. Figure 2 illustrates the information to be provided by department heads on the vehicle and equipment replacement schedules.

The Public Works and Fire and Rescue vehicle and equipment replacement schedules will cover 20 year and 25-year periods respectively.

Figure 2. Vehicle and Equipment Replacement Schedule Template

Department: Public Works									
Fiscal Yr	Request ¹	Vehicle/Equip	New Cost ²	Annual Inflation	Last Purchase	Life Expectancy	Reserve Before	Reserve After	Old Equip
FY16	\$113,202	503 2 axle dump	\$169,277		1999	12 Years	\$243,728	\$187,653	To Spare
FY17	\$90,000	H2 pickup	\$51,500	0.03	2005	12 Years	\$187,653	\$226,153	Sold
		B&G Mower	\$25,750	0.03	2002	15 Years	\$226,153	\$200,403	Sold
...
FY36	...	...	...	...	...	...	...	...	...

Notes:

1. "Request" is the vehicle and equipment cost minus reserve funds used.
2. New cost in today's dollars plus compounded inflation, as estimated using the annual inflation factor.

In addition to replacement schedules, department heads develop and annually update an inventory list of currently owned vehicles. Figure 3 illustrates the information to be provided for vehicle inventories.

Figure 3. Vehicle and Equipment Inventory Template

Vehicle	Year/Make/Model	Mileage	Hours
H2	2005 GMC 2500 Pickup	120,714	
503	1999 Sterling 14 Yd Dump	85,650	
B&G Mower	2002 Kubota 2200D		4,500

Facility replacement schedules will focus on major maintenance items, such as roof, HVAC, and exterior painting / siding. Department heads will develop and update annually facility schedules for facilities under their management. For example, the Road Commissioner will develop schedules for the Public Works main building, cold storage, and sand and salt shed and any other capital equipment under his/her control

The following template, or one amended or approved by the board of selectmen, will be used for facility replacement schedules.

Figure 4. Facility Template

Facility: Town Hall								
Fiscal Yr	Request ¹	Capital Improvement	New Cost ²	Annual Inflation	Last Purchase	Life Expectancy	Reserve Before	Reserve After
FY16	\$6,000	Roof	\$10,000		1991	25 Years	\$9,000	\$5,000

FY20	\$7,000	Reserve					\$5,000	\$12,000
FY21	\$8,000	HVAC	\$13,453	0.03	2001	20 Years	\$12,000	\$6,547
...
FY24	\$10,000	Exterior Painting	\$11,008	0.03		10 Years	\$6,547	\$5,539
FY36	...	...	...	...	...	...	...	...

Notes:

1. "Request" is the capital improvement cost minus reserve funds used.
2. New cost in today's dollars plus compounded inflation, as estimated using the annual inflation factor.

5. CIP Application

Two types of applications will be considered for review.

- Project requests for the current year or multi-year projects.
- Reserve requests to increase the balance of a reserve account.

Applications will be submitted by department heads for capital expenditures related to their respective department. The Town Administrator may also submit CIP applications. Town committees may submit CIP applications, following review for completeness by the Town Administrator.

A separate application must be submitted for each project or reserve request, unless directed otherwise by the Board. Applications must be submitted on the approve form, as determined by the Board, (Figure 5) with all fields completed to receive consideration by the CIP Committee.

Additional supplemental material may be provided with the application.

Multi-year reserve proposals, seeking to put aside funding on an annual basis for a specific project, must submit a separate request each year that funding is sought.

An application should be submitted for the use of all funds held in CIP reserve accounts.

Applications are not limited to the replacement schedule items, as other needs may arise.

Applications not funded may be resubmitted for a subsequent year.

Figure 5. CIP Application

TOWN OF DURHAM
CAPITAL REQUEST

- 1) Department Name:
- 2) Date Prepared:
- 3) Department Head / Chairman:
- 4) Priority (1-3):
- 5) Request Type (Reserve or Improvement):
- 6) Project Title:
- 7) Reserve Account Numbers Affected:
- 8) Reserve Account Balances:
- 9) Description:

- 10) Justification:
(Describe benefits and alternatives considered)

- 11) Project Mandated by Law or Required to Meet or Maintain a Standard?
- 12) Total Estimated Cost:
(Include engineering, survey, design, and other professional services as needed)

- 13) Basis of Cost Estimate:
- 14) Amount Requested:
(For each year if multiyear project)
- 16) Potential Funding Sources:

17) Estimated Recurring Cost:

6. Five - Year Plan

The Five-Year plan provides a summary of all applications submitted for an upcoming calendar year, including single year requests and projects to be funded over multiple years.

