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A Capital Improvements Plan is Not Just a Wish List

David L. Stack, Bow Town Manager

The preparation and adoption of a Capital Improvements Plan (CIP) is an important part of a municipality's financial planning and budgeting process. The purpose of the plan is to recognize and resolve deficiencies in existing public facilities and anticipate and meet future demand for capital facilities and the replacement of vehicles and equipment. A plan typically includes all of the anticipated capital expenditures of a town/city, library and school district for the next six-year period.

Department	Project Name	Fiscal Year	2022	2023	2024	2025	2026	2027	2028	
Public Works	Water Main Replacement	2022	100,000							
	Street Lighting Upgrade	2023		150,000						
	Fire Station Renovation	2024			200,000					
	Parkway Paving	2025				180,000				
	Public Safety Training	2026					120,000			
	Police Vehicle Replacement	2027						100,000		
	Fire Department Equipment	2028							150,000	
	Public Works Vehicle Fleet	2022-2028	50,000	50,000	50,000	50,000	50,000	50,000	50,000	
	TOTAL PUBLIC WORKS		150,000	150,000	250,000	180,000	120,000	100,000	150,000	
	Public Safety	Police Training	2022	20,000						
Police Vehicle Replacement		2023		30,000						
Fire Department Equipment		2024			40,000					
Police Vehicle Replacement		2025				20,000				
Police Training		2026					10,000			
Police Vehicle Replacement		2027						15,000		
Police Training		2028							15,000	
TOTAL PUBLIC SAFETY			20,000	30,000	40,000	20,000	10,000	15,000	15,000	
Public Buildings		Police Station Renovation	2022	100,000						
		Police Vehicle Replacement	2023		30,000					
	Police Training	2024			40,000					
	Police Vehicle Replacement	2025				20,000				
	Police Training	2026					10,000			
	Police Vehicle Replacement	2027						15,000		
	Police Training	2028							15,000	
	TOTAL PUBLIC BUILDINGS		100,000	30,000	40,000	20,000	10,000	15,000	15,000	
	Public Services	Police Training	2022	20,000						
		Police Vehicle Replacement	2023		30,000					
Police Training		2024			40,000					
Police Vehicle Replacement		2025				20,000				
Police Training		2026					10,000			
Police Vehicle Replacement		2027						15,000		
Police Training		2028							15,000	
TOTAL PUBLIC SERVICES			20,000	30,000	40,000	20,000	10,000	15,000	15,000	
TOTAL			170,000	180,000	290,000	200,000	130,000	115,000	165,000	

A CIP is an advisory document that can serve a number of purposes, among them to:

- Guide the Board of Selectmen, School Board, Library Trustees and Budget Committee in the annual budgeting processes;
- Contribute to stabilizing the Town's real property tax rate;
- Aid the prioritization, coordination, and sequencing of various municipal improvements;
- Inform residents, business owners, and developers of planned improvements;
- Provide the necessary legal basis, continued administration and periodic updates of impact fees.

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Authorization for the formation of a CIP Committee is found in RSA 674:5. The statute provides two options: 1) assign the responsibility for preparation of the plan to the planning board or 2) permit the governing body of the municipality to appoint a capital improvement program committee, which must include at least one member of the planning board and may include, but not be limited to, other members of the planning board, the budget committee, or the town or city governing body. Both options require the approval of the provisions of the statute by the legislative body.

Prior to 2013, Bow's Capital Improvement Plan was prepared by a sub-committee of the planning board. The process typically took only a few hours and the sub-committee only reviewed the new projects that were being proposed. The large bulk of the plan involved the replacement and purchase of trucks, police cars and equipment. The plan did not include an important and integral piece of any good CIP plan including capital projects, construction and renovation of building, bridge replacement, culvert replacement and similar type projects.

A few years back, the town was going to be making the last bond payment on the new high school that was built by the town in 1996. There was concern that there would be a "mad rush" by the board of selectmen, school board and library trustees to fill the gap with large capital projects utilizing the amount of the annual debt service on the bond to offset the tax impact of the new projects. As such, there was a need to manage this process and review and prioritize the capital needs of the town. This concern was raised with the board of selectmen and it was proposed that approval be sought at the next town meeting to approve the "alternative" approach for forming a CIP committee. This alternative was adopted in the Town of Pembroke when I served as Town Administrator for that community. In time, the process became a recognized and important piece of the planning and budgeting process. The CIP concept of capital planning became a very familiar document to all and reference to the plan became the norm during board and committee meetings, as well as the annual town meeting. This has proven to be the case in Bow as well.

