

1 **Town of Bolton**

2 **CAPITAL PROGRAM & BUDGET POLICY**

3 **[Draft: Oct 23, 2019]**

4
5 **I. PURPOSE**

6
7 The purpose of this policy is to guide the preparation and update of a Capital Improvement
8 Program (CIP) for the town, as authorized under state law (24 V.S.A. §§ 4430, 4443). The
9 town's capital assets include town lands, buildings, roads, vehicles and equipment that are
10 essential to support municipal services. The CIP is a multi-year financial plan that identifies and
11 schedules capital projects and acquisitions based on established community priorities, available
12 sources of capital financing and known fiscal constraints. Through the CIP, the town can
13 anticipate and plan for future capital needs in relation to the town's tax base, operating budget,
14 capital reserve funds and debt service levels, to better manage its long-term financial position
15 and maintain a stable municipal tax rate.

16
17 The CIP is also intended to meet the town's obligations for highway infrastructure management
18 under its Municipal Roads General Permit (MRGP); for use in applying for available state and
19 federal grants and other sources of financing; and for consideration as relevant in state regulatory
20 proceedings such as Act 250. The CIP may also be used to identify additional financial
21 resources needed to operate and maintain new (versus replacement) capital assets.

22
23 **II. CAPITAL EXPENDITURE**

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25 For the purposes of the CIP, a capital project is defined as an expenditure for:

- 26 • land, rights in land, or related improvements;
- 27 • vehicles and vehicle replacements;
- 28 • buildings, and major building repairs or improvements that cost more than [\$5,000];
- 29 • equipment that costs more than \$5,000 and has an estimated life of more than one year;
- 30 • infrastructure improvements (e.g., road [paving or] reconstruction, bridges, stormwater
31 management projects) that [cost more than \$20,000? That exceed the town's average
32 annual operating budget for regular highway maintenance and repair?]; and
- 33 • preliminary studies, surveys, scoping studies or assessments relevant to capital planning.

1 **III. CAPITAL IMPROVEMENT PLAN AND BUDGET**

2

3 The CIP at minimum will include:

- 4 • A capital budget that lists and describes capital projects and acquisitions to be
- 5 undertaken in the coming fiscal year, and the estimated cost and proposed method of
- 6 financing for each; and,
- 7 • A capital program of projects to be undertaken during each of the following five
- 8 years, including the estimated costs and proposed method of financing for each.

9

10 The draft CIP and subsequent updates will be prepared by or at the direction of the Select Board
11 with the support of town staff, in consultation with the Planning Commission and Town
12 Treasurer. The Select Board may appoint an ad hoc Capital Budget Committee with
13 representation from the Select Board and Planning Commission for this purpose. The draft CIP
14 will be adopted by the Select Board, following a warned public hearing, as required under 24
15 V.S.A. §4443. The adopted CIP will be used to prepare a capital budget that identifies the
16 capital expenditures to be undertaken by the town during the coming fiscal year, as resources
17 allow, for incorporation in the annual budget presented to voters. Updates of or amendments to
18 the CIP may occur as part of the annual budgeting process; however the full CIP must be
19 updated and readopted a minimum of every five years.

20

21 The five-year CIP adopted by the town will be based on a ten-year projection of identified capital
22 needs and associated costs, in conformance with the Bolton Town Plan as most recently adopted.
23 The CIP will also be arranged to indicate the order of priority of each capital project and to state
24 for each project the following:

- 25 • a description of the proposed project or acquisition;
- 26 • the estimated total cost of the project or acquisition; and
- 27 • the proposed method of financing.

28 The CIP will include a table or spreadsheet that lists planned capital expenditures by
29 department and year, and associated costs, debt service and reserve fund amounts, for use in
30 estimating the effect, if any, of total annual capital expenditures on the municipal debt load
31 and tax rate.

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33

1 **IV. PRIORITY CRITERIA**

2
3 All capital projects and acquisitions should conform to relevant policies and objectives included
4 in the Bolton Town Plan. Projects or acquisitions that meet most of the following criteria will
5 receive a higher priority in scheduling:

- 6
7 • Needed to respond to public demand.
8 • Needed to meet federal or state requirements.
9 • Needed to safeguard public health and safety.
10 • Needed to alleviate known deficiencies or substandard conditions.
11 • Needed to maintain or improve the quality of existing services and facilities.
12 • Needed to address, mitigate environmental impacts.
13 • Needed to reduce long-term operating costs.
14 • Needed to accommodate planned development.
15 • State, federal or other funding is available to help pay for the project.

16
17 **V. PROJECT FINANCING**

18
19 A variety of methods are available to finance capital projects or acquisitions, including direct
20 budget appropriations (property taxes), duly established reserve funds, federal or state funding
21 (intergovernmental transfers), grants, donations and the issuance of debt (e.g., general obligation
22 bonds, loans or lease-to-purchase agreements), some of which require separate voter approval,
23 pursuant to _____. The order of preference for financing of capital projects and acquisitions:

- 24
25 1. Grants (100%)
26 2. Grants that require a municipal match
27 3. Reserve funds
28 4. Debt obligations (loans, lease-to-purchase, municipal bonds)
29 5. General fund/fund balance.

30
31 Use of reserve funds is generally preferred to minimize the town's debt obligations, especially in
32 relation to prevailing interest rates; however it is also recognized that future town residents who
33 benefit from new capital assets should also bear a portion of the cost.

