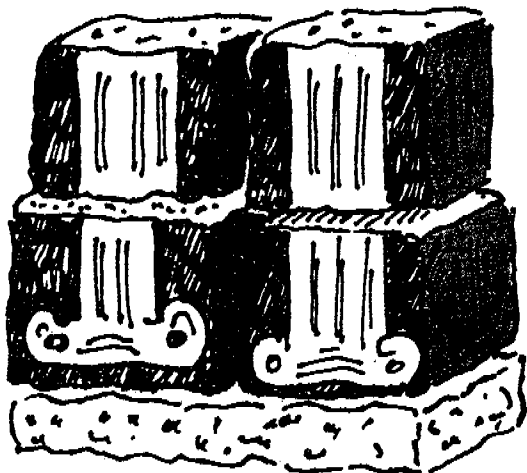


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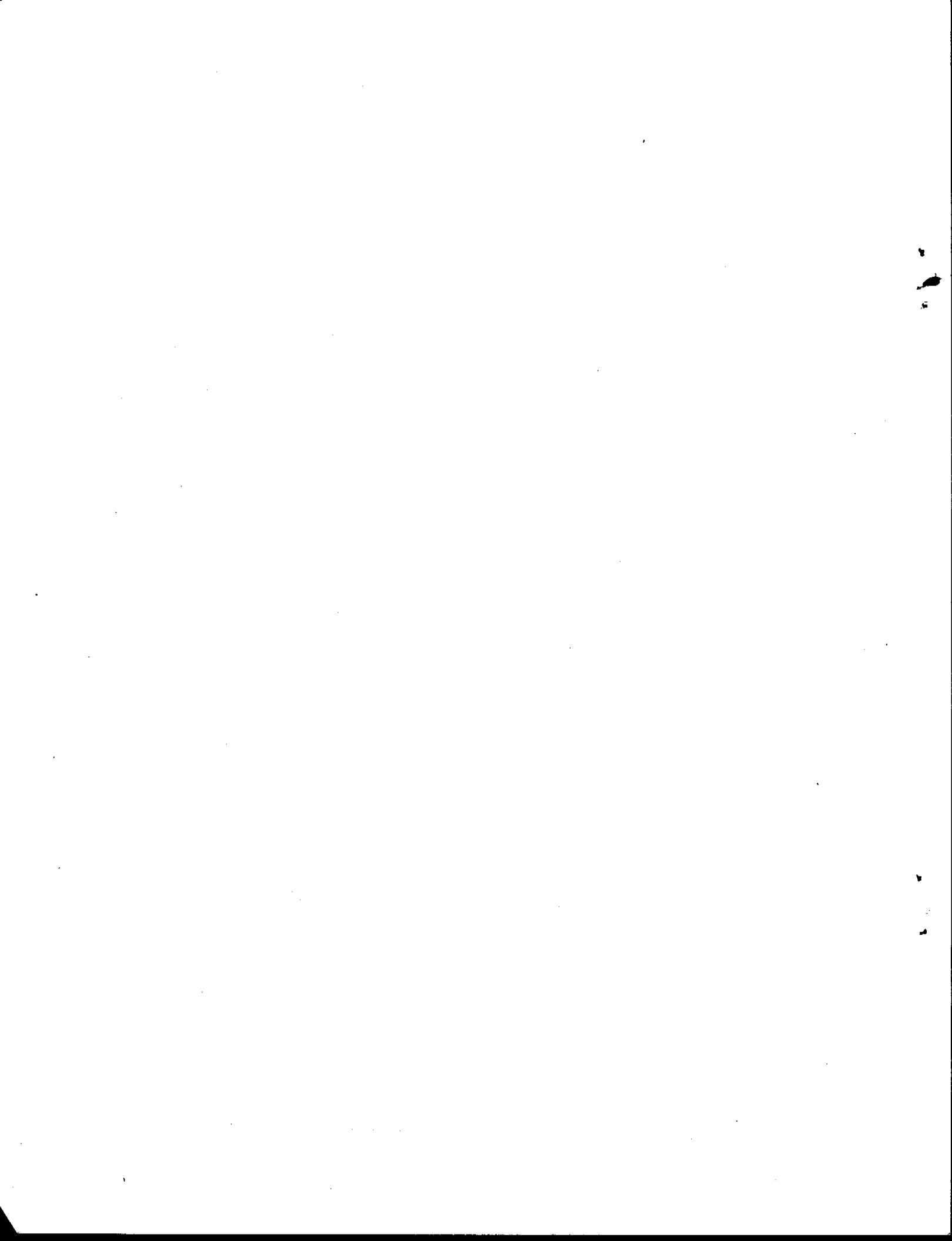
# CAPITAL IMPROVEMENTS PROGRAM

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Greater Portland Council of Governments*



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## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

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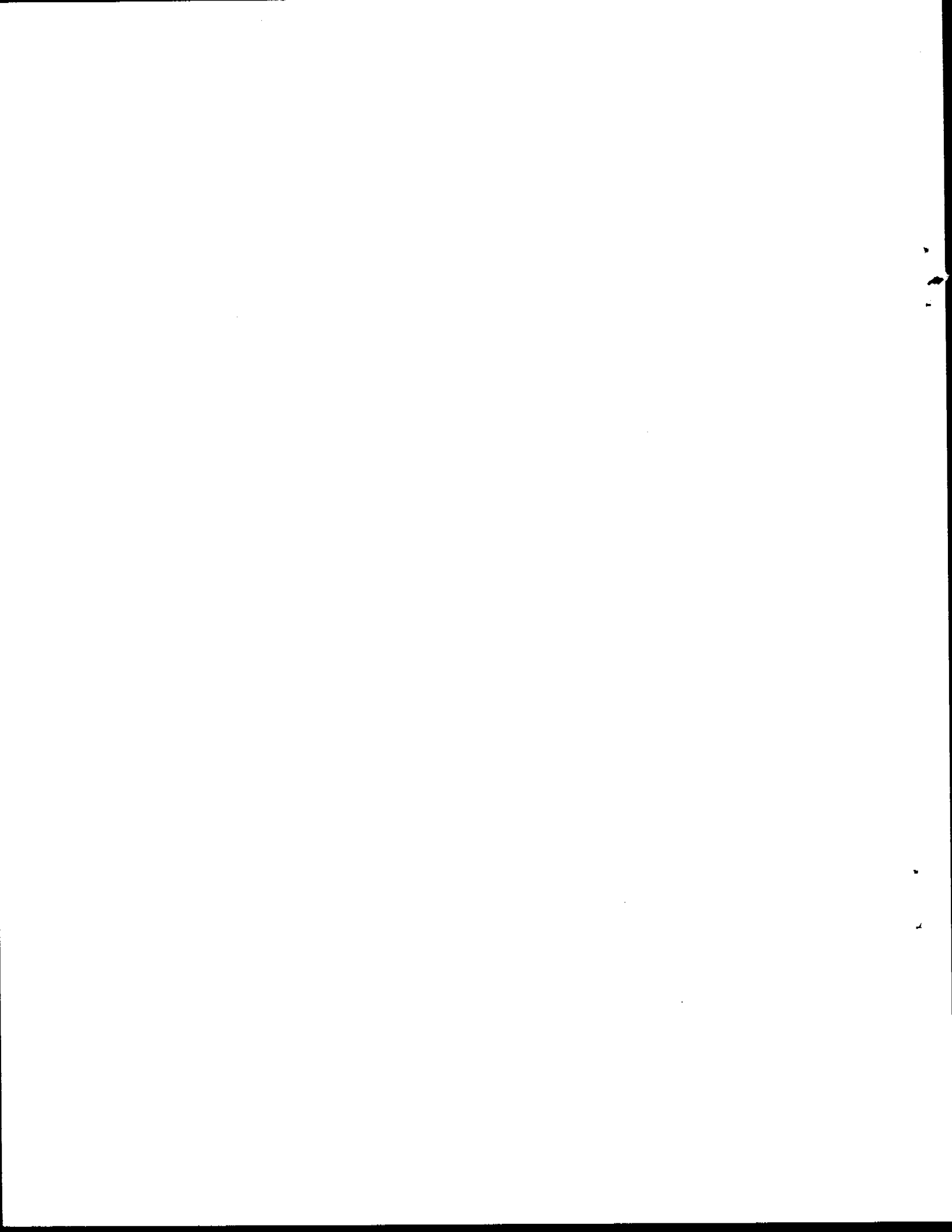
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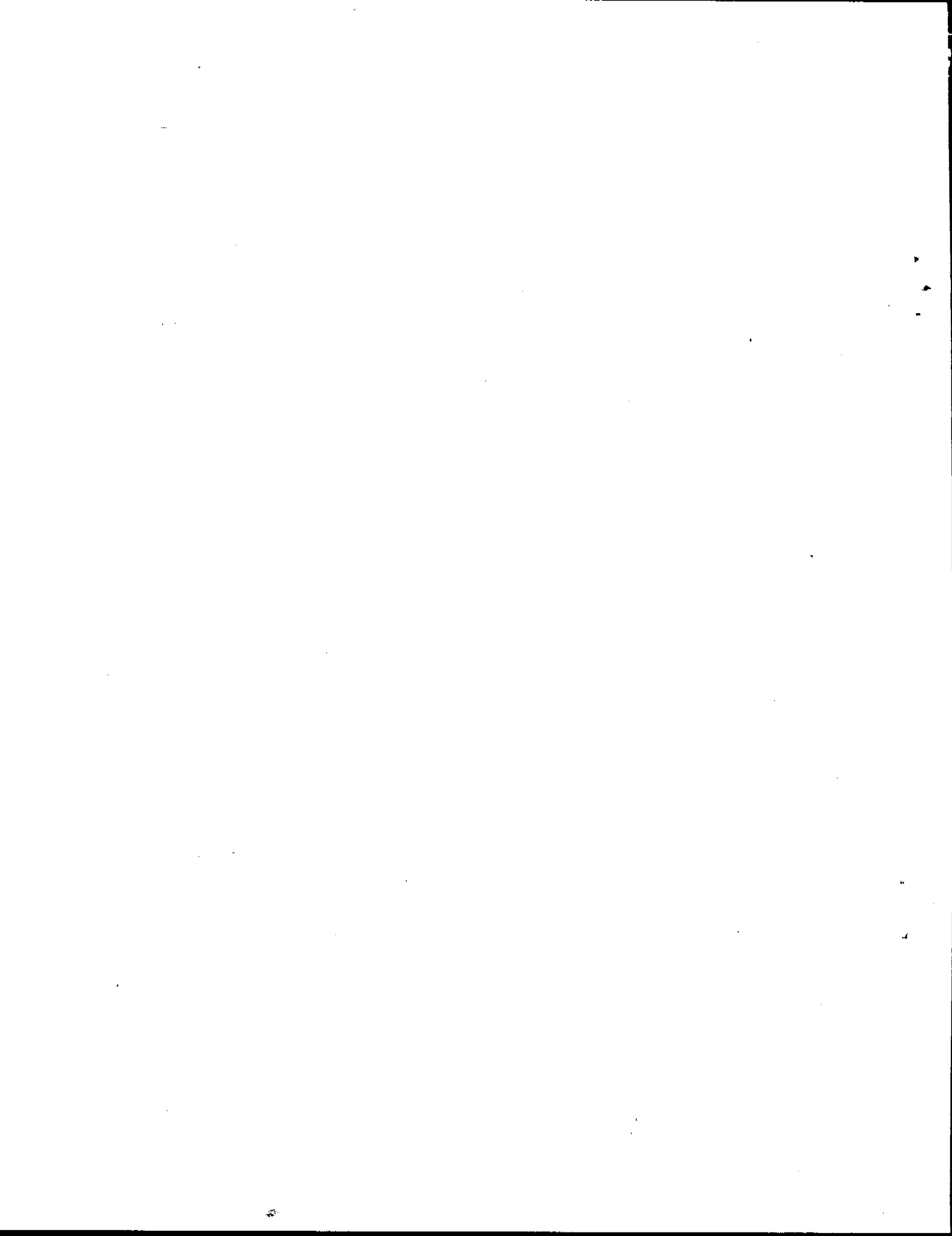
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## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

