

CIP Integrates Future Needs

The Capital Improvement Program (CIP) was instituted in 1999 as both a managerial tool and a financial vehicle. The focus of the City of Saco's active CIP is to dampen the impact of large capital expenditure on the City budget. The CIP process identifies and prioritizes all known capital needs for the next five years and proposes funding for the coming year. Current year projects are segregated by department and classified separately under the Capital Construction department. The goal of the CIP in relation to the budget is to use priority planning to identify upcoming projects and prevent having an unexpected critical need. The measure of goal attainment comes each year as the budget is assembled and capital needs are known.

The CIP dampens the Financial Impact of Capital Needs on the Current Budget

Even in the short time the CIP has been in place, it has helped in budgeting by providing better understanding of citywide needs and flexibility in accomplishing needed capital projects. The CIP is much more than just a budgetary segment because it gives management a better understanding of coming needs. Once the five year plan is adopted, the CIP assists the City in reserving current funds to pay for future needs.

Operational Impact of the CIP

The fiscal year 2003 CIP will have a mixed impact on the operational budgets of City departments. The department most strongly impacted by the CIP is the Public Works Department, because the bulk of CIP implementation lies with that department. Other CIP impacts improve operational efficiency through cost savings issues.

Project savings are considered on each CIP and made known, if available. The nature of projects undertaken by the City, limit their potential savings because savings typically do not occur for several years, so it is difficult to recommend reducing a line item in Operations and Maintenance because of spending on capital.

The Public Works Department will be directly responsible for the majority of the capital projects in this budget year. The department is prepared to meet the demands placed on them by the various CIP projects and will rely on careful scheduling to accomplish the varied assignments during 2003 in support of City operations and goals. The actual dollar impact of the CIP on operational items is minimal because each project contains resources for its implementation, and projects are scheduled to be completed using staff time funded through departmental budgets.

The narrative section following describes if and to what extent each capital improvement will impact the city's current and future operating budget. The focus is on reasonably quantifiable additional costs and savings (direct or indirect) or other service impacts that result from capital spending.

City of Saco, Maine

Fiscal Year 2003 Budgeted Capital Improvement Projects

Per the recently revised Capital Improvement Program Policy, this section is meant to describe if and to what extent each capital improvement will impact the city's current and future operating budget. The focus is on reasonably quantifiable additional costs and savings (direct or indirect) or other service impacts that result from capital spending. If there are not or nominal impacts, this will be stated within this section.

Street Overlay/Road Reconstruction- The current year budgets \$500,000 for street overlay and road reconstruction type projects. This amount will be a needed future budget appropriation as well. The city recently implemented the Modified Approach of Governmental Accounting Standards Board statement No. 34 which will necessitate the city to maintain its infrastructure assets, including roads, at acceptable levels and to perform condition assessments every three years to assure that these levels are being maintained. This budget allows for this type of maintenance to assure acceptable condition levels. The savings to be incurred by the city is direct in nature. By maintaining roads at acceptable levels, we are preserving the value and hence avoiding future major reconstruction costs once major deterioration takes over.

Storm Drain Projects- The current year budgets \$95,000 for storm drain maintenance type projects. This amount will be a needed future budget appropriation as well. The city recently implemented the Modified Approach of Governmental Accounting Standards Board statement No. 34 which will necessitate the city to maintain its infrastructure assets, including storm drains, at acceptable levels and to perform condition assessments every three years to assure that these levels are being maintained. This budget allows for this type of maintenance to assure acceptable condition levels. The savings to be incurred by the city is direct in nature. By maintaining storm drains at acceptable levels, we are preserving the value and hence avoiding future major reconstruction costs once major deterioration takes over.

Grant Match- The current year budgets \$10,000 for grant matching local funds. This type of expenditure, at differing levels, will be a needed future budget appropriation as well. If the city is successful at securing federal grants, they are often required to put forth a local match requirement to receive the funding. This money is earmarked for that purpose. There are no large federal grant awards in the city current future that need to be allocated for. The savings to be incurred by the city is indicative of the grant award amount received. It is a direct dollar for dollar savings that allows the city to complete various projects that they might not otherwise have been able to complete.

