



Town of Pepperell, Massachusetts Five Year Capital Planning Schedule

Overview:

A capital improvement program (CIP) is a blueprint for planning a community's capital expenditures. A CIP is typically a multi-year plan identifying capital projects and equipment to be funded during the planning period. A CIP is composed of two parts, a *capital program* and a *capital budget*. The capital program is a plan for capital expenditures that extends out past the capital budget. The capital budget is an important component in the upcoming year's spending plan for capital items. In accordance with our new Town Charter, Section 6-7, a five year Capital Improvement Plan is to be developed by capital priority needs.

Developing a CIP that will ensure sound financial and capital planning requires effective leadership and the involvement and cooperation of all municipal departments. A properly developed CIP will help the Town of Pepperell in many ways such as enhancing a community's credit rating, stabilizing debt service payments, and identifying the most economical means of financing capital projects. It will also help increase opportunities to obtain federal and state aid and help avoid duplication by overlapping governmental units.

The Town of Pepperell has several ways to finance its CIP, including state and federal grants, appropriations from the Town of Pepperell's Capital Outlay account, capital leases, and long-term borrowing. Depending on the cost and the useful life, the Town Administrator will make recommendations to the Board of Selectmen and Town Finance Committee for funding the Town of Pepperell's capital needs.

Capital leases are often three years or less and are built into the operating budget. Capital leases are often used for items such as school buses, office equipment, and other items that may not last five years in useful life. The Town of Pepperell's Capital Outlay account typically funds items under \$25,000, but can be used to fund items over \$25,000 if it is deemed prudent. Funding capital improvements through the Capital Outlay account is beneficial because there is no borrowing or interest costs; you simply pay for the item in the year that it is purchased. Many of the Town of Pepperell's capital items over \$25,000 require long-term borrowing. The Town of Pepperell is exploring a myriad of grant funding for capital improvements. At the town's Annual Town Meeting on May 4, 2015, Town Meeting unanimously approved the Town Administrator's plan to aggressively pursue the Massachusetts Green Communities Program that was authorized by the Board of Selectmen. The State's designation is slated for the fall of 2015 and provides \$150,000 in grant funds. The Town Administration is working to complete a list of energy improvement projects with staff at the Massachusetts Department of Energy Resources. This fiscal strategy is designed to augment traditional funding of our capital needs and take pressure off of local debt financing. In addition to grant funding, the town is exploring long term bonding which helps spread the costs of expensive capital improvements over their full useful life (per MGL Chapter 44/7 and Chapter 44/8).

The CIP dovetails into the Town of Pepperell's five-year financial forecast for planning purposes. The CIP has to be worked into the operational part of the budget so that both the operational and capital needs of the municipal departments are met on a year-to-year basis. Oftentimes the CIP suffers as fixed costs such as health insurance and retirement assessments continue to rise which places further pressure on the operational budget. However, it is incumbent upon the Board of Selectmen and Town Administrator to ensure that both the operating budget and CIP are reasonable and attainable to ensure fiscal stability within the limitations of Proposition 2 ½.