*As a public official, you are the steward of the assets of your town or city. You set policy which determines the benefits derived from your schools, roads, bridges, parks, municipal buildings, utilities and numerous pieces of equipment. Your effective planning for the use and future replacement of publicly owned property avoids crises and unforeseen major replacement costs. Foresight in anticipating future needs may save precious dollars in the long run. Your job is demanding, and it is hoped that this manual will make your work easier and your planning more productive by outlining a process for Capital Improvements Programming.*

### WHY

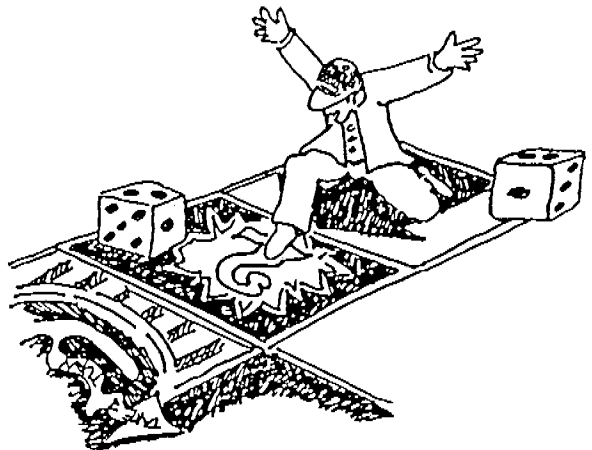
#### Plan for Capital Improvements?

Most communities need more capital improvements than they can afford at one time. Construction of new facilities and rebuilding of old ones usually have to be spread out over a period of years. In part, capital improvements construction is spread out over time so that the future population which benefits from the facilities will help pay for them.

Capital Improvements Programming is a prime way of implementing community planning. The advantages of this approach are many. Specifically, some of the major advantages are:

\* *To Help Focus Attention on Community Goals -*

The community can thoughtfully determine its priorities in the expenditures of public funds and use of bonding for capital facilities. Capital projects should be tied to goals contained in the community's comprehensive plan, and therefore be brought into line with community objectives, anticipated growth and financial capabilities. The CIP helps to implement a comprehensive approach to meeting overall community needs and discourages uncoordinated, piecemeal approaches to solving community problems. A better balance in the kinds of projects undertaken will likely result.



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## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

- \* *To Stabilize Financial Programs -*

With a Capital Improvement Program, there is greater opportunity to achieve effective use of all financial resources. High and low points in tax rates can be partially avoided since programmed expenditures should provide for smooth, efficient use of financial resources. It also permits the forecasting of the need, and making a schedule for issuing bonds or raising capital funds through "pay as you go" or other financing measures.

- \* *To Increase Capability to Utilize Various Funding Programs -*

Many alternative sources of funding require long waiting periods before funds become available or require early action by the local government. A long-range program provides a framework for maximum utilization of matching funds.

- \* *To Encourage Citizen Interest and Participation -*

Capital improvements programming, once accepted, provides a formalized way in which individual citizens, clubs, trade associations, and neighborhoods can explain their views, desires and needs. In addition, an orderly procedure presents a more business-like image of the community to its citizens.

- \* *To Inform Interested Groups -*

A long-range Capital Improvement Program informs private utilities, investors, developers, economic development agencies and other community development groups of the town's construction agenda and allows them to plan accordingly.

- \* *To Improve Departmental Administration -*

A CIP requires departments to analyze and forecast their future needs. A byproduct of this activity is much closer coordination of interdepartmental programs. For example, it would be important to coordinate scheduling for road paving with plans to install utility lines, so that all road work can happen at the same time.

- \* *To Improve Project Implementation -*

A formalized Capital Improvement Program and budget will require more accurate scheduling, cost estimating and use of financial resources. A more orderly system for debt administration should result, and large tax rate fluctuations should be reduced.



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## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

Advance scheduling of construction permits engineering design to be carried out on an orderly basis. Work forecasting allows equipment to be scheduled to eliminate conflicting demands. A CIP may show that the acquisition of special equipment can be justified because it can be put to continuous use on several projects in sequence. Programming of projects may also allow a smaller staff to carry out the projects because the work load is equally scheduled over a longer period, instead of intermittent rush periods followed by slack time.

\* *To Improve Basis for Intergovernmental Cooperation -*

A CIP informs local governments of one another's intentions. Too frequently, needed public facilities are constructed without consideration of the service programs of other governments. For example, knowing about an adjoining town's plans for a new fire station might lead to a consideration to share fire protection services rather than build two fire stations in close proximity. Taxpayers may be inclined to vote down seemingly uncoordinated bond issues.

### WHAT

#### Is a Capital Improvement?

A capital improvement is a major project acquisition and/or construction that requires expenditure of funds from sources other than normal operating expenses. Capital improvements usually:

- are relatively expensive (for example, an acquisition cost of \$5,000 or more).
- don't recur annually.
- last a long time (for example, at least 3 years).
- result in fixed assets.

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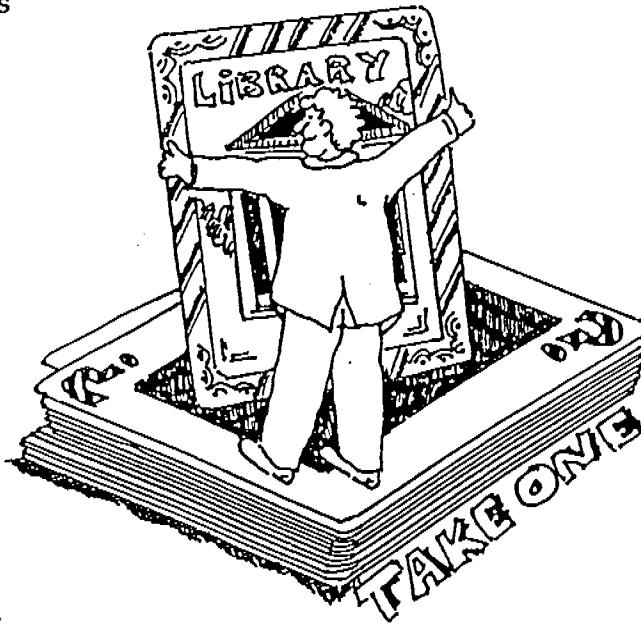
## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

### EXAMPLES OF CAPITAL PROJECTS

- New and expanded physical facilities for the town which are relatively large and expensive.
- Large scale rehabilitation or replacement of existing facilities.
- Major pieces of equipment which are expensive and have a relatively long period of usefulness.
- Purchase of equipment for any public improvements when first erected or acquired.
- The cost of engineering or architectural studies and services relative to a public improvement.
- The acquisition of land for a community facility such as a park, street, sewer line, etc.

Capital facilities and equipment range from A to Z. Examples of capital facilities and improvements found in a town are listed below.

Airport  
Cemeteries  
Community Buildings  
Computer  
Fire Engine  
Firehouse  
Library  
Parks  
Playgrounds  
Police Stations  
School Buildings  
Sewer Lines  
Sidewalks  
Streets & Curbs  
Street Lights  
Storm Drains  
Swimming Pools  
Town Hall  
Treatment Plants  
Waste Disposal Sites  
Water Lines  
Zoo



## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

If your community has not defined the kinds of expenditures which should be included in your CIP, use of this form may be helpful. The form may be amended in any way to best fit the community's needs.

### CRITERIA FOR DEFINING CAPITAL IMPROVEMENTS

In our community, we define a capital improvement as follows:

Minimum Cost: \$ \_\_\_\_\_

Useful Life: \_\_\_\_\_

Other: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Examples of capital improvements in our community include:

Equipment

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Property

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Facilities

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Other

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **WHAT**

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### **Is a Capital Improvements Program?**

In its final form, the Capital Improvements Program is a document which presents the priority list of capital improvements for the community over a five or six year period, with the first year shown as the current year's capital budget. By approving a CIP, the legislative body is not committing the town to the entire plan over the specified period; rather, it is approving an official statement of objectives. Like any long-range plan, it is subject to re-evaluation and change.

The CIP is a plan to authorize, acquire and/or construct a number of capital improvements. It distinguishes public works improvements from the routine operation and maintenance expenditures for public services. The five- or six-year period is not fixed by any hard and fast rule and can be adjusted to meet a particular community's requirements when necessary. It should list for each improvement project a description, statement of need (priority), expected cost, financing plan, tentative construction or acquisition dates and any other data thought to be helpful.

As mentioned previously, the CIP should be based upon the town's comprehensive plan. It is one of the most significant tools for translating the comprehensive plan into reality. If a comprehensive plan is not in effect, then the CIP should be based upon community needs and goals as gathered through a formalized process of public input and participation.

The nature of a CIP's development is straightforward and uncomplicated. In its simplest form, a CIP is a five-part effort:

- *Development of an Inventory of Existing Facilities and Equipment and Probable Acquisitions* required to serve the needs and desires of the community.
- *Establishment of Cost Estimates and Relationships* to other projects and desired timing.
- *Evaluation of the Funding Available*, both current and future, for making improvements.

