



**CAPITAL IMPROVEMENTS PROGRAM MANUAL
FOR THE
TOWN OF NEWBURY**

NEWBURY CAPITAL PLANNING COMMITTEE

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CAPITAL IMPROVEMENTS PROGRAM MANUAL

The Capital Improvements Program Manual has been prepared to assist the Town of Newbury in fulfilling its responsibilities in planning, financing and implementing capital improvements.

The manual has two parts: *Part I* describes the ten steps required to implement a capital improvements program (CIP). *Part II* provides the necessary forms and protocols to effectively execute a CIP for the Town of Newbury.

The primary objective of the manual is to provide a framework of best practices which will enable Newbury to make strategically planned and consistent decisions regarding the construction and maintenance of its infrastructure.

ACKNOWLEDGEMENT

The assistance of the Town Officials and the Finance Committee is gratefully acknowledged in the creation of this manual by the Capital Planning Committee and reflects an appreciation of the needs of a progressive and expanding community.

INTRODUCTION

Newbury's Capital Improvements Program Manual: A Blueprint for Expenditure Planning

The *Capital Improvements Program Manual* is a draft blueprint for planning Newbury's capital expenditures - one of the most important responsibilities of Town of Newbury officials. The Manual is designed to provide guidelines to coordinate community planning, financial capacity and physical development.

This capital improvements program is composed of two unique parts -- a *Capital Budget* and a *Capital Program*.

The *Capital Budget* is the upcoming year's spending plan for capital items (tangible assets or projects that cost at least \$10,000 and have a useful life of at least five years). "Capital costs" will include the acquisition or replacement of capital assets including the costs associated with the planning, engineering and procurement of the asset itself. The impact of new projects on annual maintenance and upkeep, or savings in operating costs, should also be assessed.

The *Capital Program* is a plan for capital expenditures that extends five years beyond the *Capital Budget*.

Development of the Newbury CIP will insure sound fiscal and capital planning but indeed requires effective leadership and the involvement and cooperation of all municipal departments. For that reason, this manual places responsibility for overseeing the CIP process with a community's chief executive, the Board of Selectmen, which appoints a CIP Committee and the Finance Committee.

The Committee begins the CIP process by forwarding its recommended capital budget and program to the Selectmen and Finance Committee. The Selectmen and Finance Committee review the proposal and make their recommendation to Town Meeting for adoption.

A complete, properly developed CIP has the following benefits:

- Facilitates coordination between capital needs and the operating budgets.
- Enhances the community's credit rating, control of its tax rate, and avoids sudden changes in its debt service requirements.
- Identifies the most economical means of financing capital projects. Increases opportunities for obtaining federal and state aid.
- Relates public facilities to other public and private development and redevelopment policies and plans.
- Focuses attention on community objectives and fiscal capacity.
- Keeps the public informed about future needs and projects.
- Coordinates the activities of neighboring and overlapping units of local government to reduce duplication.
- Encourages careful project planning and design to avoid costly mistakes and help a community reach desired goals.
- Identifies operational and maintenance cost impact (O&M) including replacements.

CAPITAL IMPROVEMENTS PROGRAM IMPLEMENTATION

Step One

Adopt a CPC Bylaw and Appoint a CPC Committee

To establish a formal CIP process, the Town of Newbury adopted a CPC bylaw at the Town of Newbury Annual Town Meeting held on May 5, 2007 to create and empower a CPC committee (MGL Chapter 41 § 106B). *[Adopted by the Annual Town Meeting of the Town of Newbury 5-22-2007 by Art. 18. Amendments noted where applicable.]*

§ 12-1. Committee Appointed; terms.

There is hereby established a Capital Planning Committee consisting of the Director of Municipal Finance, two members of the Finance Committee annually chosen by it, and two members appointed by the Selectmen from among the registered voters of the Town, who shall be appointed for a term of two years on a staggered basis so that one such member's term expires each year. Any vacancy shall be filled for the unexpired term in the manner of the original appointment. The Capital Planning Committee shall annually choose a chairman and such other officers as it deems appropriate.

§ 12-2. Powers and duties.

It shall be the duty of the Capital Planning Committee to develop a long-range capital planning program to serve as a guideline for capital improvements in the Town with an eye towards ensuring the maintenance of its public infrastructure and planning for new capital improvements. The Capital Planning Committee shall be specifically concerned with physical facilities such as land, buildings, or other structures, as well as pieces of equipment requiring a relatively large investment and having a relatively long useful life. The first capital plan covering the fiscal years 2009-2014 inclusive shall be submitted to the Board of Selectmen and Finance Committee at the same time as the submission of the fiscal year 2009 annual budget and shall take effect, once approved, on July 1, 2008.

