



## **CAPITAL IMPROVEMENT PLANNING COMMITTEE POLICIES AND PROCEDURES**

### **COMMITTEE AUTHORITY**

The Hubbardston General Bylaws Chapter XIII (Amended June 2018) authorizes the town's Capital Improvement Planning Committee (CIPC). The Bylaw reads as follows:

#### ***CHAPTER XIII CAPITAL IMPROVEMENT PLANNING COMMITTEE***

SECTION 1. A Capital Improvement Planning Committee shall consist of 5 members appointed as per the Town Charter, Article 4, Section 4-2-3. The Committee shall develop policies and procedures for submission and evaluation of requests for proposed capital outlays involving major non-recurring tangible assets (facilities, vehicles, equipment, and infrastructure) that have a useful life of at least three years and have a total cost of over \$10,000. The Committee shall submit a capital plan annually to the Town Administrator in accordance with the Town Charter, Article 5, Section 2.

### **RECOMMENDED ANNUAL CIPC CALENDAR**

<b>DATE</b>	<b>ACTION</b>
July	Appointment committee members
Oct – Nov	Review ongoing projects and update annual inventory; occasionally prepare for Special Town Meeting
Nov	Solicit department requests and capital plan updates
Dec	Financial forecast presented to Select Board by Town Administrator
Dec – Jan	Town Administrator provides debt information to CIPC, 5-year capital plan updated

Jan	CIPC presents 5-year capital plan to the Town Administrator
Feb - Mar	Capital plan reviewed by the Town Administrator, Select Board and Finance Committee (meetings with CIPC encouraged)
Apr	CIPC attends public hearing on budget
June	Annual Town Meeting

### **APPOINTMENT OF COMMITTEE MEMBERS**

Annually the Select Board shall appoint members to the CIPC (typically three year terms). Two member shall consist of an appointment by the finance committee and appointment by the Planning Board. All town appointments occur by July 1.

### **PREPARE AN INVENTORY OF EXISTING FACILITIES AND ASSETS**

The initial task for the CIPC is to prepare an inventory of all town and school properties and assets. At a minimum, the inventory should include buildings and equipment; however, it is desirable for the inventory to include utilities, roads and sewers as well. The inventory should include documentation on the need for renewal, replacement, expansion or retirement of all physical assets. The inventory should also include information on the year the facility was built or acquired, the date of last improvement, its condition, the extent of use, and the scheduled date for rebuilding or expansion. Often the town's insurance carrier has a list of insured assets that can serve as a basis for the inventory.

### **DETERMINE THE STATUS OF PREVIOUSLY APPROVED PROJECTS**

The CIPC should annually identify projects underway, determine whether additional funds are required, and determine the amount of unspent funds available from completed and discontinued projects. The benefit of this update is that officials involved in the budget process will be kept informed of the progress of projects approved in prior years. The results of this analysis should be reduced to a written report which should be included with presentation of the capital budget and plan by the CIPC. No special format is suggested, but it should be completed before department heads submit their new requests.

### **ASSESS THE TOWN'S FINANCIAL CAPACITY**

With the assistance of the Town Accountant, Treasurer, and Town Administrator, the CIPC 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. The analysis should be included with the CIPC's presentation of the updated capital plan to the Town Administrator.

This financial analysis will permit the scheduling of funding sources 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

### **SOLICIT, COMPILE AND EVALUATE PROJECT REQUESTS**

The CIPC should solicit departmental recommendations for capital projects prior to the start of budget preparation season. Using or adapting the forms attached, 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 CIPC then evaluates each request by reviewing the project information and meeting with the requesting department head or board member, if necessary. Among the questions the Committee should answer are:

1. Does the requested project contribute to the achievement of existing town goals, policies, plans and work programs?
2. What are the general benefits of the project?
3. What is its total cost (both capital and annual operating expenses), and what is its effect on the tax rate?
4. Is the project acceptable to the public?
5. Are there legal requirements that must be met?

Based on its review, the Committee should summarize its findings in preparation for establishing project priorities.