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## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

- *Establishment of Priorities* among competing projects.
- *Preparation of a Program for Improvements*, with the first year firmly decided upon as the annual budget. The remaining years are to be considered as subject to annual review, alteration and supplementation.

The Program can then be adopted as the town's official statement of objectives for its annual program of acquisitions and improvements. The governing body approves the Program. The first year of the Capital Improvements Program becomes the capital budget when it is adopted along with the town's annual operating budget.

### WHO

#### Does the Planning?

Several kinds of perspectives are needed to prepare a Capital Improvements Program and budget. The first of these is general citizen commentary. The second is that view expressed by the people responsible for the operation of the town's individual programs — the code enforcement officer, road commissioner, public works director, town planner, police chief, fire chief, etc. The third is the insight held by those responsible for an overview of the community's operation - the town administrator or town manager, select persons/councilors, the mayor, and other appropriate staff members.

The capital program should be based upon a thorough review of the community's economic base, the desires of its citizens and the needs of the town's departments. Much of these data are available from the existing comprehensive plan, which should contain information on needed improvements, when these improvements are needed, and who is responsible for implementing them. The files of various offices and organizations are also important sources of information. The following paragraphs discuss the suggested roles for the citizen, the operations staff and the administrator in Capital Improvements Programming and budget preparation. Each has an important contribution to make in the development of a successful local government program for improvement of community facilities.

#### \* *Citizen Participation.*

There are several ways that citizens can be brought into the long-range capital improvement planning process. One is the holding of public hearings - preferably even before project lists are made. The hearings should be held at convenient times and locations and

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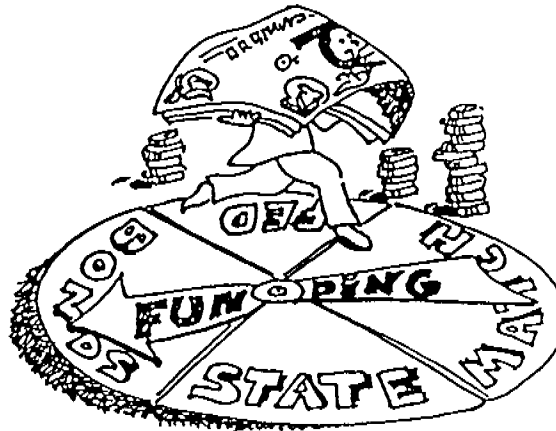
## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

should provide for meaningful communication between town officials and citizens. Another method is to mail or hand out questionnaires to individual citizens and/or local organizations. The questionnaires give citizens an opportunity to indicate preferences and priorities for the kinds of improvement projects. Another method of getting citizen participation in the planning process is to conduct personal interviews in a selected sample portion of the community.

### \* *Operations Staff*

The town's operations staff should be asked to review their service programs. Following stated or understood local objectives, they should list their anticipated capital improvement needs for the next several (usually five to six) years. A simple form should be used and contain the following information when completed:

- ✓ Project Description
- ✓ Justification (limit to 50 words or fewer)
- ✓ Approximate Cost
- ✓ Financing recommendation, if appropriate
- ✓ Associated operating costs
- ✓ Operating revenues, if any
- ✓ Year Needed and Priority
- ✓ Alternatives to requested project, if any



### \* *Administrators and Elected Officials*

Both the town's administrators and elected officials help provide consensus and interpretation. The role of the town's staff (town manager, clerk, etc.) will vary from community to community. The major contribution of the administrator will be gathering and analyzing information and recommending alternative approaches. The elected officials (selectpersons, councilors, mayor) may be involved in these activities but usually are not. The elected official's role is final determination of what will be done, when, and how it is to be funded, and the bringing about of public consensus.

There are many possible ways to organize the CIP process. In all cases, however, it is important to coordinate all activities at a single focal point. This includes overseeing the day-to-day tasks associated with bringing the CIP to fruition. In communities managed by a town or city manager, the lead responsibility might be given directly to the manager, an

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## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

assistant, or the budget officer. If there is a planning office, the town or city planner might serve as the coordinator. This approach may not work in smaller communities which have limited full-time staff. In these communities, it may be more practical to form a CIP committee. The committee might consist of:

- members of the Board of Selectpersons;
- key department heads;
- members of the Budget Committee;
- members of the Planning Board;
- school officials;
- leaders of the business community;
- civic and neighborhood leaders;
- citizens with special skills — engineers, bankers, contractors; and,
- the general public.

A committee of five to ten persons is desirable. One person on the committee should be responsible for coordinating committee tasks and responsibilities.

From time to time, it may be beneficial to obtain assistance from outside experts. These people may be helpful in providing cost estimates, identifying technical problems, or supplying specialized information which may not otherwise be available. For example, the regional planning agency or council of governments can provide you with data relative to your capital needs and assist you in putting together the CIP. These persons should provide needed guidance, but not replace community preparation of the CIP.

## WHEN

### Is the CIP and Budget Prepared?

The preparation of the initial Capital Improvement Program may begin at any time. As the initial CIP takes definite form, it should be tied into the community's normal schedule of budget review.

The Capital Improvements Program for the current year — which becomes the capital improvements budget — should be closely coordinated with the operating budget preparation schedule. Generally the preparation of the CIP budget should precede preparation of the operating budget. To the greatest extent possible, tentative decisions on projects to appear in the annual capital improvements budget should be made before the operating budget is prepared. This should be done for two reasons:

- So that the amount of money allocated for capital purposes can be fairly well calculated, and;
- So that the necessary operating costs resulting from capital improvements can be adequately considered in the operating budget preparation process.

The exact calendar for preparation of the capital improvements budget for the ensuing year will depend a great deal on the size of your town. A few weeks before the start of operating budget preparation may be sufficient, or several months may be required. The length of time needed is dependent upon several factors including the size of your community, complexity of the program, financing methods considered and program review requirements.



## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

### CIP CALENDAR OF EVENTS\*

MONTH

ACTIVITY

\_\_\_\_\_

Initiate Process

\_\_\_\_\_

Identify Selection Criteria

\_\_\_\_\_

Prepare CIP "Package" for gathering information

\_\_\_\_\_

Distribute CIP Package

\_\_\_\_\_

Initiate Public Participation: hearings; questionnaires; personal interviews

\_\_\_\_\_

Inventory Existing Facilities

\_\_\_\_\_

Submission of Project Requests

\_\_\_\_\_

Project Request Review

\_\_\_\_\_

Prepare Preliminary CIP

\_\_\_\_\_

Review Preliminary CIP

\_\_\_\_\_

Prepare Final CIP

\_\_\_\_\_

Submit CIP to Legislative Body

\_\_\_\_\_

Public Hearing

\_\_\_\_\_

CIP Adoption

In completing your CIP Calendar, allow time to complete each phase of the process. The first year will be the most difficult to get through. Don't establish unreasonable deadlines.

\*Please note that some municipalities require a referendum for items costing over a certain amount.

## HOW

### Is the List of Improvement Projects Developed?

Your list of projects will include the rebuilding or replacement of existing capital inventory (see Worksheet #1), capital projects already approved (see Worksheet #2), and new projects which are needed or desired over the next fifteen-to-twenty-year period (Worksheet #3).

A common procedure is to ask each department head to make a list of equipment, facilities, etc. needed or desired during the planning period. Hopefully, the response will be neither short-sighted, nor will "ask for the moon." Each department head should be asked which projects are most essential and why, the year in which the project should be built, the estimated cost, and the likely increase or decrease in annual operating budget costs as a result of the improvement. Worksheet #4 poses some questions for department heads to help them develop a rationale for a request. These same considerations are reflected in Worksheet #5, which will help town administrators rank projects in terms of priority.

Citizen surveys, minutes from public hearings, etc. should be consulted for a list of suggested improvements.

A major source of suggested improvements should be the comprehensive plan. Particularly, consult the Public Facilities, Transportation and General Recommendations sections of the plan. Future land use maps in the comprehensive plan, and the town's current land use and zoning maps, if applicable, should be consulted to determine where new growth is likely to occur, so that major public services and facilities can be anticipated in the long run.

A project list may then be developed from these many suggestions — some feasible, some infeasible. At this stage, it is not a program; it is more like a grocery list — somewhat chaotic and almost certain to require more funds than are available.

## HOW

### Should Priorities be Set?

It can safely be assumed that requests for improvements will exceed the available dollars. Therefore, setting priorities is a necessity. An effective Capital Improvements Program must be based on well-thought-out priorities. A way to determine priorities is to have some criteria for evaluating each proposal and to determine the funds available to pay for capital improvements and their operating and maintenance costs for later years.

Avoid the technique of trying to satisfy everyone by giving each department head, each area of the community and each interest group a little bit the first year and putting their other projects into the next five to twenty years. This method fails to consider any of the justifications for projects and neglects the overall and long-term needs of the community.

The first claim on revenue must be for current operating and maintenance expenses, of which salaries are a major part. These needs, particularly adequate salaries that will attract and hold competent public officials, should not be subordinated to capital needs.

One possible ranking method is to classify projects as being either immediate, short term, long term, or "on the wish list." This method of ranking also implies the degree of urgency attached to the project:

- *Immediate (Urgent/Mandatory) Needs* - are those capital outlays that must be made to match population increases or outward physical expansion, so that public health and safety are protected. They are calculated on a more or less mathematical basis, i.e., as so many additional people or "customers" are added. Such projects also result from mandates from other levels of government, such as the need to build a transfer station after the mandated closing of a local landfill .
- *Short term (Necessary) Needs* - are those which, although absolutely essential, can vary greatly in nature and extent according to public policy. These might typically include streets, sewers, or equipment.

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## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

- *Long term (Optional) Expenditures* - sometimes referred to as deferrable - include those which at any particular time or any particular period do not have to be made at all, although they may be regarded as highly desirable. These might include an auditorium, a park, or neighborhood improvements.
- *Wish list* - no current or apparent need (but it would be nice to have); more study needed.

After the above analysis is made, certain situations may still exist which could serve to move a given project up or down the priority list. These factors can include:

- A number of differing types of projects may be targeted to improve a specific area of town;
- A lower priority water line project may be timed to be undertaken before a higher priority street repavement project which is focused in the same area;
- A lower priority project may be necessary to attract a particular industry or developer;
- The availability of outside funding for specific activities.

The community must make a decision as to whether its limited funds will be spend for improvements that are economic in nature or for those which are social in nature. Most communities attempt to achieve some reasonable balance between the two so that neither the cultural nor the economic aspects of community life will be ignored. If improvements are needed to develop the community's economic potential, a major part of available funds will likely be spent for the improvement of the economic base. From economic growth will flow the funds that make additional improvements in social and cultural facilities possible. It is also true that a community with desirable social and cultural amenities attracts economic growth.