The proposal for a new committee structure and process was presented to and approved by the Bow Town Meeting. The adopted proposal calls for the committee to consist of one planning board representative, one budget committee representative, one board of selectmen representative, one school board representative and three citizens at large.

Bow's CIP plan includes requests that have been placed in the six-year CIP program for projects exceeding \$25,000, spreadsheets of the schedule, funding sources, tax impacts, and other required information. Projects not meeting either CIP criteria or projected six-year window are identified as possible future projects.

There are five steps used to develop the CIP plan in Bow:

First Step: The first step in the process is the collection of project sheets from all departments. The sheets are tailored by the CIP Committee and finance director to generate information that defines the relative need and urgency for projects, and which also enables long-term monitoring of the useful life and returns from projects.

Second Step: A draft of the plan is compiled by the finance director and submitted to the town manager. This provides an opportunity for the manager and department heads to review and discuss the projects and make adjustments.

Step Three: The draft plan is submitted to the board of selectmen for its review and comment before presenting the plan to the CIP Committee.

Step Four: The CIP Committee meets with the town manager and finance director throughout the spring and summer to review the draft and develop the final plan. Requestors are sometimes asked to come before the CIP Committee, as needed, to explain their capital needs and priorities. The Committee also explores any alternative approaches available to meet the capital needs of the town, including the use of capital reserve funds, bonding, grants, etc.

There are several different financing methods utilized to fund capital projects. Four methods require appropriations; either as part of the town's annual operating budget or as independent warrant articles at town meeting.

- General Fund (GF) is the most common method, and refers to those projects proposed to be funded by property tax revenues within a single fiscal year.
- Capital Reserve Fund (CRF) requires appropriations over more than one year, with the actual project being accomplished only when the total appropriation meets the project cost.
- Lease/Purchase (LP) method has been used by the school district and other departments for the purchase of major vehicles.
- Bonds (BD) are generally limited to the most expensive capital projects, such as major renovations, additions, or new construction of school or municipal buildings or facilities, and allows capital facilities needs to be met immediately while spreading out the cost over many years in the future.
- Fund Balance (FB) may be used to finance capital projects as approved by town meeting.
- Impact Fees (IF) are collected from new development to pay for new facility capacity and placed in a fund until they are either expended within six years as part of the project finance or returned to the party they were collected from.
- Grants (GR) are also utilized to fund capital projects in Bow. Typically, grants will cover a portion of the overall project cost, and the town is responsible for the remaining percentage of the project cost.
- To Be Determined (TBD) Uncertain of cost, funding or project timeline.
- Tax Increment Financing (TIF) Districts allow the town to use increases in valuation of property to directly pay off bonds for infrastructure improvements and capital projects in the district. TIF Districts are set up and administered according to RSA Chapter 162-K.
- Public/Private Partnerships (PPP) Lastly, the town can take advantage of public/private partnerships, where a private organization shares the costs of funding a capital project.

Step Five: Once adopted by the Committee, the CIP is submitted to the town manager, board of selectmen, school board, and library trustees for consideration during the preparation of their proposed budgets.

It must be emphasized that the CIP is purely advisory in nature. Ultimate funding decisions are subject to the budgeting process and the annual town meeting. The CIP Committee brings project requests and needs to the attention of the town's leaders and citizens, along with recommended priorities, in the hope of facilitating decision making by the town.

A CIP is not just a wish list. In one community, a member of the board of selectmen asked if the plan was going to be shown to the budget committee and the citizens. This selectman was concerned that it would be felt that the town was just proposing large expenditures of funds and searching for ways to spend the taxpayers' money. That is quite the opposite of why a CIP is formulated and updated each year. The purpose of a CIP is to provide this information in a clear and transparent manner. Over time, the plan is seen as a vital component of the budgeting process and as financially prudent planning for the future.



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