**TOWN OF UNDERHILL**

**CAPITAL PROGRAM AND BUDGET POLICY**

**Purpose:** The purpose of this Capital Program and Budget Policy is to establish a capital improvement program (CIP) for the Town of Underhill, VT in accordance with 24 VSA § 4433. 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 or acquisition of capital assets. The CIP 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. It 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 large operating budget expenditures, debt repayment requirements, and potential reserve fund needs in order to better manage the long-term financial position of the Town.

**Capital Improvement Plan and Budget:** The Selectboard will adopt a five-year CIP for the Town of Underhill, VT. This plan will include the Town's plan of capital projects proposed to be undertaken during each of the following five years, the estimated cost of those projects, and the proposed method of financing. The Planning Commission will review the CIP annually and make recommendations for amendment to the Selectboard by July 1 of each year. The Selectboard will then review and update the CIP annually by September 1.

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 to be financed by direct budgetary appropriation or duly established reserve funds; the amount estimated to be received from federal and/or state governments and the amount to be financed by the issuance of debt obligations. Debt obligations will show the proposed type of obligation(s), together with the period of probable usefulness for which they are proposed to be issued; and
3. An estimate of the effect, if any, upon operating costs of the municipality.

Each year the Selectboard will develop a capital budget that lists and describes the capital expenditures to be undertaken by the town during the coming fiscal year. As resources are available, the capital budget will be incorporated into the current year operating budget.

**Capital Expenditures:** For purposes of the CIP, a capital expenditure is defined as any expenditure for vehicles and equipment costing at least or more than $5,000.00. For land, land improvements, buildings, building improvements, infrastructure (roads, bridges, water and waste water distribution and collection systems) costing at least or more than $25,000.

**Reserve Funds:** In conjunction with the Town's debt management policy, the selectboard shall annually propose funding of reserve funds created in accordance with 24 VSA § 2804 to accumulate resources to pay for items included in the CIP. The use of such reserve funds should minimize fluctuations in the tax rate and will reduce the need for incurring additional debt. Other capital improvements may be funded by bond issue or through the operating budget.

**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 number of residents the project or asset will benefit;
5. The project or asset will improve the quality of existing infrastructure;
6. Grant funds are available to assist in funding the project.

The foregoing policy is hereby adopted by the selectboard of the town of Underhill Vermont, this 20th day of June and is effective as of this date until amended or repealed.

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| Brad Holden, Chair | 6-20-2013<br>Date |
| Seth Friedman, Vice Chair | 6-20-13<br>Date |
| David Rogers | 6-20-2013<br>Date |