Worksheet #5 provides a form for ranking projects from the input gathered from all participants — citizens, department heads, town administrators, elected officials.

## HOW

### Do You Know How Much You Can Spend?

A realistic view of what the community can afford in capital improvements can be obtained by making a revenue plan — a forecast of what the financial resources of the community are likely to be for at least the next ten years.

It will be helpful first, however, to conduct a survey of the community's past revenue and expenditure history. Going back ten years and studying the pattern of revenues and expenditures, and the rates of change, will give you valuable insight into what the community can expect in the future. Worksheets 6 and 7 provide you with categories for recording this information.

In analyzing past trends, care must be taken to account for such variables as: changes in assessed valuation and/or tax rate; a cap imposed on property tax; population growth or decline; inflation; changes in the local job market; and, any other factor which may have affected past trends. Helpful questions to ask are:

- Are the revenue sources which are linked directly to the growth and population of the community increasing each year (licenses and fees, for example)?
- Are large increases for a particular revenue source related to a rate change, new billing and collection practices, new assessing practices, improved cash management, or other procedure which would account for an appearance of growth?



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## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

After compiling historical data, assumptions are made about the rate of change of the various sources of revenue or expenditure items, and forecasts are made. You want to ensure that the assumptions are reasonable in view of likely future events. This includes adjusting the forecast to reflect anticipated population, residential, commercial and industrial growth or decline. Several alternative projection methods may be used:

Method	Assumption
<i>No change</i>	Assumes the present level of revenues and expenditures will continue. Historic trends indicate little change, and there is no reason to expect any changes in the pattern (e.g., assume we will spend about as much as last year).
<i>Change by Constant Dollar Amounts</i>	Assumes early changes will be by constant dollar amounts. Historic trends indicate that fairly equal amounts of change have occurred each year (e.g., if the average yearly increase in property tax revenue was \$20,000, this amount is added to the current property tax revenue to obtain next year's projected revenue; or, if the average annual increase in the public works budget has been \$10,000, project this amount for each of the upcoming years). This approach should allow for anticipated future changes, such as wage or benefit increases, which are not reflected in past trends.
<i>Change at a Constant Percentage Rate</i>	Assumes yearly changes at a constant percentage rate. Historic trends indicate although annual dollar changes have been greater each year, the yearly percentage change has been about the same. The "percentage change" selected (1%, 4%, etc.) is multiplied by the current year amount to derive the program's first year projection. The same procedure is then applied to the first year's projection to obtain the second year's projection, and so forth. This method should allow for anticipated future changes which are not reflected in past trends.

Making a revenue forecast should start with the present assessed valuation and an attempt to estimate what that valuation will be for the next ten years. Tax rate should also be estimated by reviewing the history of taxation levels in the community and making an attempt to predict what can be borne in the way of property taxes during the next ten years. Using the information gained in your revenue history worksheet about past trends, forecast your revenue over the next ten years.

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## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

New revenue sources should also be considered. An investigation should be made of the wide range of bonds that might be issued for various purposes (see *The Maine Municipal Bond Bank*, page 26). You may also want to do a "debt limit analysis," to look at the town's current level of debt and make a policy decision as to whether an increased level of debt is acceptable. Municipal borrowing of up to 5% of total valuation is considered financially sound by lending institutions. The State-mandated limit on municipal debt is 15% of valuation. It may be that increasing the town's debt at critical times to acquire a significant piece of equipment at a good price, or to take advantage of a matching program, for example, will save the money in the long run.

Innovative funding methods should be considered (see *Finding New Sources of Revenue*, page 23). The impact of new funding should be estimated in terms of its availability in the periods when additional funds will be needed the most. The community should keep in mind that a small increase in local revenue can often be used as a local match requirement for grants from other levels of government.

Next, forecast your expenditures in a similar fashion, using the information from your expenditure history worksheet. Again, ask yourself if there are particular factors affecting changes in expenditures, such as: new employees added to the workforce, salary or benefit increases, terms of the bonds included in debt services, and others. If your town currently has a CIP, you may want to put in actual dollars for capital expenditures as they appear in your existing CIP, or you may try deleting capital expenditures from your expenditure forecast altogether, in order to see the total amount which might be available for capital items over the next ten years. In this way you have a chance to reprioritize your capital spending.

Your forecasted "revenues minus expenditures" will give you an idea as to what monies are available for capital expenditures, either over and above the level of spending which has occurred in previous years, or total funds available, as described in the preceding paragraph.

All of these facts on dollars available or committed, plus an evaluation of what is politically possible in the form of raising revenues, should be blended into a plan for revenue that will give the local legislative body in the community knowledge of not only its financial limitations but also financial possibilities — the opportunities that can be realized to meet the needs of the town.

Worksheet #8 provides a model for forecasting your revenues and expenditures into a "Revenue Plan."

## **HOW**

### **To Create the Document**

Once priorities have been determined for each department, a Capital Improvement Summary by department should be prepared listing the project, its relative priority, its estimated total cost and cost by fiscal years, as well as its purpose. Worksheet #9 provides a model of a departmental summary sheet. These summaries, when taken together, become the Capital Improvements Program for the community.

The plan should reflect capital expenditures for the next five years, with year one being the current year. Adoption of the CIP is not a commitment to finance the approved projects. As mentioned earlier, actual budget commitments are made for the first year of the Program when the annual budget is approved. Each year, the Program will be reevaluated and extended another year. Worksheet #10 provides a form for presenting the community's approved Capital Improvements Program.

To assist all those involved in planning for the coming year, it will be necessary for each department to begin keeping a Capital Improvements Evaluation Form. This form will keep track of each improvement and will provide invaluable information at the beginning of each planning cycle. Worksheet #11 is an example of such a form.

## **COMMON**

### **(And Fatal) Mistakes in Programming**

By way of summary, below are some temptations to avoid:

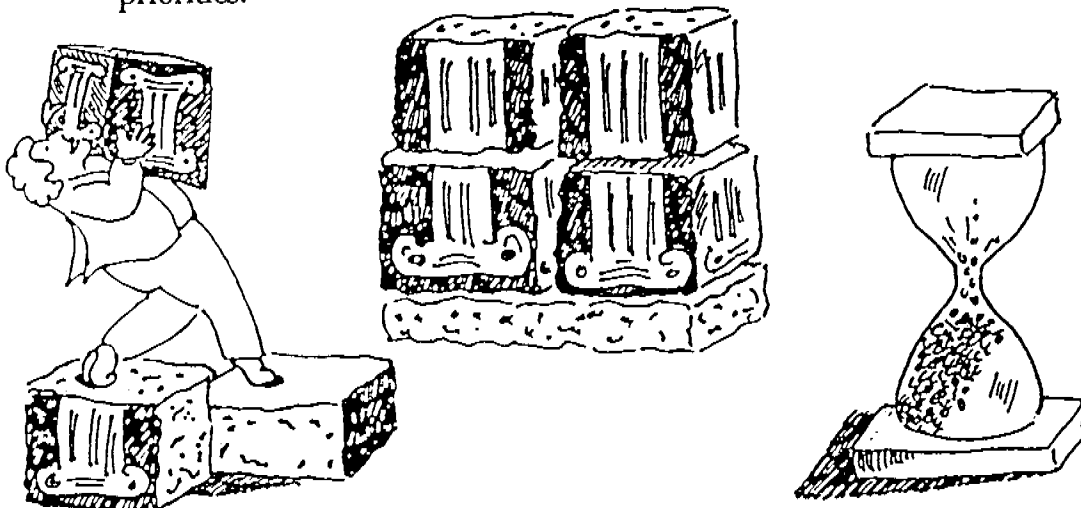
- Putting a project into the "future" years of the CIP without adequate justification, leading to eventual funding without an adequate need being proven.

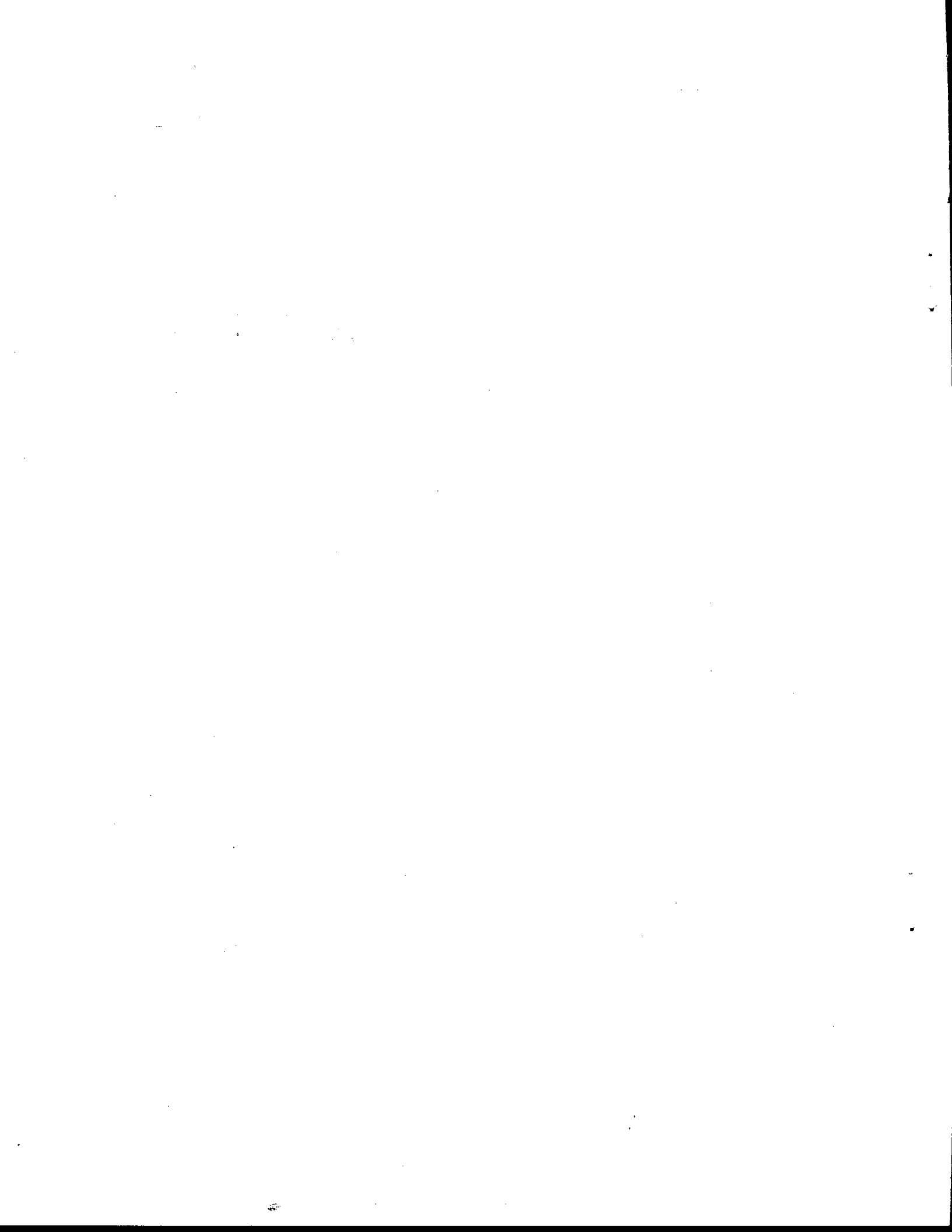


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## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

