

CAPITAL IMPROVEMENTS PROGRAM – (CIP)

A capital improvements program is composed of two parts— CAPITAL BUDGET and 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). The capital program is a plan for capital expenditures that extends five years beyond the capital budget.

A Capital Improvements Program benefits the town by:

1. Focusing attention on town objectives and financial capacity.
2. Coordinating the scheduling of individual projects.
3. Facilitating understanding between capital needs and operating budgets.
4. Enhancing the community’s credit rating, controlling its tax rate and helping to maintain a consistent minimum level of spending for capital projects.
5. Identifying and coordinating the most appropriate means of financing projects.
6. Keeping the public informed about capital needs and projects.

CAPITAL EXPENDITURES DEFINITION

By definition, this includes major maintenance, major repairs, major replacements, major equipment acquisitions, refurbishments, and new projects for buildings, roads, and equipment.

It will not include department vehicles, equipment, and technology that is replaced or upgraded annually in approximately the same quantity.

Example: A tractor that services fields for the town and schools, which is replaced every 15-20 years is a capital expenditure. A police vehicle that is part of a replacement program (trade in) is not a capital item because every year new vehicles are needed to replace older ones on a schedule.

- This policy can be amended if and when new advancements or other circumstances currently unknown may change or alter in part, or in whole, the above policy by virtue of amendment and approval by committee, and by town vote, in order to facilitate a new definition for said policy.

1. Construction of new buildings
2. Major renovation of, or additions to, existing buildings
3. Land acquisition or major land improvements
4. Street reconstruction and/or resurfacing
5. Major equipment acquisition and refurbishment
6. Planning, feasibility studies, and design for potential capital projects

Evaluation of CIP Projects

The capital improvement program shall include those projects that will preserve and provide, in the most efficient manner, the infrastructure necessary to achieve the highest level of public services and quality of life possible within the available financial resources.

Only those projects that have gone through the CIP review process shall be included in the CIP. The CIP shall be developed in concert with the operating budget and shall be in conformance with the Board's CIP financing policy. No project, regardless of the funding source, shall be included in the CIP unless it meets an identified capital need of the Town and is in conformance with this policy.

Capital improvement projects shall be thoroughly evaluated and prioritized using the criteria set forth below. Priority will be given to projects that preserve essential infrastructure. Expansion of the capital plan (buildings,

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Sources: Town of Brookline, MA CIC Policy, Town of Franklin, MA Finance Policy, Town of Reading, MA Financing Policy, MA Department of Revenue, Capital Improvement Committee Member Input. This policy is supported by Standard & Poor’s Financial Document.

facilities, and equipment) must be necessary to meet a critical service. Consideration shall be given to the distributional effects of a project and the qualitative impact on services, as well as the level of disruption and inconvenience.

The evaluation criteria shall include the following:

1. Eliminates a proven or obvious hazard to public health and safety.
2. Required by legislation or action of other governmental jurisdictions.
3. Supports adopted plans, goals, objectives, and policies.
4. Reduces or stabilizes operating costs.
5. Prolongs the functional life of a capital asset of the Town by five years or more.
6. Replaces or repairs a clearly obsolete facility or capital equipment item; or maintains and makes better use of an existing facility or capital equipment item.
7. Prevents a substantial reduction in an existing standard of service.
8. Directly benefits the Town's economic base by increasing property values.
9. Provides new programs having social, cultural, historic, environmental, economic, or aesthetic value.
10. Utilizes outside financing sources such as grants and borrowing.

CIP Financing Policies

It is recognized that a balance must be maintained between operating and capital budgets so as to meet the needs of both to the maximum extent possible. The capital improvements program shall be prepared and financed in accordance with policies yet to be determined.

Respectfully Submitted,

The Municipal Capital Improvement Committee

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