The first capital plan and an updated five year plan shall be submitted each year as aforesaid, and included in the Warrant for consideration by the Annual Town Meeting. The Committee will meet as often as necessary to review capital needs and requests and to update the plan. The Committee shall also recommend appropriate methods of financing the proposed capital improvements and shall summarize in more general terms the major improvements anticipated during the five-year period.

Guidelines for the planning process, defining what constitutes a capital improvement for the purposes of this by-law, specifying minimum cost and useful life of capital improvements to be considered in the plan, the proportion of the total budget to be devoted to outstanding and current capital projects, and any restrictions of methods of financing, shall also be established on the recommendations of the Capital Planning Committee.

The Board of Selectmen may also want to consider adopting formal policies to guide Newbury's capital improvement and debt management processes. Sample policies are included in the Appendix: Exhibits II and III.

While it is not necessary to adopt a CIP bylaw or formal debt and CIP policies to establish a sound CIP process, such formal guidelines can provide valuable direction. One of the first tasks of the Capital Planning Committee is to prepare a timetable for completing the CIP annually.

This schedule should be given to all local officials involved in the CIP process. A sample CIP schedule on the following page outlines each of the 10 steps that this manual covers. This schedule is based on a May (fourth Tuesday) Annual Town Meeting as the annual starting point.

[Sample]
CAPITAL IMPROVEMENTS PLANNING SCHEDULE

- Annual Town Meeting: Adopt CIP bylaw and appoint CIP Committee (if required).
- Oct. 1 - Nov. 1: CIP Committee prepares inventory of current facilities with involvement of Department heads. CIP Committee surveys status of previously approved projects.
- Nov. 1 - Dec. 1: CIP Committee prepares financial analysis. Departments prepare and submit requests for new or additional funds needed.
- Dec. 1 - Jan. 1: CIP Committee reviews and ranks requests.
- Jan. 1 - Feb. 1: CIP Committee prepares six-year schedule of projects and makes decision on method of financing based upon financial analysis and review with Finance Committee for comment.
- Feb. 1 - Feb. 20: CIP Committee presents *recommended* Capital Budget and Capital Program to the Board of Selectmen. Board reviews CIP. Board holds public hearing. Board approves and prepares CIP capital budget recommendations.
- Feb. 20 - Apr. 15: Finance Committee and Town Administrator reviews Capital Budget along with funding strategy, confers with the BOS as needed, and prepares its recommendation for Town Meeting. Projects scheduled for upcoming year are incorporated into budget.
- Apr. 1 - Apr. 15: Distribution or notification to citizens of proposed capital budget and five year capital plan.
- May (fourth Tuesday): Town Meeting approval of upcoming year's capital budget and review of capital plan, followed by department head preparation for acquisition, project management plan (if needed), and development activities *beginning* on July 1.
- July 1-Ongoing: Beginning of fiscal year; monitoring of new and ongoing projects.
- Next fiscal year: Update Capital Program.

Step Two

Prepare an Inventory of Existing Facilities

The initial task for the CIP Committee is to prepare a complete inventory of all town owned properties, facilities and assets. At a minimum, the inventory should include all buildings and equipment; it is desirable for the inventory to include utilities, roads and sewers as well.

Included in the Appendix is a sample form (*Exhibit IV, Form A*) on which to collect inventory data from department heads. 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.*

Step Three

Determine the Status of Previously Approved Projects

The next step is to 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 program by the Committee. No special format is suggested for this report, but it should be completed before department heads submit their requests for new projects.

Step Four

Assess the Town's Financial Capacity

With the assistance of the town accountant, treasurer, and chief administrative officer, 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 post-employment costs.

The Committee should also assess the anticipated impact of new projects on the Town's annual operating budget. The analysis should be included with the Committee's presentation of the capital budget and program to the Selectmen. This financial analysis will permit the scheduling of funding sources to complete the following:

- 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

Step Five

Solicit, Compile and Evaluate Project Requests

The CIP Committee should solicit departmental recommendations for CIP projects. Using or adapting the forms in the Appendix (*Exhibit IV, Forms B and C*), 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 on *Forms B and C* and meeting with the requesting department head or board member, if necessary. Among the questions the Committee should answer are the following:

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 and maintenance expenses, including replacements); 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?
6. Can the project be effectively managed and maintained with existing staff once implemented?