- Not reviewing the justification for projects that were in last year's CIP, when circumstances could have changed significantly meaning modification or elimination of the project.
- Inadequate commitment and review of projects not included in the current fiscal year appropriation.
- "Biting off more than you can chew" by failing to give adequate attention to the need for staff support to plan and supervise proposed projects.
- Major projects frequently going directly into the proposed budget year without ever having been in the CIP before.
- Projects just drifting in the CIP from year-to-year but never getting funded even for study or design phases.
- Not providing or having the seed money needed for feasibility and planning activities in the years before permanent funding is arranged.
- Failure to analyze and plan for operating program requirements and cost associated with construction or utilization of new capital items.
- Not allowing sufficient flexibility for unforeseen circumstances or construction cost changes that increase a project's total budget requirements.
- Basing choices on easily available funding rather than local priorities.





## HOW

### to Find New Sources of Revenue

We asked local officials, the Department of Economic and Community Development, and the Maine Municipal Association for ideas on finding new sources of revenue. Following is an annotated list, ranging from the simple decision to raise fees for a particular service, to creating a "tax increment financing district". See also the following section on the Maine Municipal Bond Bank. For more information on any of these ideas, please contact the Greater Portland Council of Governments.

\* *Volunteered Labor and Materials*

Not to be overlooked is the value of local residents and businesses volunteering time and materials. One recent success story comes from the Town of Harrison, where they have built a new Fire Barn valued at \$500,000 for a cost of \$200,000. The difference was supplied by community volunteer help and the donation of materials valued in excess of \$50,000. The Town Manager reports that the new structure, which includes a community meeting room, is not only well-used but is a source of community pride. (He also cautions that, in the interest of good will, this is a method to be used infrequently in any given town).

\* *Providing Municipal Services to Other Towns*

In return for providing services to other towns such as fire protection, ambulance service or landfill services, an availability or usage fee can be charged.

\* *Landfill permit fees*

Similar to the above notion, fees can be charged for the town's own residents and businesses for landfill use.

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## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

- \* *Other fees for specific services*

e.g., snow removal, sidewalk maintenance, litter control.

- \* *Equipment, labor and other rentals*

For example: As distinct from an "availability fee" (mentioned above), which only insures that a particular service such as fire protection is available, this is a rental fee to cover the actual cost of delivering a service when needed, such as rental on a fire truck which is called to a scene. "Rental" can also be charged for each firefighter needed. Other ideas for rental: town office space, or community meeting space or recreational space on an as-needed basis.

- \* *Development Fees*

Site plan and subdivision review ordinances can be amended to increase application fees, supplemental review fees and code enforcement fees. These fees can be used to provide additional planning staff assistance, more enforcement help from the Code Enforcement Officer and outside professional consultant services, such as from an engineer or attorney.

- \* *Printing Charges*

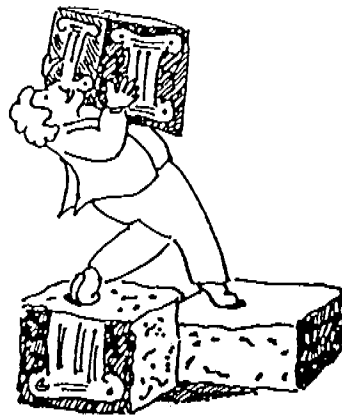
You may wish to charge the public for use of the town's copying machine, and decide to sell copies of town ordinances and regulations, rather than giving them away. This is a policy decision which must be weighed against the desire for maximum public access to information.

- \* *Sewer Impact Fees*

These are charges for connecting into the municipal sewer system. These can take the form of a cash payment, or a developer might opt to construct new replacement lines in lieu of cash.

- \* *Other Sewer Charges*

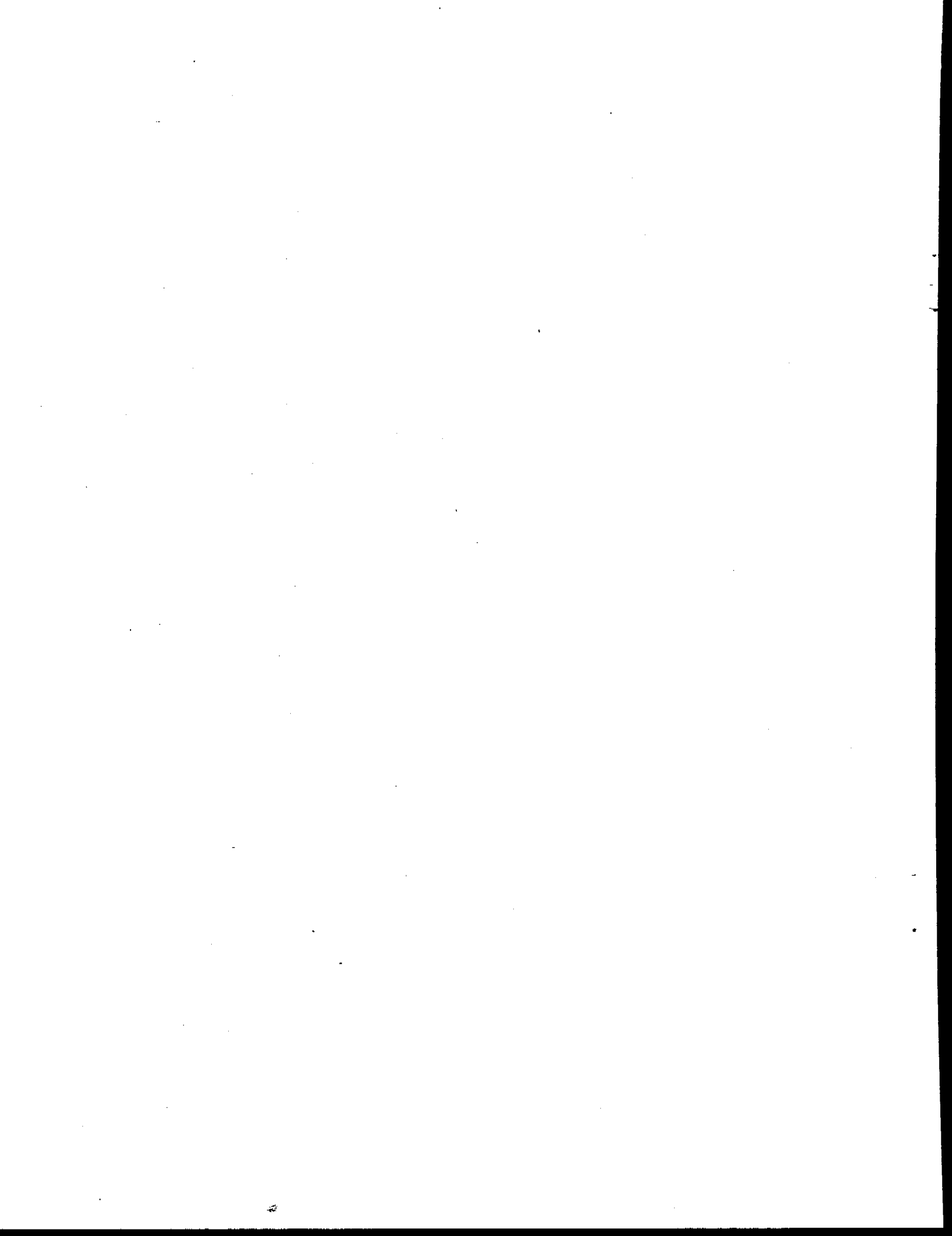
Examples: sewer connection inspection fee; rental of the town's sewer rodder (which includes labor cost and a septage receiving charge for non-residents).



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**FINDING**  
**NEW SOURCES OF REVENUE**

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\* *Permits and Licenses*

Examples: street opening permit; floodplain permit; special amusement permit.

\* *Ambulance Service*

One idea is to operate an ambulance service as an enterprise, such that services are paid for from user fees from neighboring towns, payments from private insurance companies, medicaid and medicare, as well as from property taxes. The idea is to decrease the dependence on taxpayers' support.

\* *Road and Street Reconstruction*

Here you may be able to negotiate with developers for some reconstruction costs. This is particularly important on secondary town roads which may be neglected due to budgetary constraints.

\* *Impact Fees*

These are fees assessed on developers for the specific impacts a development will have on a community's roads, sewers, landfill, public safety, etc. An impact fee is levied according to criteria contained in an impact fee ordinance. As stated earlier, such an ordinance must be tied to schedules for improvement contained in the town's comprehensive plan and CIP. Contact GPCOG, the Maine Municipal Association, or the Office of Comprehensive Planning for more information on implementing impact fees.

