

Town of Madison, Connecticut



and

Madison Public Schools



Fiscal Year 2016-2017
Capital Improvement Program
Annual Capital Budget

and

Five-Year Capital Expenditure Plan

As Recommended by the First Selectman

November 6, 2015

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Introduction

The Capital Improvement Program of the Town of Madison is comprised of the Annual Capital Budget and the Five-Year Capital Expenditure Plan for both the Town and Madison Public Schools.

At the heart of the Capital Improvement Program is a planning process that 1) identifies the capital needs of the Town, 2) develops estimates of costs for the preservation (or non-recurring maintenance), enhancement, replacement, acquisition, and construction of capital assets, 3) evaluates, prioritizes and schedules these expenditures, 4) identifies funding sources to support these expenditures and, 5) forecasts the impact of these expenditures on the budget and the financial condition of the Town.

The Annual Capital Budget and Five-Year Capital Expenditure Plan that flow from the planning process present a multi-year program for balancing capital needs and fiscal constraints, preserving, enhancing, and replacing existing capital assets, and the acquisition and construction of new capital assets to meet the current and future needs of the Town.

The program is reviewed and updated annually by the First Selectman, the Superintendent of Schools, Senior Staff and the Capital Improvement Program Committee. The nine member committee includes two voting members of the Board of Selectmen, the Board of Education and the Board of Finance, and a non-voting citizen member appointed by each board. All members are appointed for two-year terms. The Committee is charged with the evaluation and prioritization of requested capital expenditures and proposed funding plans, the annual funding of capital project funds, and the submission of a recommended Capital Improvement Program to the Board of Selectmen and Board of Finance for review and approval.

Each year, two public meetings are held during the Capital Improvement Program review process to provide information on the program and an opportunity for public involvement. In addition, as the review process progresses, information regarding the status of the process including copies of draft documents is made available to the public on the Town's website. Upon approval of the final Capital Improvement Program by both the Board of Selectmen and Board of Finance, the Annual Capital Budget is approved by the Board of Finance to be included in the Town's annual budget and submitted to referendum. The Capital Improvement Program process and timeline are explained in greater detail in Section 2.0.

The Annual Capital Budget represents the annual funding of capital project funds required to support the capital needs of the Five-Year Capital Expenditure Plan and the building of reserve fund balances. The annual funding provides funds for 1) the capital expenditures to be made in the first year of the five-year plan, 2) the accumulation of funds required to meet capital needs in future years of the plan and, 3) the accumulation of funds allocated to build reserves over time.

Capital project fund reserves may be used for emergency expenditures and for un-planned expenditures not included in the five-year plan as approved by the Board of Selectmen or Board of Education, and in accordance with the Regulations of the Board of Finance.

As used in this program, a capital expenditure and capital expenditure request are broadly defined as an expenditure of public funds for the preservation, enhancement, replacement, acquisition, and construction of capital assets. Capital assets considered in the program typically have an initial cost of \$25,000 or more, and a minimum estimated useful life of five years or more.

Capital assets as defined in this program are grouped in the following general categories:

- Land, certain rights in land, and improvements to land
- Buildings
- Infrastructure
- Vehicles and equipment
- Technology systems

In accordance with the Regulations of the Board of Finance, expenditures included in the Capital Improvement Program are typically funded through the following sources:

- Capital Project Funds
- Federal, State and other Grants
- Donations
- General Obligation Bonds or Bond Anticipation Notes

The Town has a long standing practice of using pay-as-you-go financing to fund most capital expenditures without incurring debt. In addition, the Town has been disciplined in the allocation of funds each year into the capital project funds identified in this program in order to support these expenditures.

Where it is not feasible or prudent to support capital expenditures through capital project funds, grants or donations, the Town may consider long term debt financing through the issuance of general obligation bonds or bond anticipation notes. Typically debt financing is considered only for expenditures that cannot be supported by the pay-as-you-go financing methods above due to relatively high initial costs, or for actions regarding capital assets that must be executed in a time frame that would not allow for funding through these sources. In addition, financing capital expenditures through the incurrence of debt may also be considered based on the financial position of the Town including current and projected debt capacity.

A key component of the Capital Improvement Program is the availability of debt capacity to finance these types of capital expenditures and time-sensitive actions. The Regulations of the Board of Finance include a sound debt management policy that establishes parameters for the planning, issuance and management of debt that insure the continued availability of debt capacity and adherence to debt limitations.