Industrial Park Rail Road- The current year budgets \$25,000 for various necessary capital type expenditures that occur for the rail road which passes through the city's Industrial Park. The businesses located within this park rely heavily on this form of transportation so it is important that the city have funding to be able to attend to repairs as they arise unexpectedly. This expenditure will be needed in future budget appropriations as well. The savings to the city is indirect in nature as having the railroad not accessible

makes the Industrial Park less attractive for new business and may make the existing businesses want to relocate elsewhere. This could prove to be a detriment to the city's vast growing property tax base, hindering the ability to collect property taxes on these properties.

CSO Plan- The current year budgets \$150,000 to meet the requirements of the city's Combined Sewer Overflow Plan. The city allocates \$150,000 per year, every year, towards this purpose. When enough funds are accumulated to complete a project, one is scheduled. The CSO Plan outlines, by priority, those projects which are in line waiting and needing to be completed throughout the city. The city recently implemented the Modified Approach of Governmental Accounting Standards Board statement No. 34 which will necessitate the city to maintain its infrastructure assets, including sewer piping, at acceptable levels and to perform condition assessments every three years to assure that these levels are being maintained. This budget allows for this type of maintenance to assure acceptable condition levels. The savings to be incurred by the city is direct in nature. By maintaining sewer piping at acceptable levels, we are preserving the value and hence avoiding future major reconstruction costs once major deterioration takes over.

Open Door Repairs- The current year budgets \$15,000 for repairs to the Open Door facility (Senior Center). This building is in major need of repair and money has been set aside for the last couple of years to complete some much needed improvements. The senior population is a large part of our community and they use this building for recreational type activities. Once these repairs are completed, the budgeting for capital improvements to this building should cease. The savings to be incurred by the city is direct in nature. By maintaining capital assets, such as buildings, at acceptable levels, we are preserving the value and hence avoiding future major reconstruction costs once major deterioration takes over.

Park System Improvements- The current year budgets \$132,750 for improvements to the city's park system. Last year, the city completed a ten-year plan for the parks. This plan outlines necessary improvements needed to all of the city's parks. This funding begins the process of completing some needed improvements. However, the budget will need to include funding for this purpose for many years to come in order to complete the improvements detailed in the plan. There is no real true savings to the city. However, it will be providing a greater level of service to the people within our community in improving the parks that they enjoy socially.

Parks & Recreation 1 Ton Truck- The current year budgets \$30,000 for a new 1 ton truck for the Parks & Recreation Department. This will not be a necessary appropriation in future budgets, but is necessary in the current budget for this department to be able to perform necessary maintenance on the city's parks. There is no real true savings to the city other than it being more efficient to perform necessary services with the right vehicles and equipment.

EPA Audit findings- The current year budgets \$75,000 to implement the Environmental Protection Agency's recommendations of their recent review of the city's public works

facility. These recommendations are required to be implemented in order to avoid federal level fines. This will not be a necessary appropriation in future budgets, once the city is in compliance with their regulations. The savings to the city is indirect in that, if we do not comply, the city could face severe federal fines.

Appraisal Conversion/Data Verification- The current year budgets \$85,000 to complete the assessor's verification and conversion of all appraised city tax values to a new software system. Once this project is completed, it will not be a necessary appropriation in future budgets. The savings to the city will be in additional property tax revenues that will be generated from updated and corrected valuations.

Graphical Information Systems (GIS) lot line plotting- The current year budgets \$70,000 to further the city's efforts with GIS implementation. The city, through their recent implementation of GASB Statement No. 34 now has a complete aerial photograph of the entire City of Saco. These funds will be utilized to now overlay the various property lot lines on this aerial map. This is only the beginning of the city's efforts to implement a GIS system for all departments to benefit from. Future budgets will therefore include various appropriations to further this effort. The savings to the city are indirect through employee efficiencies, by having this information available to all at the touch of a computer keyboard.

Microfilming- The current year budgets \$14,000 to begin the process of preserving the city's archival type records. This is a five year implementation strategy, so this funding level will also be necessary in the next four budgets being presented to complete this much needed preservation. The savings to the city is non monetary but implicit in preserving the character of our great community. These types of documents define the city back to the 1700's.