\* *Tax Increment Financing*

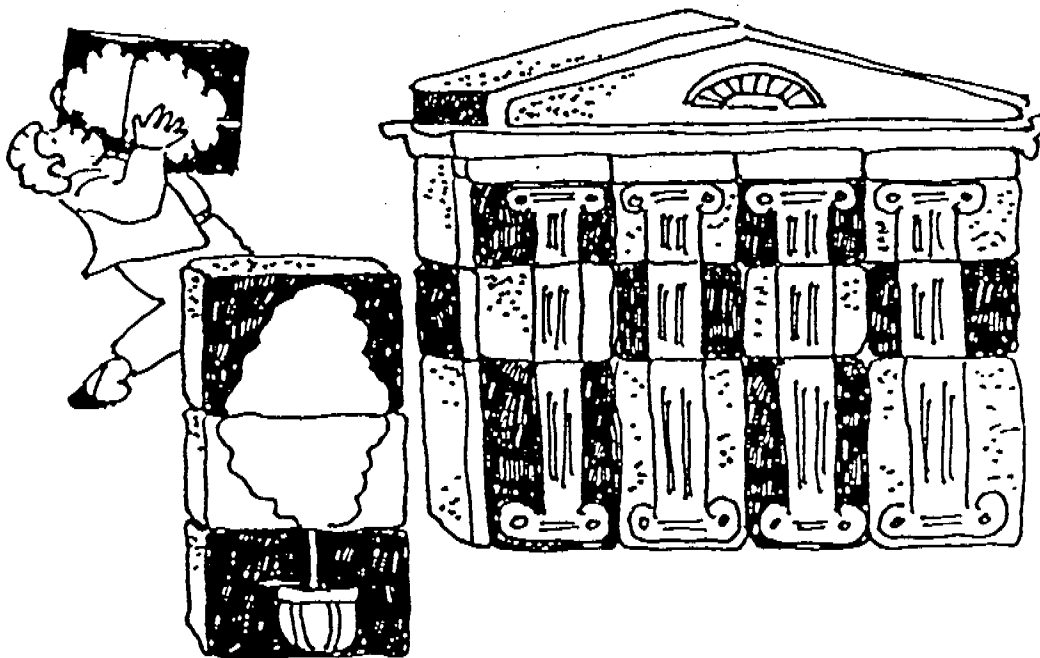
This technique allows a municipality to retain all or a portion of the increased tax revenues generated by a specific new development (new business) in the community in order to pay for public improvements needed to accommodate that development. The public improvements may be needed prior to the establishment of the business, for example, and TIF allows the community to finance these improvements, while dedicating the resulting property tax revenues to retire the debt. In order to initiate this process, a Tax Increment Financing District, with specific criteria, must be established. Guidelines for this process may be obtained from the Maine Department of Economic and Community Development. Contact DECD or GPCOG for more information.

## WHAT IS

### The Maine Municipal Bond Bank?

Any Maine town, county, school system, special district or other governmental unit is eligible for bond financing through the Maine Municipal Bond Bank. Once a unit receives authorization from its governing body (Town Meeting, Council, etc.) for a project, an application may be sent to the MMBB for processing. Twice a year, the Bond Bank consolidates approved applications and issues bonds in one sale. Investors then purchase the bond, which is a portfolio of the bonds of governmental units. By pooling smaller loans in this way, the MMBB can offer towns lower interest rates and lower processing costs. A schedule of MMBB's fees and charges follow.

More information on the Maine Municipal Bond Bank is available from: MMBB, 45 University Drive, P.O. Box 2268, Augusta, Maine 04338; (207) 622-9386.







MAINE MUNICIPAL BOND BANK

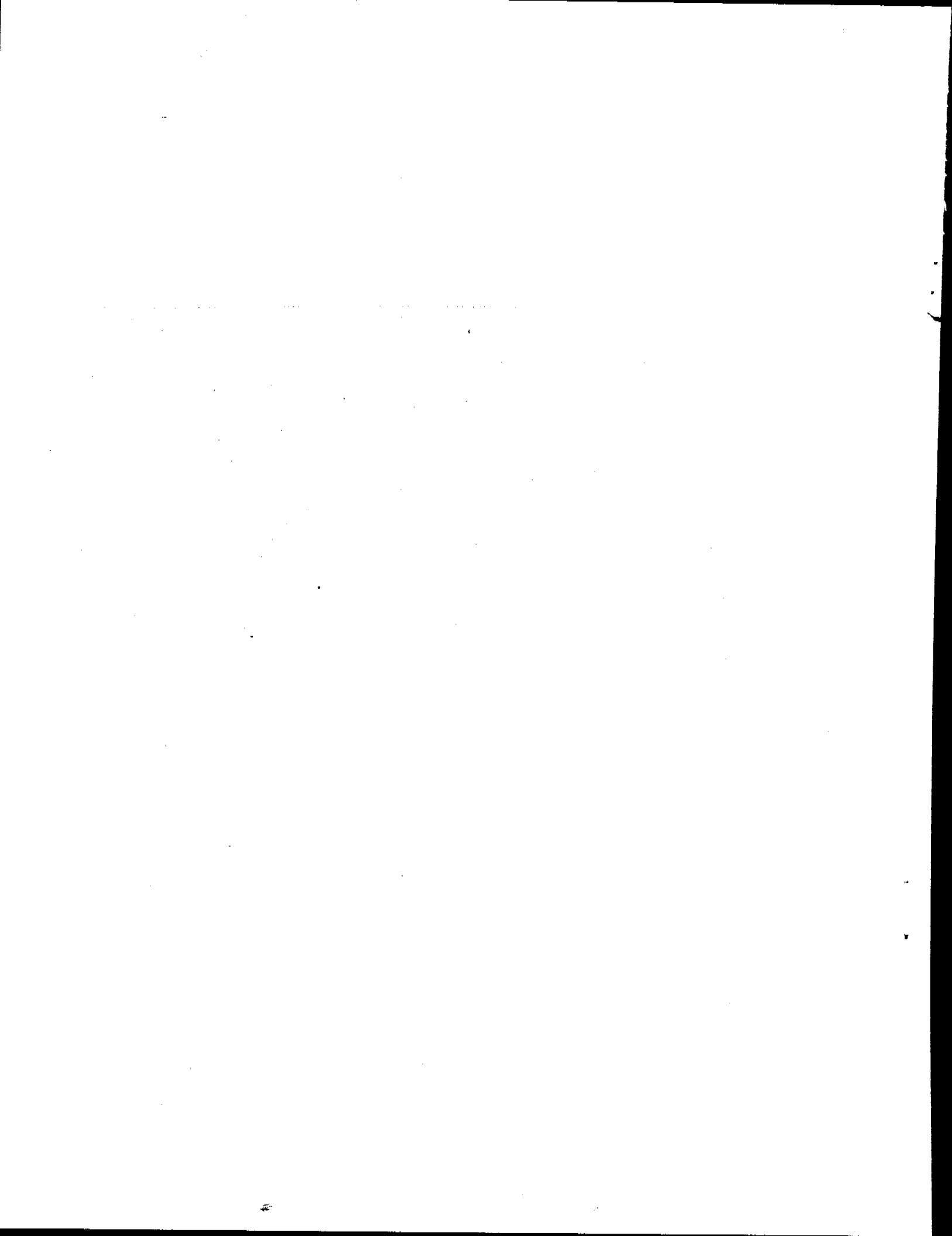
286 Water Street • P.O. Box 2268 • Augusta, Maine 04338 • Telephone (207) 622-9386

FEES AND CHARGES ASSOCIATED WITH THE SALE OF TAX-EXEMPT,  
GENERAL OBLIGATION OR REVENUE BONDS BY A MUNICIPALITY

SERVICE	BOND BANK FEE
Financial Advisor	No Charge
Structuring Fee	No Charge
Printing of Documents	No Charge
Rating Agencies	No Charge
Underwriters Discount(Sales Commission)	Based on Bid for Bonds: \$5-\$9/1000
Underwriter Risk Fee	No Charge
Advertising	No Charge
Expenses (Mailing, Postage, Phone etc)	No Charge
Local Counsel/Local Bond Counsel	Paid by Municipality
National Bond/Tax Counsel	No Charge
Underwriter Counsel	No Charge
Trustee Acceptance Fee	No Charge
Trustee Annual Fee (for life of bonds)	No Charge
Trustee Counsel Fee	No Charge
Pay Agent Fee	No Charge
Clearing Charge	No Charge
DTC Acceptance Fee	No Charge
DTC Annual Fee	No Charge
CUSIP Identification Number Fee	No Charge
MSRB Assessment	No Charge
Bond Insurance	No Charge
Transfer, Check, Wire Transfer Fees	No Charge

The Maine Municipal Bond Bank provides to any participant in one of its bond sales all of the services listed except for the local bond counsel. An issuer selects its own bond counsel from a list of approved counsel.

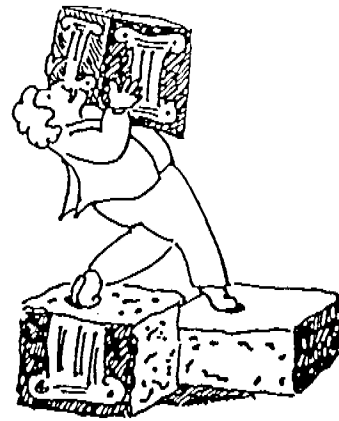
The Bond Bank automatically passes through to each participant in one of its bond sales the benefit of the lower interest rate available from the Bank's AA/AA rating from Moody's and Standard and Poor, Corp., regardless of the individual rating of the unit.

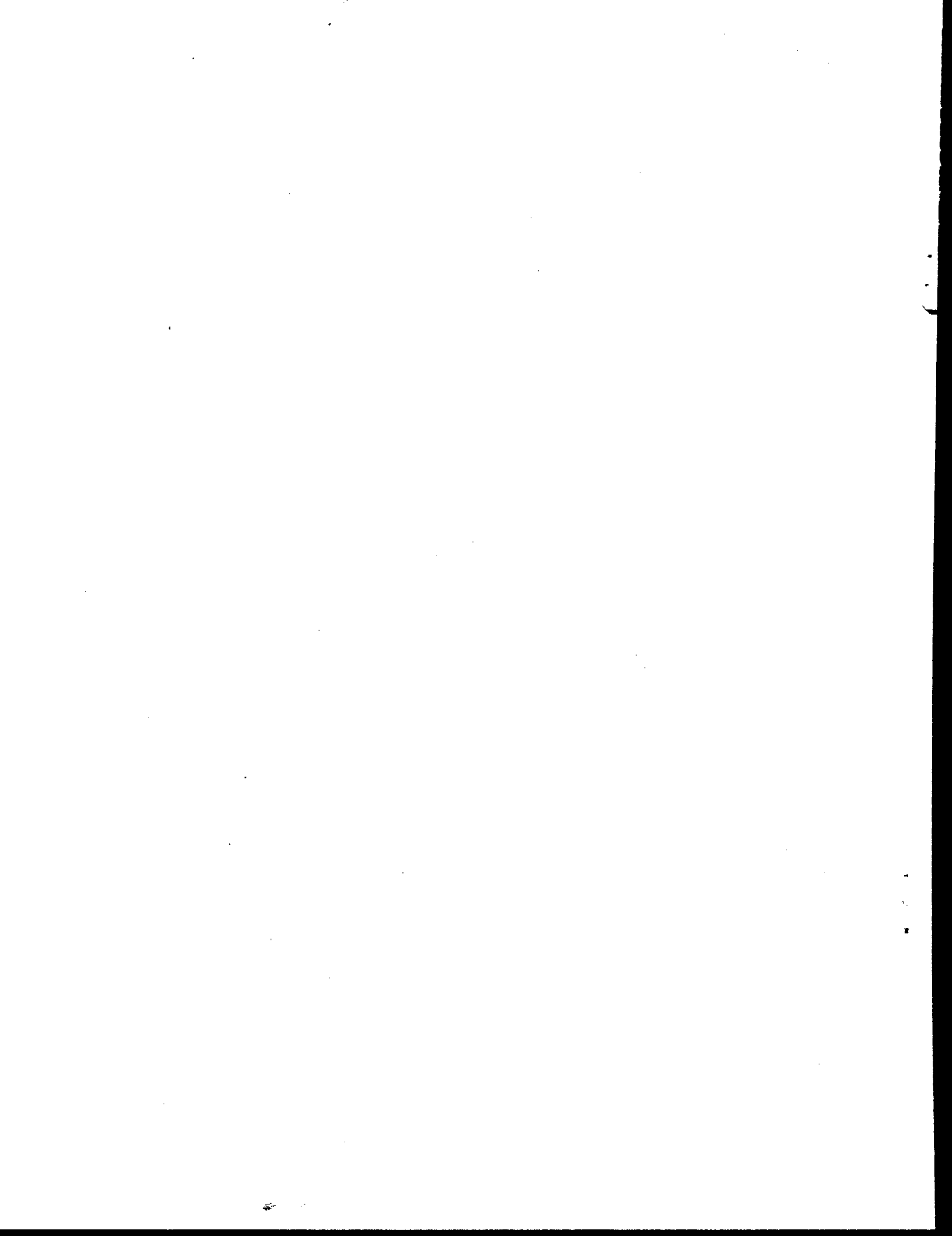


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WORK  
SHEETS

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DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