The Administrator revises the Five Year Plan each year.

The following template, or one approved by the Board of Selectmen, will be used for the Five - Year Plan.

Figure 6. Five - Year Plan Template

Capital Project Requests: FY ____													
Dept #	Dept Name	1 st CIP FY ¹	Act #	Project Title	Priority	Est Cost	Reserve Balance	Yr 1 FY ____	Funding Source ²	Yr 2 FY _	Yr 3 FY _	Yr 4 FY _	Yr 5 FY _
...
...
Subtotal: Capital Project Requests							

Capital Reserve Requests: FY ____													
Dept #	Dept Name	1 st CIP FY ¹	Act #	Project Title	Priority	Est Cost	Reserve Balance	Yr 1 FY ____	Funding Source ²	Yr 2 FY _	Yr 3 FY _	Yr 4 FY _	Yr 5 FY _
...
...
Subtotal: Capital Reserve Requests							

Notes:

1. The first year this request was presented to CIP
2. Taxation or Reserve

7. Annual Board of Selectmen Review

The Board of Selectmen annually reviews Inventories, Replacement Schedules, the Five-Year Plan, and all applications as noted on the timeline presented in Figure 1. The Board can request amendment or move application materials to the CIP Committee for ranking.

8. CIP Committee and Annual Application Review

The CIP committee will consist of 5 members appointed by the Board of Selectmen for three-year terms. Appointments are intended to broadly represent the community. Initial appointment terms will be staggered to ensure that no more than two member terms expire in a given year.

The CIP Committee will review all applications. Department heads may be asked by Selectmen to attend CIP committee meetings to present applications or answer questions. Supplemental

information may be requested. Following the review of applications, individual committee members will be asked to score each application in accordance with the evaluation criteria set forth in Figure 7. Each committee member will complete a score sheet, as shown in Figure 8, for each application. Scores for each application will be tabulated by the Chairperson or Chairperson's designee, resulting in a ranking of the applications. Following the Committee's acceptance of the final ranking, it will be provided to the Selectmen and Budget Committee, prior to the commencement of their annual budget meetings. The CIP ranking will **determine** **recommend** capital expenditure budget priorities for the upcoming year.

Figure 7. CIP Evaluation Criteria

General Planning

1. Does project conform to Comprehensive Plan?
2. Does this appear to be a feasible project?
3. Is the project ready to proceed?
4. What are the implications of deferring the project?
5. What are the project alternatives?

Social

1. Number of citizens requesting project or other measure of community need?
2. Number of citizens served?
3. Project assists special needs group?
4. Enhances community appeal and character?
5. Enhances community heritage and culture?

Health and Safety

1. Is project for basic protection of persons or property?
2. Is project for protection of public health?
3. Is project required by state or federal laws or regulations?
4. Does the project enhance employee safety?

Economic

1. Does project directly produce income for the town?
2. Does the project indirectly produce income for the town (e.g. stimulate private investment)?
3. Does the project result in savings of town resources (e.g. labor, or fuel)?
4. Is there available funding, including reserve funding?
5. Does the project qualify for state, federal, or other assistance (e.g. grants or low interest loans)?
6. What are the maintenance, certification or other ongoing costs associated with project?

Figure 8. Application Scoring Sheet

Project Title _____

Estimated Cost _____

Current Reserve _____

Requested Amount _____

General Planning

Conforms w/ Comp Plan (Consistent = High Score)	
Project Feasibility (Unrealistic = Low Score)	
Project Readiness (Project Ready = High Score)	
Project Alternatives (Alternatives Considered = High Score)	
Implications of Deferring (High Impact = High Score)	

Social

Community Need (Essential = High Score)	
Number Citizens Served (High Number = High Score)	
Assists Special Needs Group	
Enhances Appeal and Character	
Enhances Heritage and Culture	

Health & Safety

Protects Persons and Property (High Impact = High Score)	
Promotes Protection of Public Health (High Impact = High Score)	
Addresses State or Federal Law or Regulation	
Enhances Employee Safety	