Saco 67 Business Park- The current year budgets \$40,000 to begin the engineering phase of this next section of the city's Industrial Park. There will be necessary appropriations in future budgets to complete this phase of the park. The savings to the city come through revenues generated from the sale of these commercial lots and the property tax revenue gained through the levy of their new city valuations.

Central Station repairs- The current year budgets \$10,000 to complete some much needed boiler repairs at the Central Station. There will not be any future appropriations for this, as once the boiler is replaced, the life expectancy will be for at least 8-10 years. The savings to the city will be indirect through utilization of operational efficiencies in this new piece of machinery and should be reflected in lower utility type expenditures.

Community Center repairs- The current year budgets \$12,000 to complete needed repairs at the city's community center. This building is in major need of repair and money has been set aside for the last couple of years to complete some much needed improvements. This building caters to the needs of the entire community and they use this building for numerous recreational type activities. Once these repairs are completed, the budgeting for capital improvements to this building should cease. The savings to be incurred by the city is direct in nature. By maintaining capital assets, such as buildings, at

acceptable levels, we are preserving the value and hence avoiding future major reconstruction costs once major deterioration takes over.

Athletic field at the Landfill- The current year budgets \$100,000 to begin the process of preparing the old landfill site for recreational use. This appropriation can be expected in the budgets for at least the next five years until enough funding has been raised to complete the project. There is no real true savings to the city. However, it will be providing a greater level of service to the people within our community in improving the recreational areas available that they enjoy socially.

Various LED Traffic signal projects- The current year budgets \$115,000 for four of these traffic signal capital projects. These projects have already been approved by the Maine Department of Transportation for state funding and these appropriations are to cover the city's local match requirements on the completion of these projects. There should be no further appropriations for these specific projects in the future. The savings to be incurred by the city is indicative of the grant award amount received. It is a direct dollar for dollar savings that allows the city to complete various projects that they might not otherwise have been able to complete.

Stackpole Creek Bridge repair- The current year budgets \$600,000 for a repair/reconstruction of this City owned bridge. There should be no further appropriations for this specific project in the future. There is no real true savings to the city. The benefit to the city is the removal of the threat of a potentially dangerous situation and enhancing safety to the members of our community and to those who visit our city who might travel over this bridge. We are therefore also removing the potential for any liability to the city.

Superintendent's Office Space- The current year budgets \$90,000 for construction at the new superintendent's office building. In the prior fiscal year, the city purchased a building near the vicinity of the elementary schools to relocate the current Superintendent's Office space. This funding is to provide the necessary resources to retrofit the exterior and interior of the building to meet their office needs. There should be no further capital appropriations for this specific project in the future. Future appropriations will be limited to necessary maintenance type expenditures associated with owning a piece of real estate. The school department is currently leasing office space in the city's industrial park. This cost will therefore be saved in the future, but it is anticipated that the maintenance costs necessary may substitute for this other avoided cost. No real true savings is anticipated with this move. However, a greater level of service will be provided to the people within our community by having better access to this necessary administrative building.

There were various other capital improvement type projects, like sidewalks and sewer separation projects, which were not appropriated in the current budget. This is due to the availability of previous carry over funds, which will be utilized in the current year to complete projects within these accounts.