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

Step Six

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 Committee's duties, although the adoption by the Board of Selectmen of Capital Improvement Budget Policies and Debt Policies (such as *Exhibits II and III* in the Appendix) can provide helpful guidance.

In addition to adopted policies, a rating sheet also encourages objectivity. It can assist the Committee in the development of numerical ranking of projects and help in the setting of project priorities. A sample rating sheet is included in the Appendix (*Exhibit IV, Form E*). It can provide assistance in evaluating projects according to six criteria and translating subjective project information and the Committee's independent analysis into objective numerical weights. These weights can guide the Committee in establishing project priorities. The rating sheet can be modified according to the Committee's needs.

Whether or not a rating sheet is used, the CIP Committee should review each project utilizing a consistent set of objective-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.

Step Seven

Develop a CIP Financing Plan

Based upon the adopted debt and CIP policies and the assessment of the town's financial capacity, the Committee should recommend the method of financing each project. There are a number of ways to finance capital improvement projects. (A rolling, five year, pro-forma capital financing projection would help to identify the financial strategies needed.) Some of the most common long and short-term financing options are as follows:

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).

Step Eight

Adopt a Capital Improvement Program

The CIP Committee's completed report should be first reviewed by the full Finance Committee and Town Administrator, and then presented to the Board of Selectmen for review and adoption. The report should 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 (*Step Four*). *Forms D and Form F (in Exhibit IV)* can be used to consolidate project information in the Committee's report.

Form D, "*Detailed Project Description*," is 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.

Form F is an example of how all project requests can be consolidated into a single "*Municipal Project Summary*" for the entire town. It is this final document that is presented to the Selectmen as the CIP Committee's recommended Capital Budget and Program covering the next six years. If the Selectmen would like additional information about requested projects, they may review copies of each department head's project request forms, *Forms B and C*.

The Board of Selectmen 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 Board of Selectmen then considers (and may amend) the proposed Capital Budget and Capital Program 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 Program. A Finance Committee recommendation to amend the Capital Budget suggests disagreement with portions of the Capital Program. Those differences should be resolved with the Selectmen prior to Town Meeting.

On the Annual Town Warrant, the Selectmen'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 Selectmen should be moved by the Selectmen at the Annual Town Meeting (unless other town meeting procedures normally prevail).

However, noted in the proposed bylaw creating the CIP Committee (*see Appendix, Exhibit I*), no appropriation may be voted for a capital expenditure that has not been considered in the CIP Committee's report to the Selectmen (unless the CIP Committee explains the omission in writing).

The entire Capital Improvements Program is also presented at the Annual Town Meeting by the Selectmen with the assistance of the (*Capital Planning Committee*). 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 advantages of presenting the entire program and budget to the Town Meeting are as follows:

- Town Meeting is kept informed of the ongoing need for large capital expenditures in many town departments.
- Town Meeting is provided an opportunity to look to the future and consider the quality of services that will be provided.
- Town Meeting's adoption of the Capital Budget informs the community at large of the commitment to plan for and fund the acquisition and/or development and renewal of capital facilities.

Step Nine

Monitor Approved Projects

Once the Annual Town Meeting has adopted the Capital Budget and the fiscal year begins, departments are authorized to begin project implementation. The Board of Selectmen, through its CIP Committee, should monitor the efforts of the departments. Periodic reports by the CIP Committee to the Selectmen 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 on a quarterly or other regular basis. These updates should provide the information necessary to complete *Step Three*, determining the status of approved projects.

Step Ten

Update Capital Program

Subsequent annual updating of the Capital Program involves repeating Steps Two through Nine 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 towns 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.

APPENDIX

Exhibit I: Bylaw Creating a CIP Committee – SAMPLE

Exhibit II: Capital Improvements Budget Policies

Exhibit III: Debt Policies

Exhibit IV: Capital Improvements Program Forms

Form A: Capital Facilities & Equipment Inventory

Form B: Capital Project Request

Form C: Capital Project Request for Equipment Purchase or Major Rental

Form D: Detailed Project Description

Form E: Capital Improvement Rating Sheet

Form F: Capital Improvements Program Municipal Project Summary – SAMPLE

EXHIBIT I

SAMPLE

BYLAW CREATING A CAPITAL IMPROVEMENT PLANNING COMMITTEE

Section 1. The Board of Selectmen shall establish and appoint a committee to be known as the Capital Improvement Planning Committee, composed of two members of the Finance Committee, two members of the general public and the Town Administrator. The Town Accountant (or the Executive Secretary or other administrative officer) shall be an ex-officio Committee staff member without the right to vote. The Committee shall choose its own officers.

