

## **CAPITAL PROGRAM AND BUDGET POLICY**

### **Town of Highgate**

**PURPOSE:** The purpose of this Capital Program and Budget Policy is to establish a capital improvement program (CIP) for the Town of Highgate in accordance with 24 V.S.A. § 4433. The capital assets of the Town and their condition are critical to the quality of services provided to the municipality. A CIP is a multi-year financial plan for the construction or acquisition of capital assets. It provides for the planning of future financial resources and financing of projects (including allocations from current operating budgets, funding of capital reserves, or the use of capital debt). A CIP also identifies the future financial resources required to operate and maintain capital assets once they have been acquired. Through a CIP, the Town can plan future operating budget expenditures, debt repayment requirements, and potential reserve fund needs in order to better manage its long-term financial position.

**CAPITAL IMPROVEMENT PLAN AND BUDGET:** The selectboard will adopt a six-year CIP for the Town of Highgate. This plan will include the Town's plan of capital projects proposed to be undertaken during each of the following six years, the estimated cost of those projects, and the proposed method of financing. The selectboard will review and update the CIP annually.

The CIP will be arranged to indicate order of priority of each capital project and to state for each project the following: (1) a description of each proposed project and the estimated total cost of the project; (2) the proposed method of financing, indicating the amount proposed to be financed by direct budgetary appropriation or duly established reserve funds, the amount estimated to be received from the federal or state government, the amount to be financed by impact fees, and the amount to be financed by the issuance of debt obligations, showing the proposed type or types of obligations, together with the period of probable usefulness for which they are proposed to be issued; and (3) an estimate of the effect, if any, upon operating costs of the municipality.

Each year, the selectboard will develop a capital budget that lists and describes the capital expenditures to be undertaken by the Town during the coming fiscal year. As resources are available, the capital budget will be incorporated into the current year operating budget.

**CAPITAL EXPENDITURES.** For purposes of this document a capital project or asset is defined as:

1. A major expenditure that has a gross cost of at least five thousand (\$5,000) dollars; and
2. Having a useful life of five (5) years or more; and
3. Considered beyond the scope of normal annual operating expenses; or
4. Any project that requires bond financing.

As defined by Statute (24 VSA 117 § 4430), a capital project or asset is one or more of the following:

1. A physical betterment or improvement, including furnishings, machinery, apparatus, or equipment for that physical betterment or improvement when first constructed or acquired; or
2. Any preliminary studies and surveys relating to any physical betterment or improvement; or
3. Land or rights in land; or
4. Any combination of the three.

**RESERVE FUNDS.** In conjunction with the Town's debt management policy, the selectboard shall annually propose funding of reserve funds created in accordance with 24 V.S.A. § 2804 to accumulate resources to pay for items included in the CIP. The use of such reserve funds should minimize large fluctuations in the tax rate and will reduce the need for incurring additional debt. Other capital improvements may be funded by bond issue or through the operating budget.

**PRIORITY CRITERIA:** In order to identify what capital projects and assets should be included in the Capital Improvement Program; the following two part process will be used to review and establish their priority.

**Evaluate the Need.** Capital projects and/or assets will be evaluated based on the criteria below to assess the need and readiness of the project or asset for incorporation into the six-year program.

1. The project or asset is required under a state or federal mandate, law or regulation.
2. The project or asset will mitigate or eliminate a known health or safety threat.
3. The project or asset is based on a contractual obligation of the Town.
4. The project or asset will improve the quality of existing infrastructure.
5. The project or asset will maintain and improve the delivery of public services to the majority of the population.
6. The project or asset is identified in an existing plan or report
7. The project or asset is identified as being feasible based on prior planning.
  - a. The project or asset conforms to the Town plan.
  - b. The engineering and architectural designs are satisfactory.
  - c. The implementation schedule seems reasonable in terms of timing phasing and available funding.
8. State or federal grant funds are available to assist in funding the project or asset.

**Establish the Priority.** The following system should be utilized to assess the relative priority of capital projects and/or assets requested by the various departments. Each proposed project and/or asset shall be initially prioritized by the department heads. This prioritization will be reviewed by the Treasurer and Planning Commission.

Each capital project or asset shall be individually assessed a priority rank based on the description below:

**U – Urgent:** Cannot be delayed; Need to address health or safety concern.

**C – Committed:** Part of an existing contractual agreement or otherwise legally required.

**N – Necessary:** Need within one, two, or three years to maintain basic level and quality of community services.

**D – Desirable:** Needed within four, five, or six years to improve quality or level of services.

**F – Deferrable:** Can be placed on hold until after six year period, but supports community development goals.

**R – Research:** Pending results of ongoing research, planning and coordination.

**I – Inconsistent:** Conflicts with an alternative project or solution recommended by the Capital Budget. Contrary to land use planning and community development goals.

The foregoing Capital Program and Budget Policy is hereby adopted by the Selectboard of the Town of Highgate, Vermont, this 17<sup>th</sup> day of DECEMBER, 2015, and is effective as of this date until amended or repealed.

Town of Highgate Selectboard



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