WORK SHEET #2

Status of Previously Approved Capital Projects

Project # or Title	Is Project Still Justified?	FY Project First Authorized	Project Status	Completion Date	Total Funds Budgeted	Funds Budgeted but Unspent	Comments

Date Prepared \_\_\_\_\_ Date Last Status Report \_\_\_\_\_ Department/Activity \_\_\_\_\_

**DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM**

**WORK SHEET #3 Project Request**

Department	Division	Priority	Date Start <hr/>
			Date Completed <hr/>
Project Is:		Project Title: description and location:	
<input type="checkbox"/> Replacement			
<input type="checkbox"/> Expansion			
<input type="checkbox"/> New			
Project Justification (see attached questions (worksheet #4), respond w/seperate sheet if necessary)			
Estimated Cost for Project			Source Estimates
Major Components	Amount		Financing Recommendations
			Source                      Amount
Operating Costs	1st Yr.	Subsequent Yrs.	Operating Revenues
	1st Yr.	Subsequent Yrs.	
Personnel Services	\$	\$	\$
Contractual			
Capital Outlay			
Other			
Totals			
Alternatives to requested project?			Review Comments, Priorities

DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

WORK SHEET #4 Form For Project Review

Sponsoring Dept.  _____	Dept. Priority  _____	Review Committee Priority _____  _____
Project No.  _____	Project Title  _____ _____ _____	Project Is:  <input type="checkbox"/> Replacement <input type="checkbox"/> Expansion <input type="checkbox"/> New

Economic

1. Does project directly produce income for the City (e.g., swimming pool)? If so, how much per year?
2. Does project indirectly produce income for city (e.g. by clearly stimulating private investment in property)? If so, how much revenue can be clearly attributed to project implementation?
3. What is the net cost in dollar terms for the City?
4. Effect on mill levy during life of bonds, if bonds required. Also mill levey requirements for operation and maintenance. If charges (e.g. sewer or water service) are made, same type of calculations should be made.
5. Does project qualify for some kind of state or federal assistance?

Social

1. Number citizens requesting project?
2. Number citizens directly served by project?
3. Is project directed to problems of culturally or economically deprived?

Health-Safety

1. Is project for basic protection of persons or property (e.g., fire station, sanitary sewer)?
2. Required by new state or federal law?
3. Recommended by state or federal regulatory agency as mandatory \_\_\_ needed \_\_\_.

General Planning

1. Does project conform to town comprehensive plan (land use, transportation, etc.)?
2. Does project fit into any special plans for a particular neighborhood?
3. General attitude of governing body toward this psecific or this type of project?
4. How does project relate to general community development and image?



**WORK SHEET #5 Form For Project Ranking**

Sponsoring Dept. _____	Dept. Priority _____	Review Comm. Priority _____									
Project No. _____	Project Title _____	Project is: <input type="checkbox"/> Replacement <input type="checkbox"/> Expansion <input type="checkbox"/> New									
<b>Numerical Project Ranking</b>											
	Low		High		Points Assigned						
Aspect From "Form for Project Review" see also reverse of this form)	1	2	3	4	5	6	7	8	9	10	
Economic	_____										
Social	_____										
Health - Safety	_____										
General Planning (does project fulfill goals of comp. plan)	_____										
<b>Total Pts.</b>										_____	
Final Project Priority Comments:  Action: _____						Recommended for Fiscal Year _____  Governing Body _____					

Suggested Ranking Key	8-10 Immediate Need 2-4 Long-term	5-7 Short-term 1 Wish List
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## DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

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### WORK

### SHEET #5 Form For Project Ranking *(Continued)*

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#### Economic

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2. Does project indirectly produce income for city (e.g. by clearly stimulating private investment in property)? If so, how much revenue can be clearly attributed to project implementation?
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1. Number citizens requesting project?
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1. Is project for basic protection of persons or property (e.g., fire station, sanitary sewer)?
2. Required by new state or federal law?
3. Recommended by state or federal regulatory agency as mandatory \_\_\_\_, needed \_\_\_\_.

#### General Planning

1. Does project conform to town comprehensive plan (land use, transportation, etc.)?
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3. General attitude of governing body toward this psecific or this type of project?
4. How does project relate to general community development and image?

WORK

SHEET #6 Revenue History

TYPE	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
<b>Recurring Revenues</b>										
assessed valuation										
tax rate										
property tax revenue										
property tax collection ratio										
undesignated surplus annually										
state rev.										
education										
revenue sharing										
transportation										
other										
fed rev.										
revenue sharing										
environmental										
transportation										
other taxes										
excise										
registrations										
licenses and fees										
administrative										
interest earned										
penalties & assessments										
other										
total										
population										
total rev per capita										

**DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM**

**WORK**

**SHEET #6 Revenue History (Continued)**

TYPE	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
<b>Non-recurring revenues</b>										
grants										
donations										
sales of assets										
tax deed sales										
other										
special assessments										
tax increment										
financing										
special districts										
other										

NOTE: To facilitate forecasting, you may wish to add a column under each year to reflect the annual rate of change from the prior year.

**WORK SHEET #7 Expenditure History**

TYPE	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
operating costs										
population										
total expenditures per capita										
capital expenditures										
debt limit										
outstanding debt										
% of assessed valuation										
debt service										
administrative costs										
public safety										
parks recreation										
utilities										
education										
other										

NOTE: To facilitate forecasting, you may wish to add a column under each year to reflect the annual rate of change from the prior year.

# DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

## WORK SHEET #8 MODEL: Revenue Plan

DESCRIPTION	% ANNUAL INCREASE	1990 ACTUAL	1991 BUDGET	1992	1993	1994	1995	1996
NET VALUATION	5.00%	\$298,868,200	\$313,811,610	\$329,502,191	\$345,977,300	\$363,276,165	\$381,439,973	\$400,511,972
Tax rate	4.00%	0.0258	0.0268	0.0279	0.0290	0.0302	0.0314	0.0326
<b>I. Revenue</b>								
Property tax assessed		\$6,797,514	\$8,420,193	\$9,194,851	\$10,040,777	\$10,964,529	\$11,973,265	\$13,074,806
Interest/Penalties	1.00%	\$30,000	\$30,300	\$30,603	\$30,909	\$31,218	\$31,530	\$31,846
Excise tax	5.00%	\$949,000	\$996,450	\$1,046,273	\$1,098,586	\$1,153,515	\$1,211,191	\$1,271,751
State revenue sharing	5.00%	\$841,395	\$883,465	\$927,638	\$974,020	\$1,022,721	\$1,073,857	\$1,127,550
MDOT	3.00%	\$132,058	\$136,020	\$140,100	\$144,303	\$148,632	\$153,091	\$157,684
Licenses & permits	3.00%	\$84,430	\$86,963	\$89,572	\$92,259	\$95,027	\$97,878	\$100,814
Interest income	3.00%	\$30,500	\$31,415	\$32,357	\$33,328	\$34,328	\$35,358	\$36,419
Other		\$558,039		\$0	\$0	\$0	\$0	\$0
<b>Total Revenue</b>	<b>5.00%</b>	<b>\$10,117,685</b>	<b>\$10,584,806</b>	<b>\$11,461,394</b>	<b>\$12,414,183</b>	<b>\$13,449,970</b>	<b>\$14,576,171</b>	<b>\$15,800,868</b>
<b>II. Expenditures</b>								
Operating costs	7.00%	\$9,561,965	\$10,231,303	\$10,947,494	\$11,713,818	\$12,533,786	\$13,411,151	\$14,349,931
Capital budget		\$455,720	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Expenditures</b>		<b>\$10,117,685</b>	<b>\$10,231,303</b>	<b>\$10,947,494</b>	<b>\$11,713,818</b>	<b>\$12,533,786</b>	<b>\$13,411,151</b>	<b>\$14,349,931</b>
<b>III. Capital Fund</b>								
Surplus/(deficit)		\$0	\$353,503	\$513,900	\$700,364	\$916,185	\$1,165,020	\$1,450,937
Revenue less expenses		\$455,720	\$0	\$0	\$0	\$0	\$0	\$0
Capital budget		\$455,720	\$353,503	\$513,900	\$700,364	\$916,185	\$1,165,020	\$1,450,937
<b>Adjusted capital budget</b>		<b>\$455,720</b>	<b>\$353,503</b>	<b>\$513,900</b>	<b>\$700,364</b>	<b>\$916,185</b>	<b>\$1,165,020</b>	<b>\$1,450,937</b>
<b>IV. Debt limit analysis</b>								
Town debt limit	5.00%	\$14,943,410	\$15,690,581	\$16,475,110	\$17,298,865	\$18,163,808	\$19,071,999	\$20,025,599
Existing debt		\$448,869	\$448,869	\$448,869	\$448,869	\$448,869	\$448,869	\$448,869
Available debt		\$14,494,541	\$15,241,712	\$16,026,241	\$16,849,996	\$17,714,939	\$18,623,130	\$19,576,730
Yearly increase to debt limit		\$747,171	\$784,529	\$823,755	\$869,996	\$908,190	\$953,600	\$993,600
Cumulative increase to debt limit		\$15,241,712	\$16,026,241	\$16,849,996	\$17,758,186	\$18,711,786	\$19,715,386	\$20,768,986
<b>V. Additional Information</b>								
Max Debt Limit	15.00%	\$44,830,230	\$47,071,742	\$49,425,329	\$51,896,595	\$54,491,425	\$57,215,996	\$60,076,796
Existing debt		\$448,869	\$448,869	\$448,869	\$448,869	\$448,869	\$448,869	\$448,869
Available debt		\$44,381,361	\$46,622,873	\$48,976,460	\$51,447,726	\$54,042,556	\$56,767,127	\$59,627,927
Population	3.00%	10,000	10,300	10,609	10,927	11,255	11,593	11,941
Per capita expenditures		\$1,012	\$993	\$1,032	\$1,072	\$1,114	\$1,157	\$1,202