Section 2. The Committee shall study proposed capital projects and improvements involving major non-recurring 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 \$10,000.

All officers, boards and committees, including the Selectmen and the School Committee, shall, by November 1st of each year, give to the Committee, on forms prepared by it, information concerning all anticipated projects requiring Town Meeting action during the ensuing six years. The Committee shall 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 shall be voted for a capital improvement requested by a department, board or commission unless the proposed capital improvement is considered in the Committee's report, or the Committee shall first have submitted a report to the Board of Selectmen explaining the omission.

Section 3. The Committee shall 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 five fiscal years. The report shall be submitted to the Board of Selectmen for its consideration and approval. The Board shall submit its approved Capital Budget to the Annual Town Meeting for adoption by the town.

Section 4. Such Capital Improvement Program, after its adoption, shall permit the expenditure on projects included therein of sums from departmental budgets for surveys, architectural or engineering advice, options or appraisals; but no such expenditure shall be incurred on projects which have not been so approved by the town through the appropriation of sums in the current year or in prior years, or for preliminary planning for projects to be undertaken more than five years in the future.

Section 5. The Committee's report and the Selectmen's recommended Capital Budget shall be published and made available in a manner consistent with the distribution of the Finance Committee report. The Committee shall deposit its original report with the Town Clerk.

Source: Adapted from a form presented in the *"Massachusetts Finance Committee Handbook"*, Stuart DeBard, Association of Town Finance Committees.

EXHIBIT II

CAPITAL IMPROVEMENT BUDGET POLICIES Town of Newbury

- The town will make all capital improvements in accordance with an adopted capital improvement program.
- The town will develop a multi-year plan for capital improvements and update it annually.
- The town will enact an annual capital budget based on the multi-year capital improvement plan. Future capital expenditures necessitated by changes in population, changes in real estate development or changes in economic base will be calculated and included in capital budget projections.
- The town will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvement will be projected and included in operating budget forecasts.
- The town will use intergovernmental assistance to finance only those capital improvements that are consistent with the capital improvement plan and priorities, and whose operating and maintenance costs have been included in operating budget forecasts.
- 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, as part of its capital planning process, will project its equipment replacement and maintenance needs for the next several years and will update this projection each year. From this projection, a maintenance and replacement schedule will be developed and followed.
- The town will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to Town Meeting for approval.
- The town will determine the least costly financing method for all new projects.

Source: *"Handbook 4, Financial Performance Goals"*, Evaluating Local Government Financial Condition, International City Management Association.

EXHIBIT III

DEBT POLICIES Town of Newbury

- The town will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues.
- 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.
- On all debt-financed projects, the town will make a down payment of the total project cost from current revenues as determined feasible by the Board of Selectmen and Finance Committee.
- Total debt service for general obligation debt will be determined by the Board of Selectmen and Finance Committee as feasible.
- Total general-obligation debt will not exceed that provided in the state statutes.
- Where possible, the town will use special assessment, revenues or other self supporting bonds, instead of general obligation bonds.
- The town will not use long-term debt for current operations.
- The town will retire bond anticipation debt within six months after completion of the project.
- The town will maintain good 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.

Source: *"Handbook 4, Financial Performance Goals"*, Evaluating Local Government Financial Condition, International City Management Association.

EXHIBIT IV

CAPITAL IMPROVEMENTS PROGRAM FORMS

Form A: Capital Facilities & Equipment Inventory

Form B: Capital Project Request

Form C: Capital Project Request for Equipment Purchase or Major Rental

Form D: Detailed Project Description

Form E: Capital Improvement Rating Sheet

Form F: Capital Improvements Program Municipal Project Summary – SAMPLE

FORM A

CAPITAL FACILITIES & EQUIPMENT INVENTORY
Town of Newbury

Equipment or Facility	Year Built or Acquired	Latest Major Improvement	Condition (1)	Extent of use (2)	Target Date
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					

(1) Report as fair, good, and excellent.
(2) Report as light, moderate, and heavy.