

TOWN OF EAST HADDAM CAPITAL IMPROVEMENT PROGRAM (CIP) POLICY

Purpose:

The purpose of the Capital Improvement Program Policy is to outline guidelines for the multi-year capital plan, the annual capital financing, and post-project evaluation.

The Capital Improvement Program (CIP):

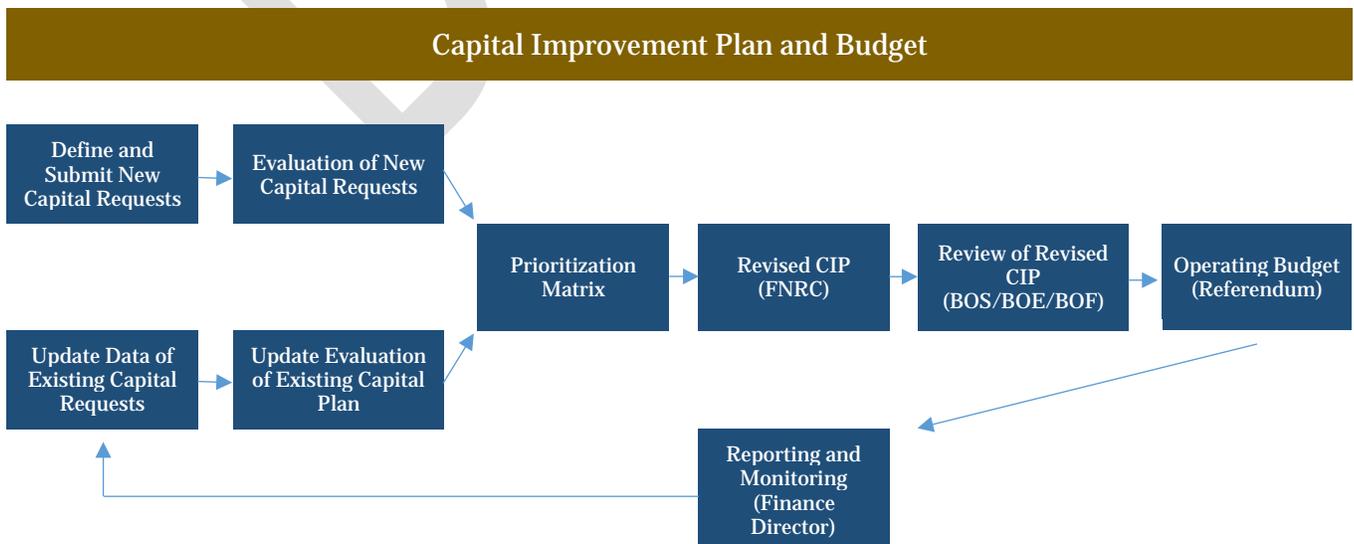
- Maintains integrity of capital infrastructure.
- Facilitates coordination between capital needs and the capital budget.
- Enhances the community's credit rating, control of its tax rate, and avoids sudden changes in its debt service requirements.
- Keeps the public informed about future needs and projects.
- Relates public facilities to other public and private development plans.
- Encourages careful project planning and design to avoid costly mistakes and help the community reach desired goals.
- Focuses attention on community objectives and funding requirements.
- Coordinates the activities of municipal departments to reduce or avoid duplication.

Conditions:

The CIP is composed of two parts—the Capital Plan and the Capital Budget:

1. **Capital Plan:** The capital plan is a projection of the Town's capital needs and is key to an effective capital budgeting process. The Town of East Haddam's capital plan is a ten-year outlook of capital projects and needs, the first year is the current fiscal year with nine subsequent years. The capital plan provides a projection of future financing requirements and is an important tool for growth management. The capital plan does not impart spending authority, as the spending authority lies with the capital budget.
2. **Capital Budget:** The capital budget is the spending authorization for capital items—tangible assets or projects that cost at least \$10,000 and have a useful life of at least five years. The establishment of the Capital Budget in conjunction with the annual operating budget process to ensures effective utilization of the Town's overall resources.

Capital Improvement Program Process:



1. **Define and Submit New Capital Requests/Update Data of Existing Capital Plan:**

Each year as part of the annual budget process, the Finance Director will request ideas for capital expenditures as well as updates of existing items on the Capital Plan from Town departments, the school district, boards and commissions.

Capital by definition includes major maintenance, repairs and replacements, as well as refurbishments of major equipment, acquisitions and improvements of buildings, land, roads and equipment.

Requestors will be required to complete a Capital Needs Request form for both new ideas and to update existing items. This form is incorporated as part of the policy as Appendix A.

The Finance Director will review all requests and updates for completeness in preparation for the Financial Needs Roundtable Committee's evaluation.

