Town of Fair Haven THE SLATE CENTER OF THE NATION • CHARTERED OCTOBER 27, 1779

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Town of Fair Haven Capital Program and Budget Policy

PURPOSE

The purpose of this Capital Program and Budget Policy is to establish a capital improvement program (CIP) for the **Town of Fair Haven** 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 by the municipality. The Town of Fair Haven's 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 Select board will adopt a five-year CIP for the **Town of Fair Haven.** This plan will include a list of capital projects proposed to be undertaken during each of the following five years, the estimated cost of those projects, and the proposed method of financing. The Select board 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 (if known), 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 Town Manager and/or the Select board 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 the CIP, a capital expenditure is defined as any expenditure for land, land improvements, buildings, building improvements, vehicles, or equipment costing more than $5000 and any expenditure for infrastructure (e.g., roads, bridges, water and wastewater distribution and collection systems) costing more than $7500

PROJECT FINANCING

There are numerous alternatives for financing capital projects, from pay-as you-go, to financing, or accumulation of reserve funds, leases, and other debt instruments. The Town of Fair Haven's preference in regards to funding projects is:

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1. Grants (100%)
2. Grants with town matching
3. Funding through capital plan (reserves)
4. Funding through financing

RESERVE FUNDS

In conjunction with the Town's debt management policy (if any), the Town Manager and Select board shall, at its discretion, 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.**

PRIORITY CRITERIA

Capital projects and/or capital assets will receive a higher priority if they meet some or most of the following criteria:

1. The project or asset meets a policy goal or fulfills a strategic objective of the Select board.
2. The project or asset is required under a state or federal mandate, law, or regulation.
3. The project or asset will mitigate or eliminate a known safety hazard.
4. The project or asset will maintain and improve the delivery of public services to the majority of the population.
5. The project or asset will improve the quality of existing infrastructure.
6. State or federal grant funds are available to assist in funding for project.
7. The asset has or will exceed its useful life.

The foregoing policy is hereby adopted by the Select board of the Town of Fair Haven, Vermont, this 18 day of October, 2011 and is effective as of this date until amended or repealed.

Chairperson

Claire L. Stanley