

CAPITAL PROGRAM AND BUDGET POLICY
Town of Huntington

Purpose

The purpose of this Capital Program and Budget Policy is to establish a capital improvement program (CIP) for the Town of Huntington. The capital assets of the Town and their condition are critical to the quality of services provided to the municipality. A CIP is a multi-year financial plan for the construction, acquisition, and major maintenance 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 (CIP)

The selectboard will adopt a seven-year CIP for the Town of Huntington. This plan will include the Town's plan of capital projects proposed to be undertaken during each of the following seven years, the estimated cost of those projects, and the proposed method of financing. The selectboard 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, 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.

- (3) An estimate of the effect, if any, upon debt load and tax rate of the municipality.

- (4) An estimated effect of ongoing operational and routine maintenance costs

Each year, using the CIP, the selectboard will review and update the CIP given changes since last review.

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 and any expenditure for infrastructure (e.g., roads, bridges, water and wastewater distribution and collection systems).

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 Huntington's preference in regards to funding projects is:

1. Grants (100%)
2. Grants with town matching
3. Funding through capital plan (Reserves)
4. Funding through financing (loans and bonds)
5. Funding through the General Fund/Fund Balance

Reserve Funds

The use of reserve funds should minimize large fluctuations in the tax rate and will reduce the need for incurring additional debt.

Principles for Guiding Decision Making

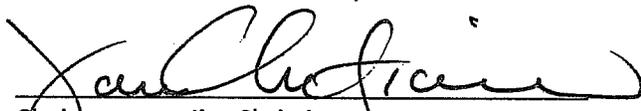
1. Stabilize the tax rate through the use of the 7 year Capital planning and budgeting process.
2. Prioritization of capital projects is necessary. Bridges are a top priority.
3. Maintain a fund balance of \$125,000.
4. We will strive to set a maximum tax rate increase of 2% per year.
5. Fund Balance funds exceeding \$125,000 should be used towards funding Capital projects.
6. Capital projects that reduce operation costs have a high priority.
7. Debt service should not be greater than 10% of total revenue.
8. Debt should not exceed 5% of Grant List.
9. Debt should not be more than 1.5 times greater than town assets.

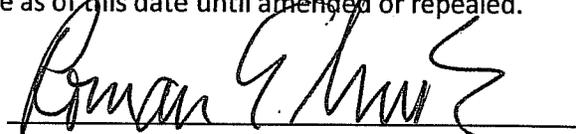
Priority Criteria

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

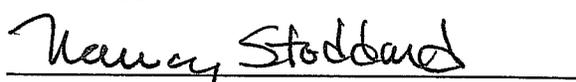
1. The project or asset meets a policy goal or fulfills a strategic objective of the selectboard.
2. The project or asset is required under a state or federal mandate, law, or regulation.
3. The project or asset will mitigate or eliminate a known safety hazard.
4. The project or asset will maintain and 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.
8. Low impact on ongoing operational costs.

The foregoing Policy is hereby adopted by the selectboard of the Town of Huntington, Vermont, this 08 day of Sept. 2014 and is effective as of this date until amended or repealed.


Chairperson – Jim Christiansen

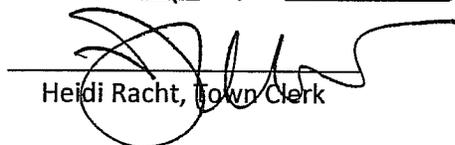

Roman Livak


Vice Chairperson – Dori Barton


Nancy Stoddard


Doug Graver

Received for record this 19 day of September 2014


Heidi Racht, Town Clerk

Sources

* VLCT Model Financial Policies Handbook, "Model Capital Program and Budget Policy" – May 2010
<http://www.vlct.org/assets/Resource/Handbooks/VLCT Model Financial Policies Handbook.pdf>