The Capital Improvement Program is prepared with an acknowledgement of the long standing pay-as-you-go financing practice and the debt management policy. The program provides a planning tool that allows the Town and Madison Public Schools to meet current and future capital needs while maintaining level operating budgets each year.

Capital Improvement Program Process

- 1) Annually, as part of the budget development process of the Town and Madison Public Schools, Town Senior Staff and the Superintendent of Schools submit capital expenditure requests for a five-year planning period to the Director of Finance. Capital expenditure requests may initiate from an agency, board or commission of Town government, however all requests are submitted by the appropriate Senior Staff member or the Superintendent.

Each capital expenditure request includes a description of the expenditure and statement of need, total costs, a schedule for funding sources, and as applicable, ongoing operating and maintenance costs, cost savings and anticipated impact on revenues.

- 2) The Director of Finance compiles all submitted requests and in consultation with the First Selectman, Senior Staff and the Superintendent of Schools, prepares a comprehensive draft Capital Improvement Program comprised of an Annual Capital Budget and a Five-Year Capital Expenditure Plan.

The capital expenditure requests included in the first year of the draft five-year plan require detailed evaluation prior to submission for inclusion in the program. The evaluations may include professional planning, design and other consulting services, the development of opinions of costs for a project and its operation and maintenance, and obtaining approvals and permits where applicable.

The capital expenditure requests included in years two and three of the plan are those that are recommended for detailed evaluation in the near term.

The capital expenditure requests included in years four and five of the plan are those that are recommended for long range study and planning.

The costs for professional services associated with detailed evaluation and long range study and planning required for certain capital expenditures are typically included in the total cost of the expenditure and are eligible to be funded in the Capital Improvement Program.

- 3) The draft program is submitted by the Director of Finance to the Capital Improvement Program Committee for its review, evaluation and prioritization process, and its ultimate submission of a recommended Capital Improvement Program to the Board of Selectmen and Board of Finance.

In determining which projects to include in its recommended program, the Committee reviews each requested expenditure considering the financial policies of the Town and fiscal constraints over time. Expenditures are evaluated and prioritized based on the following general criteria:

- Public safety, health and welfare
- Legal, regulatory or contractual requirements
- Preservation and protection of existing assets
- Enhancement of existing assets
- Obsolescence or end of useful life of assets
- Consistency with the Town Strategic Plan and Plan of Conservation and Development
- Promotion of economic development
- Return on investment and cost avoidance

The Committee consults with the First Selectmen, the Superintendent, Senior Staff and others during its process and may make additions to or modifications of the requested capital expenditures in its determination of which expenditures to include in its recommended program.

The Committee may not remove requests that have been included in the draft program but shall note their recommendation that they be removed from consideration in the recommended program.

As a part of its process, the Capital Improvement Program Committee holds a public hearing to provide information on the program and its review, evaluation and prioritization process, and to obtain public input.

The recommended Capital Improvement Program is submitted by the Committee to the Board of Selectmen for review and approval. At the same time, the recommended program is submitted to the Board of Finance so it may begin its review process concurrently. Only Capital Expenditure Requests approved by the Capital Improvement Program Committee may be included in the final plan.

- 4) In performing its review, the Board of Selectmen considers its policies as outlined in the Towns Strategic Plan and the goals of the Town Plan of Conservation and Development. In addition, the Board of Selectmen also considers the financing options and schedules that have been presented in the recommended plan and may make revisions to be recommended to the Board of Finance.

As a part of its review process, the Board of Selectman also refers the five-year expenditure plan portion of the program to the Planning and Zoning Commission in accordance with the requirements of Section 8-24 of the Connecticut General Statutes. The Commission reviews the applicable portions of the plan regarding municipal improvements and issues a report to the Board of Selectmen that is considered in the Board of Selectmen's review.

- 5) The Board of Selectmen approved Capital Improvement Program is submitted to the Board of Finance for final review and approval.

The Board of Finance considers in its review, the current and future capital needs of the Town and Madison Public Schools that have been presented in the plan recommended by the Board of Selectmen, balanced against both the current and projected financial condition of the Town. In considering current and projected financial conditions, the Board of Finance reviews the financing options and schedules for all capital expenditures, the funding proposed for all capital project funds, the management of debt service, and the impact on the operating budget of the Town.

As a part of its review process, the Board of Finance also holds a public hearing to provide information on the program under review and to obtain public input on the program.

Upon approval of the final Capital Improvement Program, the Board of Finance will also approve the Annual Capital Budget for the next fiscal year for inclusion in the Towns budget and submitted to referendum.

Capital Improvement Program Process