Account Number	Account Name	City of Saco, Maine - Fiscal Year 2003 Budget				2001 Actual	2002 Budget	2003 Budget Department	% Change 2003 Budget Vs. 02 Budget
		1997 Actual	1998 Actual	1999 Actual	2000 Actual				
CAPITAL CONSTRUCTION									
20100700	SIDEWALK IMPROVEMENTS Plus Carryover funds from fiscal year 2001 Total available funds	\$ 2,566	\$ 5,057	\$ 17,763	\$ 31,470	\$ 30,538	\$ 50,000	\$ -	-100.00%
20100702	STREET OVERLAY/RECONSTRUCT	\$ 122,451	\$ 76,905	\$ 152,041	\$ 308,747	\$ 453,182	\$ 500,000	\$ 500,000	0.00%
20100710	SEWER SEPERATION/ST RECON Plus Carryover funds from fiscal year 2001 Total available funds	\$ 567,963	\$ 15,207	\$ 21,674	\$ 15,620	\$ -	\$ 75,000	\$ -	-100.00%
20100714	STORM DRAIN PROJECTS	\$ (2,023)	\$ 32,542	\$ 384,091	\$ 1,289,604	\$ -	\$ 152,143	\$ 95,000	-37.56%
20100715	CAMP ELLIS RECONSTRUCTION/CA Plus Carryover funds from fiscal year 2001 Total available funds	\$ 11,035	\$ 9,984	\$ 6,055	\$ 5,081	\$ -	\$ 36,696	\$ -	N/A
20100716	MAIN STREET SEWER	\$ 354,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
20100718	BOOTHBY PARK DRAINAGE	\$ -	\$ -	\$ 443,946	\$ 45,577	\$ -	\$ -	\$ -	N/A
20100719	DOWNTOWN INFRASTRUCTURE	\$ (1,401)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
20100720	GRANT MATCH	\$ -	\$ 6,523	\$ -	\$ 316,120	\$ 23,000	\$ 100,000	\$ 10,000	-90.00%
20100721	PARK IMPROVEMENTS Plus Carryover funds from fiscal year 2001 Total available funds	\$ 28,517	\$ 3,875	\$ -	\$ -	\$ -	\$ 457,000	\$ -	-100.00%
20100722	INDUST PK RR	\$ 25,792	\$ -	\$ 2,346	\$ 52,637	\$ -	\$ 25,000	\$ 25,000	0.00%
20100724	TRANSFER STATION	\$ 13,601	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
20100725	CSO MASTER PLAN	\$ -	\$ 11	\$ 3,023	\$ -	\$ 150,000	\$ 150,000	\$ 150,000	0.00%
20100801	INFRASTRUCTURE STUDY-GASB 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000	\$ -	-100.00%
20100729	Route 112 MDOT Project	\$ -	\$ -	\$ -	\$ -	\$ 64,710	\$ -	\$ -	N/A
20100732	STOCKMAN AVE/GOODALE AVE	\$ 239,038	\$ -	\$ -	\$ 465	\$ -	\$ -	\$ -	N/A
20100740	NORTH STREET SEWER	\$ -	\$ -	\$ 176,735	\$ 1,249	\$ -	\$ -	\$ -	N/A
20100751	City Hall Window treatments	\$ -	\$ -	\$ -	\$ -	\$ 6,756	\$ -	\$ -	N/A
20100752	City Hall Wide area network Plus Carryover funds from fiscal year 2001 Total available funds	\$ -	\$ -	\$ -	\$ -	\$ 11,941	\$ 64,119	\$ -	N/A
20100753	Mobile radios Plus Carryover funds from fiscal year 2001 Total available funds	\$ -	\$ -	\$ -	\$ -	\$ 30,165	\$ 9,835	\$ -	N/A
20100754	Radar units Plus Carryover funds from fiscal year 2001 Total available funds	\$ -	\$ -	\$ -	\$ -	\$ 12,930	\$ 1,470	\$ -	N/A
20100815	Police-computers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,700	\$ -	-100.00%