Economic

Directly Produces Income	
Indirectly Produces Income (such as by stimulating investment)	
Results in Town Savings (such as energy efficiency)	
Funding Available (including Reserves)	
Grant / Loan Funding Available	
Ongoing Operating and Maintenance Costs (Ongoing Costs High = Low Score)	

Sub-Total Score	
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Sub-Total Score	
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Sub-Total Score	
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Sub-Total Score	
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Total Application Score	
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Rating
 (Score each criterion 1 to 10)
 1 to 3 = Very Low Priority
 4 to 7 = Medium Priority
 8 to 10 = High Priority

9. Board of Selectmen and Budget Committee Review

Following the review of requests by the CIP Committee, the final rankings will be forwarded to the Board of Selectmen for consideration. Once the Selectmen have drafted their operating budget they will determine which CIP requests to propose for funding on the Town Meeting warrant. Based on the operating budget and the anticipated tax rate, the Selectmen will determine where in the ranking to draw a line, below which will not be included on the Town Meeting warrant. To help ensure that the CIP process functions properly, taking requests out of the CIP ranking order is discouraged. However, the Board of Selectmen reserve the right to take items out of order or lower requested funding amounts, to help address budgetary constraints, if the lower amounts preserve the project's goals and intent.

The Budget Committee may decide to accept the CIP request funding amounts proposed by the Selectmen or propose alternative funding amounts. However, the Budget Committee may not add additional items to the Town Meeting warrant, as the items placed on the warrant are the responsibility of the Board of Selectmen, per State statute.

10. Town Meeting Approval Process

The CIP process ensures that the funding requests on the warrant and their alternatives have been fully vetted, giving the Board of Selectmen and CIP Committee Members the information needed to answer citizen questions on the floor of Town Meeting. If the process is working properly, CIP will provide a higher level of confidence in decision making, which will be evident on the floor of Town Meeting.

11. Pavement Management Plan

A Pavement Management Plan for Town roads will be developed and updated annually by the Road Commissioner. The purpose of the plan is to efficiently distribute road paving costs over time, while ensuring that roads are adequately maintained.

Each year the Road Commissioner will submit the updated Pavement Management Plan to the Selectmen in mid-October for initial review, during the Selectmen's initial review of annual CIP materials. However, road paving and maintenance will not be subject to the review or ranking of the CIP Committee. The Pavement Management Plan shall be provided to the CIP committee for reference.

Which road paving items are included on the Town Meeting warrant is determined by the Board of Selectmen. This typically occurs once the Selectmen have drafted their annual operating budget. At that time, they consider factors such as road condition, available funding, and anticipated tax rate.

The following template may be used for the Pavement Management Plan. The plan should include a ten year period.

Figure 9. Pavement Management Plan Template

Fiscal Year	Road Name	Last Paved	Pavement Tons	Price/Ton	Tons X Price	Total FY Cost	Reserve Request	Reserve Balance	Next Paving FY
FY20	Maple Road	2007	3600	\$65.00	\$234,000				FY33
	Birch Dr	2006	850	\$65.00	\$55,250	\$289,200	\$214,200	\$125,000	FY33
FY21	Abbey Road	2008	1600	\$67.00	\$107,200	\$107,200	\$182,200	\$50,000	FY34
FY35	...	...	...	...	...	...	...	...	...

12. Finance

The Town Treasurer and Board of Selectmen will conduct a review of reserve accounts. Assistance may be sought from the Auditor. The individual reserve accounts needed to facilitate fiduciary oversight of the Capital Improvement Program include Public Works Vehicles and Equipment, Paving, Fire and Rescue Vehicles and Equipment, Individual Facilities, and other project specific accounts as needed. The review will determine how to best transition current fund balances to the new reserve accounts, while preserving the original appropriation purpose.

13. Comprehensive Plan

The Capital Improvement Program shall be referenced and reinforced in the Comprehensive Plan.

Certification of Policy Adoption

This policy was adopted by the Town of Durham Board of Selectmen on this date of ____ ____
_____ and becomes effective thereof.

Board of Selectmen Signatures:

Kevin Nadeau, Chairman

Rob Pontau, Vice Chairman

Richard George

Todd Beaulieu

Marc Farrin