Model developed by the Greater Portland Council of Governments



DEVELOPING A CAPITAL IMPROVEMENTS PROGRAM

WORK SHEET #10

Approved Community Capital Improvements Program

Department	Project Title	Total Estimated Cost	Expenditures						
			1990/ 1991	1991/ 1992	1992/ 1993	1993/ 1994	1994/ 1995	1995/ 1996	

Funding Summary:

- General Fund
- General Obligation Bonds
- Special Assessments
- Federal Revenue Sharing
- Federal Grants

Total Funding

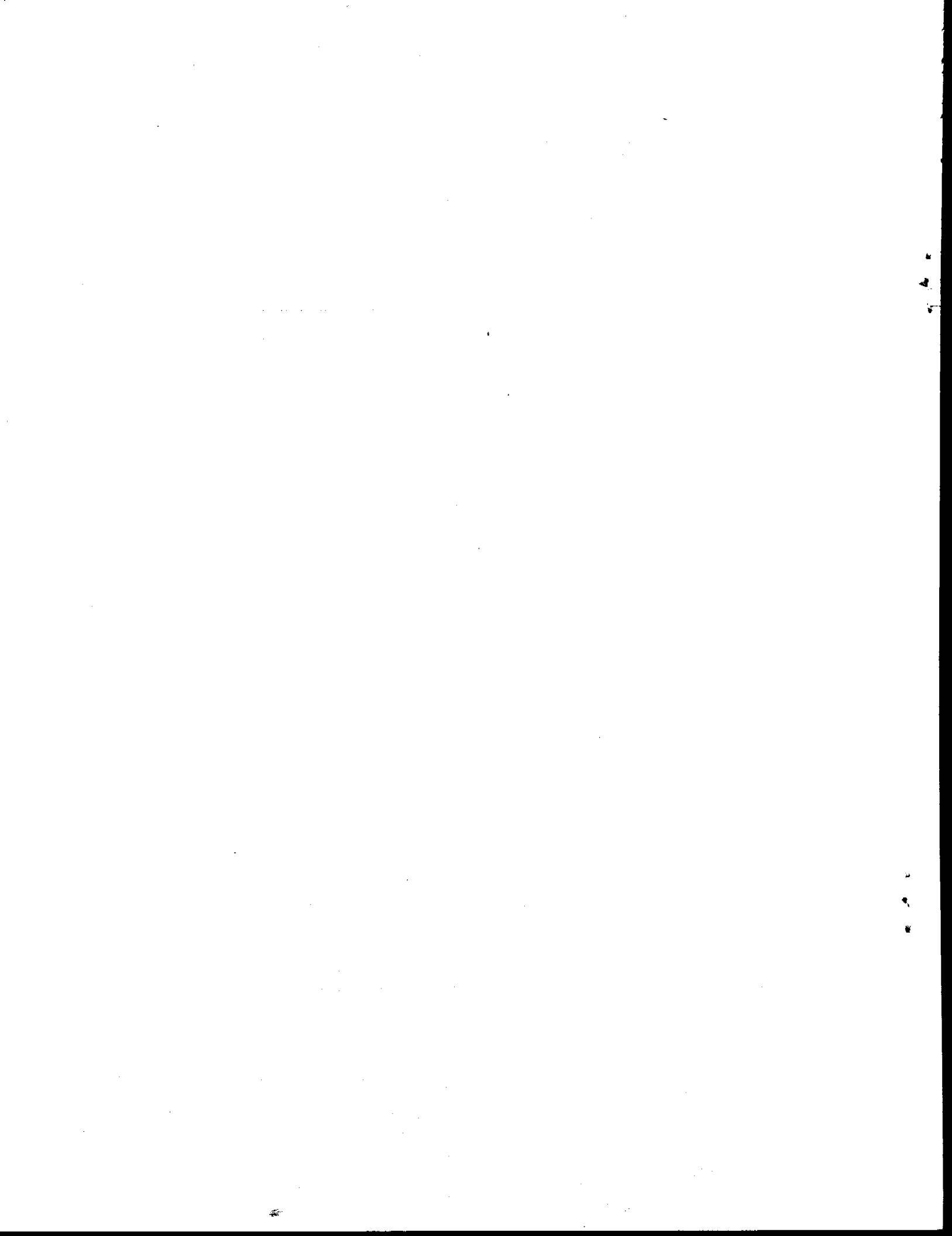


WORK

SHEET #11 1991 Capital Improvements Program Evaluation Form

Project No./Title	Plans & Specs Complete	Bids Due	Notice to Proceed	(Any other Key Steps - List)	Date Project Useable	Date Project Closed-Complete

List out projects in program. This list can be changed as scheduled dates are changed. Information placed on this form will be used to update the Town's Capital Improvement Program each year.



RESOURCES

The following sources were used in the preparation of this document.

"Capital Improvements Programming Guidebook for Maine Communities", Maine State Planning Office, Executive Department, 184 State Street, State House Station #38, Augusta, Maine 04333, May 1986.

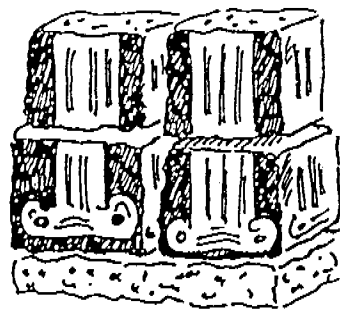
"Capital Improvements Programming & Budgeting in Kansas Cities", League of Kansas Municipalities, 112 West Seventh Street, Topeka, Kansas, 66603, November 1975.

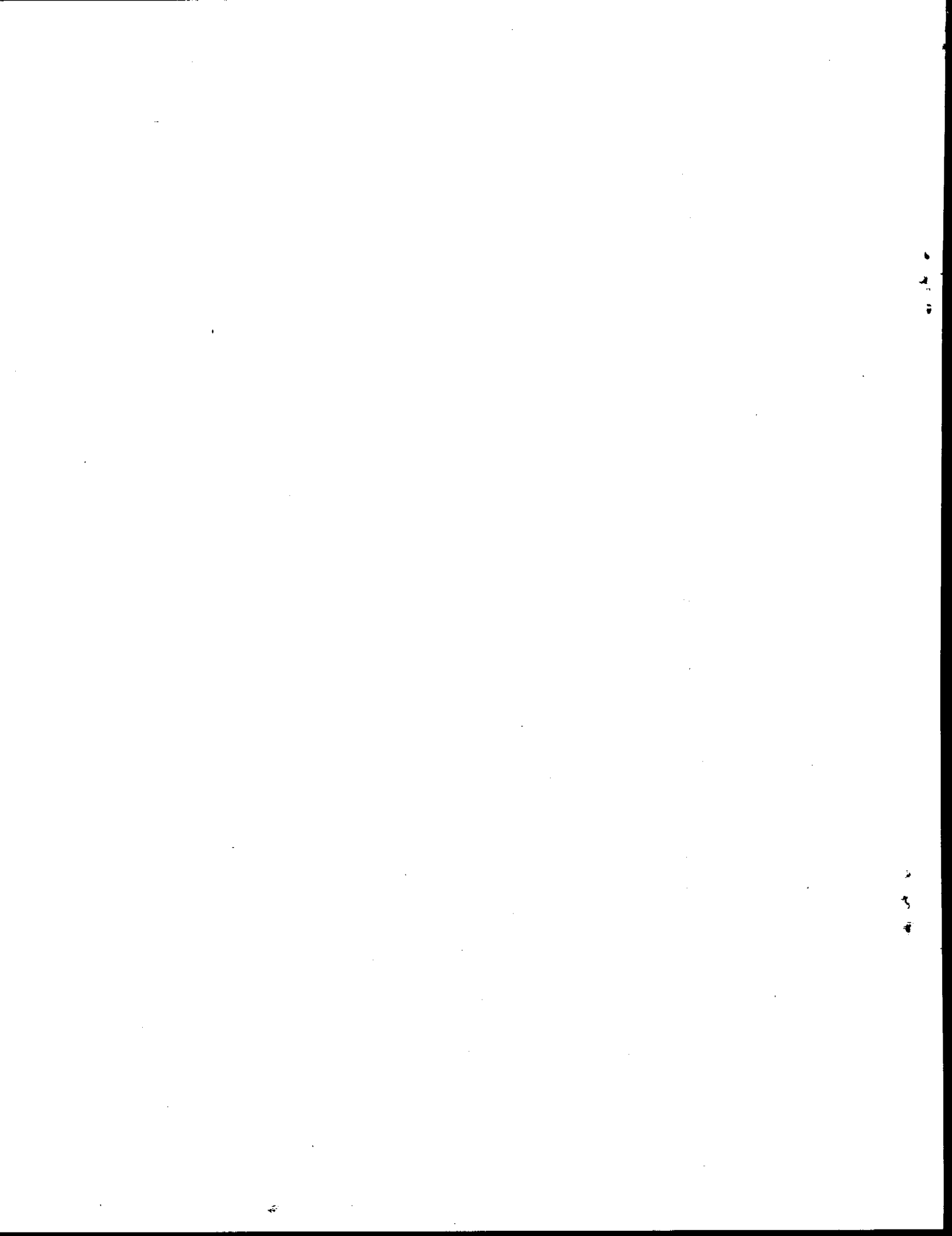
"Capital Improvements Programming", Virginia Citizens Planning Association and Virginia Department of Housing and Community Development, 205 North Fourth Street, Richmond, VA, 23219, July 1990.

"Maine Municipal Bond Bank", pamphlet, MMBB, 284 Water St., P.O. Box 2268, Augusta, Maine 04338

"Non-Traditional Revenues", Maine Townsman, December, 1990, pp. 12-15.

"User Fees and Other Revenue Sources", Maine Townsman, March, 1989, pp. 9-12.





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