Account Number	Account Name	City of Saco, Maine - Fiscal Year 2003 Budget				2003 Budget Department	% Change 2003 Budget Vs. 02 Budget
		1997 Actual	1998 Actual	1999 Actual	2000 Actual		
	Plus Carryover funds from fiscal year 2001						
	Total available funds					\$ 9,500	
20100756	Amtrak Station	\$ -	\$ -	\$ -	\$ 650	\$ -	N/A
	Plus Carryover funds from fiscal year 2001					\$ 1,244,350	
	Total available funds					\$ 1,244,350	
20100757	Cults Ave. Parking Lot	\$ -	\$ -	\$ -	\$ 20,000	\$ 8,000	-100.00%
20100758	Ind.Park land purchase	\$ -	\$ -	\$ -	\$ 22,466	\$ -	N/A
20100759	Fire-Ford Explorer	\$ -	\$ -	\$ -	\$ 26,000	\$ -	N/A
20100760	Ladder repair	\$ -	\$ -	\$ -	\$ 9,500	\$ -	N/A
	Plus Carryover funds from fiscal year 2001					\$ 18,500	
	Total available funds					\$ 18,500	
20100761	Ford F-350 Ambulance	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
	Plus Carryover funds from fiscal year 2001					\$ 98,000	
	Total available funds					\$ 98,000	
20100762	Fire-pumper truck	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
20100763	Front Street Garage	\$ -	\$ -	\$ -	\$ 208,000	\$ -	N/A
	Plus Carryover funds from fiscal year 2001					\$ -	
	Total available funds					\$ 10,000	
	Plus Carryover funds from fiscal year 2001					\$ 10,000	
	Total available funds					\$ 10,000	
20100814	Open Door repairs	\$ -	\$ -	\$ -	\$ -	\$ 35,000	-57.14%
	Plus Carryover funds from fiscal year 2001					\$ 7,500	
	Total available funds					\$ 42,500	
	Park System Improvements	\$ -	\$ -	\$ -	\$ -	\$ 20,000	N/A
	Parks & Rec - 1 ton truck	\$ -	\$ -	\$ -	\$ -	\$ 132,750	N/A
20100765	Young School Field fence	\$ -	\$ -	\$ -	\$ -	\$ 30,000	N/A
20100766	Rec-Kubota tractor	\$ -	\$ -	\$ -	\$ 10,100	\$ -	N/A
201000816	P/W- C-10 pick up truck	\$ -	\$ -	\$ -	\$ 12,000	\$ -	N/A
	Plus Carryover funds from fiscal year 2001					\$ 25,000	-100.00%
	Total available funds					\$ 30,000	
	Plus Carryover funds from fiscal year 2001					\$ 55,000	
20100769	P/W- dump truck w/ plow	\$ -	\$ -	\$ -	\$ 80,000	\$ -	N/A
20100770	P/W- dump truck w/ plow	\$ -	\$ -	\$ -	\$ 75,572	\$ -	N/A
20100771	P/W- dump truck w/ plow	\$ -	\$ -	\$ -	\$ 79,345	\$ -	N/A
20100773	P/W- air compressor	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
	Plus Carryover funds from fiscal year 2001					\$ 11,000	
	Total available funds					\$ 11,000	
20100817	P/W- sander	\$ -	\$ -	\$ -	\$ -	\$ 25,000	-100.00%
	Plus Carryover funds from fiscal year 2001					\$ 25,000	
	Total available funds					\$ 50,000	
	EPA Audit findings	\$ -	\$ -	\$ -	\$ -	\$ 75,000	N/A

CAPITAL IMPROVEMENT PROGRAM OVERVIEW

INTRODUCTION

The Capital Improvement Program (CIP) provides a basis for prioritizing and implementing the short and long range plans for city acquisitions and projects. The CIP is intended to be a planning document for the departments and a coordination and scheduling document for the entire city organization. It further assists in coordinating the schedule of large expenditures over a period of years both for better fund management and for cash management purposes.

The effectiveness of the CIP relies on the professional assessments made by practitioners employed by city departments. The completed city CIP schedule will be assembled from the assessments and priorities defined by departments on a combined priority matrix. Special consideration is given to projects, which should be combined for maximum efficiency. The City Administration Department will assemble and coordinate the final city CIP document that will be presented to the City Council.

The CIP is updated annually as a precursor to budget preparation, at which time individual project timing can be adjusted, new projects added, and outdated projects removed. It is important to note that even though funds reserved for capital improvements are dedicated and maintained separately from other City funds, the CIP forecasts are only informational and are based on current expectations and priorities, which are not binding. However, annual budget decisions are made as a result of the information assembled in the CIP process. The goal of the CIP is to create the most accurate view of future city needs so informed coordinated decisions can be made throughout the budget process. The City is never obligated to proceed with a project simply because it was approved as part of the CIP. If a project is no longer needed the City will realign reserved capital funds to reflect the most urgent capital needs each year.

BENEFIT EXPECTED FROM A CIP

A carefully planned and prepared Capital Improvement Program enables the City to realize a number of benefits.

1. Major expenditures can be anticipated in advance rather than being overlooked until needs become critical.
2. Coordinating projects can reduce total costs through bulk discounts, competitive pricing, and project coordination.
3. City projects can be evaluated based on relative need and importance.
4. Projects can be timed to capitalize on sales in the marketplace.
5. Projects can be coordinated to capitalize on the best available funding options including grants and bonds.
6. By identifying capital needs prior to budget preparation all requests can be evaluated and prioritized, then adopted and integrated into the budget as a whole.