2. **Capital Request Categories:**

Capital requests will typically fall into three broad categories:

- a. **Large or complex requests:** These should receive the greatest scrutiny by the Committee using the rating scale and priority matrix below.
- b. **Items which do not adhere to normal maintenance, replace or resupply protocols and smaller, less complex requests:** These should be reviewed by the Committee in order of importance and impact.
- c. **Routine, scheduled maintenance, replacement or resupply, etc.:** These should first be reviewed by staff and if they raise no questions about adherence to normal maintenance, replacement or resupply protocols, these may be reviewed by the Committee at its discretion.

3. **Evaluation of New Capital Requests/Update Evaluation of Existing Capital Plan:**

Each year as part of the annual budget process, the FNRC will review all new capital requests, as well as items already on the Capital Plan. The first step in the FNRC process is develop an initial "score" for the prioritization matrix process for each capital item:

Criteria	Description	Rating Scale (1-9)
Capital Requirements	Is the capital request needed to meet legal, compliance, safety or regulatory mandates?	1=not required or mandated 5=pending requirement 9=required or mandated
Strategic Alignment	To what extent is the capital request aligned with the town's overall strategies?	1=no alignment with strategies 5=partial alignment with strategies 9=full alignment with strategies
Value to Citizens	How much value will the outcome of this capital request bring to our citizens?	1=minimal value 5=partial value 9=high value

Requests which do not achieve a score greater than three need not be further evaluated. Acceptable scores are factored into the Capital Prioritization Matrix (please see below).

4. **Prioritization Matrix:**

The FNRC will evaluate capital requests using the criteria provided in this policy with weightings given to each measurement area. Only those capital requests that have gone through the CIP review process shall be included. No capital request, regardless of funding source, shall be included in the CIP unless it meets the identified capital needs of the Town and is in conformance with this policy.

The FNRC will use a prioritization matrix that provides structure, objectivity, and a multi-dimensional approach to ranking capital items. The purpose of the matrix tool is to help achieve consensus among a diverse group by reducing the subjectivity in the decision-making process while prioritizing complex issues. The FNRC will complete the Capital Prioritization Matrix exercise for both new and existing capital items. This form is incorporated as part of the policy as Appendix B.

The prioritization score from Step 2, is multiplied by the weightings below. For items that do not apply, a weighting factor of “1” is used. This process establishes a score ranking each of the capital requests. A sample completed form is provided as part of Appendix B.

Priority Ranking Criteria	Weighting Factor
Public Health and Safety: Does the request address a hazard to public health or safety?	1.50
Employee Health and Safety: Does the request address a hazard to employee health or safety?	1.25
Regulatory Mandate: Is the request required by legislation or action of other governmental jurisdictions?	1.50
Availability of Funding: Are there grants, endowments or reserves available to pay for the request?	1.50
Generates Revenue: Does the request directly benefit the town’s economic base by increasing the Grand List and/or property values?	1.50
Future Operating and/or Capital Costs: Does the request reduce, stabilize or increase operating costs? Reduce Stabilize Increase	1.50 1.25 0.50
Age or Condition of Existing: Does the request replace or repair an existing facility or capital item that has experienced frequent problems, or is a clearly obsolete facility, capital equipment item, or prolong the functional life of the asset by five years or more?	1.25
Public Benefit: Does the request change an existing standard of service? Prevents Reduction in Service or Stabilizes Service Level Improves Service Level	1.25 1.50
Public Demand: Does the request provide new programs having social, cultural, historic, environmental, economic or aesthetic value that the public is asking for?	1.25

Priority Ranking Criteria	Weighting Factor
Synergy with Other Projects: Does the request work well with another project (for example paving more than one location for a cost savings)?	1.25
Strategic Goal: Does the request support the Strategic Goals of the Town and conform with the Plan of Conservation and Development?	1.50

5. **Financial Needs Roundtable Proposed Revised Capital Improvement Plan for Review by the Boards of Selectmen, Education and Finance:**

The FNRC, after thorough evaluation of the CIP, will rank the capital requests, consult with the Finance Director to ensure that capital requests are consistent with the Five-Year Outlook (please see Budget Policy), make any necessary adjustments and provide a revised CIP to the Boards of Selectmen, Education and Finance for their consideration.

The Boards of Selectmen, Education and Finance review and consider the revised CIP, as recommended by the FNRC, determining what to incorporate into the annual budgeting process.

The Board of Finance determines viability and sources of funding—i.e. savings, bonding, reserves, grants or taxation, and produces a final budget to the citizens for approval at referendum.

6. **Operating Budget Approved at Referendum:**

The approval of the Operating Budget at referendum approves the funding of the Capital Budget.

7. **Reporting and Monitoring (Finance Director):**

The Capital Budget/Operating Budget Reporting and Monitoring will be completed in accordance with the Board of Finance Budget Policy.

Adopted _____
 Effective _____
 Revised _____