34

1 **VI. CAPITAL RESERVE FUNDS**

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3 The Select Board shall annually propose funding of capital reserve funds created in accordance
4 with 24 V.S.A. § 2804 as necessary to accrue resources to pay for items included in the CIP.

5 Reserve funds should be used to eliminate large fluctuations in the tax rate and to reduce the
6 need to incur additional debt.

7

8 **VI. DEBT OBLIGATIONS**

9

10 General obligation debt funded by general fund property taxes shall be used for projects that
11 provide a general benefit to town residents and that cannot otherwise be self-supporting.

12 Long-term debt should be issued only for the acquisition, construction, or improvement of land,
13 buildings, infrastructure, equipment, and public improvements that cannot be financed from
14 current revenues or other resources. Current year budget appropriations and accumulated reserve
15 funds should be used to reduce the amount of long-term borrowing that is required.

16

17 The Select Board will conservatively project revenue sources that will be used to repay any debt,
18 and will analyze the impact on voters of both the additional debt service as well as any additional
19 operating expenses resulting from the improvement, to determine if new debt should be incurred
20 and to structure the appropriate repayment terms for each debt issue. The maturity of long-term
21 debt shall be kept as short as possible to minimize the overall impact on the taxpayers during the
22 life of the debt. At the same time, it should not be so short that the repayment will create an
23 unreasonable tax burden. In no event shall the life of the debt exceed the life of the improvement
24 being financed.

25

26 The following guidelines will be used when determining if additional debt should be incurred:

- 27 a. The town should not incur indebtedness which, with its previously contracted
28 indebtedness, in the aggregate exceeds ___ times the amount of the last grand list.
- 29 b. Total town indebtedness per capita should not exceed \$_____. [Nov 2015 = \$85.50
30 per capita].
- 31 c. Total annual debt service (principal and interest) should not exceed 12% of the total
32 annual operating budget.
- 33 d. Annual debt service payments and reserve fund contributions in total should not exceed
34 ___ of the total annual operating budget.

1 _____

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3 The foregoing policy is hereby adopted by the Select Board of the Town of Bolton,
4 Vermont, this ___ day of _____ and is effective as of this date until amended or
5 repealed.

6

7 _____

8 Chairperson

9

10

11

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DRAFT

Bolton Equipment Replacement Schedule

Draft - January, 2016

Equipment	Replacement Schedule
Hwy - Plow/Dump Trucks	6-7 years
Hwy – pickup truck	5 years
Hwy – Loader	20-25 years
Hwy - grader	25+ years ?
FD – Pumper	20-25 years
FD – Tanker	20-25 years
FD – Rescue Van	15-20 years

BOLTON - CAPITAL IMPROVEMENT PROJECT WORKSHEET

**Please use back of sheet for additional notes.*

Department:	Project Title:	
Contact:	Type: <input type="checkbox"/> Facility <input type="checkbox"/> Property <input type="checkbox"/> Highway <input type="checkbox"/> Equipment <input type="checkbox"/> Other _____	
	Type: <input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Addition <input type="checkbox"/> Renovation <input type="checkbox"/> Reconstruction	
Date:	<input type="checkbox"/> Property/Easement Acquisition <input type="checkbox"/> Contracted Services (Engineering/Design/Analysis)	
Project Information (Description, Location, Reason for Request)		
Project Priorities (check all that apply)		
<input type="checkbox"/> Respond to public demand	<input type="checkbox"/> Address, mitigate environmental impacts	
<input type="checkbox"/> Meet state or federal requirements	<input type="checkbox"/> Reduce long-term operating costs	
<input type="checkbox"/> Safeguard public health, safety	<input type="checkbox"/> Increase capacity to accommodate new development	
<input type="checkbox"/> Alleviate known deficiencies, substandard conditions	<input type="checkbox"/> Town Plan recommendations	
<input type="checkbox"/> Maintain or improve quality of existing services, infrastructure	<input type="checkbox"/> State of federal funds available to help pay for project	
Project Schedule		
<input type="checkbox"/> Needed in 1-2 years	<input type="checkbox"/> Needed in 10+ years	
<input type="checkbox"/> Needed in 2-5 years	<input type="checkbox"/> Needs more research, analysis, planning, design work	
<input type="checkbox"/> Needed in 5-10		
Project Costs		
Est. Total Cost: \$ _____	Est. Annual Maintenance Cost (if new project): \$ _____	Est. Life (Yrs): _____
Basis for Cost Estimates: <input type="checkbox"/> Preliminary <input type="checkbox"/> Quoted (based on specifications, scope of work)		Adjusted for Inflation? <input type="checkbox"/> Yes <input type="checkbox"/> No
Project Financing Sources (estimated)		
<input type="checkbox"/> General/Hwy Fund \$ _____	<input type="checkbox"/> Reserve Fund \$ _____	<input type="checkbox"/> Lease/Purchase \$ _____
<input type="checkbox"/> Bond \$ _____	<input type="checkbox"/> Bank Loan \$ _____	<input type="checkbox"/> Grant \$ _____
<input type="checkbox"/> Other (Specify): _____	<input type="checkbox"/> Donations \$ _____	
Projected Debt Payments (by Year)		

FY16/17	FY17/18	FY18/19	FY19/20	FY20/21	FY 20/21	FY21/22	FY22/23	FY23/24	FY25/26
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

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