SUMMARY

As a planning and scheduling document, the CIP does not represent authorization to expend city resources. Rather, the CIP provides an index of proposed short and long range acquisitions. Each CIP project must then be funded as part of a regular budget process and authorized by a department head in the budget year the funds are allocated. CIP development requires thoughtful planning and program development to construct. Annual CIP development will become repetitive as each new year builds on the foundation of past projections.

The following pages detail the City of Saco Capital Improvement Plan Policy.

**CITY OF SACO
And
Saco School Department**

CAPITAL IMPROVEMENT PLAN POLICY

**As adopted
November 15, 1999**

I. Purpose

The City of Saco, Maine, capital improvement program serves as a link between the following plans and their implementation: the Comprehensive Plan, School Facilities Plan, Combined Sewer Overflow Plan, Downtown Plan and Storm Water Management Plan, Beach Management Plan, Landfill Recreation and Reuse Plan as well as other plans as may be developed. It is one of the methods used in building a disaster resistant community. It helps to reconcile the timing of projects with the availability of financial, manpower and equipment resources. The Capital Improvement program also serves to enhance the City's credit ratings and helps reduce fluctuation in the tax rate and debt service requirement.

II. Introduction

- A. The Charter for the City of Saco, Article VI. Financial Procedures Section 6.05 Capital Program requires the City Administrator to prepare and submit to the city Council a five-year capital improvement program in March of each year. The Charter further provides that the Council will after hearing adopt a capital program on or before the first regular meeting in June. This policy furthers these charter requirements.
- B. The term "Capital Improvement" can be used to describe a project that is large in size, expensive and relatively permanent. It's meaning varies from one community to another as it may depend on the size of the community.
- C. A Capital Improvement plan is a schedule of improvements, listed in priority order, with cost estimates and a suggested method of financing them over a certain period of time.
- D. A Capital Outlay is one used to purchase or construct a new or expanded physical facility, such as a building, equipment or road construction, which has a useful life of 8 or more years and costs in excess of \$8,000. This definition does not include the repair and maintenance of building, equipment and roads.
- E. This plan will provide proper planning and financial direction for major investments that the community will have to make in the next few years. It will also distinguish expenses that are annual and those that are not.
- F. The Capital Improvement Program will determine the City's capital needs. The program's 5-year plan will allow for acquisition, development and/or improvement of the City's facilities. Projects included in the Capital Improvement program will be prioritized and the means for financing each shall be identified. The first year of the Plan shall be the capital budget subject to revision by the Council at the time of budget adoption. The Capital Improvement Program shall be revised and supplemented each year.

III. Administrative Framework

- A. Capital Improvement Plan Process and Calendar
The first step in the review process calls for the department heads or the first line supervisors to review their plans for capital purchases and to prepare estimates for the cost involved. The estimates that are submitted to the City Administrator shall include:

1. A clear general summary of contents;
2. A list of all capital improvements which are proposed to be undertaken during the five fiscal years next ensuing, with appropriate supporting information as to the need for such improvements;
3. Cost estimates, method of financing and recommended time schedules for each improvement; and
4. The estimated annual cost of operating and maintaining the facilities to be constructed or acquired.

B. The next step involves a review by the City Administrator of all department requests to assess the projects, or proposed capital expenditure items both technically and financially. At this time the project should be tentatively scheduled for funding. The Administrator must then prepare a Capital Improvement Plan for presentation to the City Councilors. The Administrator may want to recommend financing options at this time also.

C. Next, the Councilors should hold a public hearing to obtain public input into their plan. Once the public input is obtained the Councilors should review the document and either send it back for additional work by the Administrator and department heads or adopt it as presented. Once the Plan has been approved it will serve as a guide for future budgets.

IV. Capital Improvement Projects and Priorities

A. Capital Outlay

The repair and maintenance of a building, equipment and roads will not be included as capital outlays if the cost is less than \$8,000 and has a useful life less than 8 years.

B. Project Reviews and Priorities

After completing the inventory, the most difficult task is to prioritize each project. Saco has developed the following approach, as a guide in the prioritization for their capital improvement needs.

