

Capital Improvements Program

Proposed by Litchfield Budget Committee

January 26, 2015

What: A Capital Improvements Program is a blueprint for planning a community's capital expenditures and is one of the most important responsibilities of local government officials. It coordinates community planning, financial capacity and physical development.

It is composed of two parts – a capital budget for the coming year and a capital program looking forward for the next five years.

See "Introduction - What is a Capital Improvements Program?" attached

Why: A CIP facilitates a future view of expected capital expenditures to facilitate smoothing changes to local property tax rates and indebtedness. It serves as a communications tool between the Selectmen, Town departments and citizens to set common expectations about current and future needs and methods.

The preparation and maintenance of a CIP was proposed in the 2013 Comprehensive Plan Update which was adopted at the 2013 Annual Town Meeting.

Who: Responsibility for the preparation and maintenance for the preparation and maintenance of the CIP rests with the Town Manager under the direction of the Selectmen. The Budget Committee will assist with developing the process and review the content, but cannot own the program.

How: The Litchfield Budget has offered to work with the Selectmen and Town Manager to develop a process for establishing a CIP and utilizing it as best we can in preparing the proposed 2015-16 Town Budget. We propose that we start simply and tune the process in future years.

INTRODUCTION - WHAT IS A CAPITAL IMPROVEMENTS PROGRAM?

A capital improvements program is a blueprint for planning a community's capital expenditures and is one of the most important responsibilities of local government officials. It coordinates community planning, financial capacity and physical development.

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

Development of a CIP that will insure sound fiscal and capital planning 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. The Committee begins the CIP process by forwarding its recommended capital budget and program to the Selectmen. The Selectmen 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.**