### **ESTABLISH PROJECT PRIORITY**

In this step the proposed projects are ranked in priority as objectively as possible. This is perhaps the most difficult aspect of the CIPC's duties

In addition to adopted policies, a rating sheet also encourages objectivity. It can assist the CIP in the development of numerical ranking of projects and help in the setting of project priorities. A sample rating sheet is included with this procedure guide. It can provide assistance in evaluating projects according to six criteria and translating subjective project information and the CIP's independent

analysis into objective numerical weights. These weights can guide the CIP in establishing project priorities. The rating sheet can be modified according to the CIP's needs.

Whether or not a rating sheet is used, the CIP 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.

### **DEVELOP A CAPITAL PROJECT FINANCING PLAN**

Based upon adopted debt and CIPC policies and the assessment of the town's financial capacity, the CIPC should recommend the method of financing each project. There are a number of 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 light plant improvements only, revenue bonds.
2. State and federal loans and grants.
3. Setting aside money in the stabilization fund to pay for all or a portion of a capital project.
4. Debt exclusions - With voter approval, Proposition 2½ allows a community to assess taxes in excess of its levy limit or levy ceiling for the payment of debt service over the life of the issue.

#### 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 - With voter approval, Proposition 2½ allows a community to assess taxes in excess of its levy limit or levy ceiling for the payment of certain capital projects.
4. Contracting/leasing provisions authorized by Chapter 30B §12 of the Massachusetts General Laws.

NOTE: A community may enter into a multi-year contract for any period of time which services the best interest of the governmental body, however, payment and performance obligations for succeeding fiscal years shall be dependent on the availability and appropriation of funds.

5. Private sector service provision is also available. Under this option private firms provide public services to a community on a contractual basis or through another arrangement such as a license or lease-back agreement (for capital assets).

### **ADOPT A CAPITAL IMPROVEMENT PLAN**

The CIPC's completed report should be presented to the Town Administrator for inclusion in the annual budget presentation to the Select Board and Finance Committee. The report should include a summary of the CIPC's recommendations for the upcoming year's Capital Budget and the following years' Capital Plan as well as its analysis of the town's fiscal capacity.

The Select Board may hold its own public hearing to present the CIP and solicit further citizen comment. If the board holds its own hearing on the annual budget, the CIP hearing can be incorporated into the regular budget hearing.

The Select Board then considers (and may amend) the proposed Capital Budget and Capital Plan and forwards them to the Finance Committee. The Finance Committee reviews and recommends action only on the Capital Budget, but does so in considering the overall Capital Plan. A Finance Committee recommendation to amend the Capital Budget suggests disagreement with portions of the Capital Plan. Those differences should be resolved with the Select Board prior to Town Meeting.

On the Annual Town Warrant, the Select Board's Capital Budget may remain a separate warrant article (or as separate articles, depending on local tradition), or the Capital Budget may be incorporated into the main budget article. The Capital Budget as proposed by the Select Board should be moved by the Select Board at the Annual Town Meeting (unless other town meeting procedures normally prevail).

### **MONITOR APPROVED PROJECTS**

Once Annual Town Meeting has adopted the Capital Budget and the fiscal year begins, departments are authorized to begin project implementation. All projects will be compliant with town procurement policies and monitored daily by the Town Administrator. Periodic reports by the CIPC to the Select Board should indicate changes in the targeted completion dates, identify serious problems, and document the financial status of each project. This effort can also be delegated to the Town Administrator. Those reports may be based on project updates provided by the responsible departments on a quarterly basis.

### **UPDATE THE CAPITAL PLAN**

Subsequent annual updating of the Capital Plan involves repeating the Capital Plan Calendar to reflect new information, policies and proposed projects. The CIP Committee should review and revise the entire program as necessary to reflect its most recent determination of the need for equipment, maintenance of equipment, the town's social and environmental conditions, the development or revision of financial policies, and the community's financial resources. 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.

## **RELEVANT FINANCIAL POLICIES**

Here is a listing of town policies relevant to the charge of the CIPC.

[5-Year Financial Forecast](#)

[5-Year Capital Improvement Plan](#)

[Capital Planning](#)

[Debt Affordability](#)

[Debt Management](#)

[Forecasting](#)