Purpose:

- A. Required item - ordered by higher authority.
- B. Service Improvement Expenditure - to provide better service.
- C. Cost reduction Project - decrease operating cost.
- D. Expansion items - create facilities and operations expenses for new services.
- E. Strategic investment - acquisition or improvement of land.
- F. Social Benefits
- G. Investment - done as investment to get money back

Priority:

1. Urgent - project cannot be reasonably postponed
2. Necessary - project which should be carried out within a few years.

3. Desirable - project needed for a proper expansion of a department program
4. Deferrable - project which would be needed for ideal operation

V. Financial Analysis and Goals

A. Debt versus Pay-As-You-Go

1. Capital Improvements can be financed in a variety of ways. Borrowing against future property taxes - through the issuance of general obligation bonds - to finance long term public improvements is widely practiced by municipalities. One reason for this is that future as well as today's taxpayers use Capital Improvements with long useful lives, and it therefore is appropriate to pay for the improvements over its useful life. Bonding evens out the tax impact over time and allows the municipality to obtain vital improvements more quickly than would a reserve fund strategy. As a rule, no Capital Improvement should be bonded beyond its useful life. The disadvantage of borrowing of course is that it builds in a fixed annual line item in the operating budget for payment of interest over the period of the bond. Because municipal bonds are tax-exempt, interest rates are usually favorable.
2. A more simple (although not always most appropriate) way to finance Capital Improvement would be the Pay-As-You-Go basis. This method requires the City to pay for improvements with current revenues primarily the local property tax, in the year the improvement is needed. This method avoids borrowing and does not burden the future taxpayers with interest. It does, however, have some disadvantages, one being that large scale projects may be so expensive that the tax rate may become excessively burdened during the period of implementation. Faced with either paying out of the current revenues or not doing a needed project, a City may sometimes choose not to do the project.
3. A combination of borrowing and Pay-As-You-Go basis may in some circumstances be the most appropriate way to finance an improvement.

B. Cost/Benefit Analysis

Upon prioritizing Capital Improvement projects, we analyze the specifications and cost along with the desirable needs. This gives us the information we need to distinguish what the benefits of the projects are, if in fact, there are any. If there are benefits, and they exceed the cost of the new project, then replacement or performance of the project should be considered at this time.

C. Capital Budget and Replacement Schedules

1. Fire Department: To replace equipment after 30 years of use;
2. Equipment replacement:
 - a. Small 6-wheel patrol truck after 7 - 10 years use, depending upon overall condition and maintenance costs;

- b. Large 10 wheel trucks after 7 - 10 years use, depending upon overall condition and maintenance costs;
 - c. Heavy equipment loader, grader, excavator, etc., after 20 years use or when maintenance costs get too extreme;
 - d. Dump bodies and plows are to be replaced after 20 years of use;
 - e. Pickups: to be replaced after 10 years of use;
 - f. Ambulances are replaced after 12 years of use.
 - g. Infrastructure: Preserve existing roads and sidewalks by continual improvements to balance normal deterioration.
 - h. Garage: continue to decrease energy requirements. More energies efficient overhead doors, more insulation and better use of hearing system.
 - i. Piers, wharfs and floats to be replaced as needed.
- 4. Buildings:
 - a. Decrease energy requirements of buildings, and
 - b. Minimize functional and economic obsolesces of facilities
 - 5. Parks:
 - 6. New buildings
 - 7. Evaluate financing capital projects, estimated costs in excess of \$50,000 and give consideration to life of asset, its cost and its uniqueness.
- D. User fees: When a CIP benefits specific properties or users, these parties will be considered for assessment of a user fee. Such user fees currently are used for collection and treatment of wastewater. A facility that could generate user fees as a sole source of funding is the Transfer Station.
 - E. Grant Funds: It is the policy of the City Council to encourage the City Administrator and Department Directors to seek grant funds for any and all capital needs. Acceptance of such funds requires City Council approval.
 - F. Reserve Funds: A reserve fund is a savings account where funds are accumulated in advance over a period of years to finance a CIP. This method of funding has the advantage of spreading the cost over several years and reduces the impact on the tax rate.
 - G. Impact Fees: New improvements or developments may be assessed impact fees for the cost of public improvements.

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