

# Understanding the Capital Improvement Plan

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Below is a series of terms or subject/table headers that are used in the Capital Improvement Plan. These items will help as you better understand the Capital Improvement Plan.

**Department:** Town department in which the particular project will fall under, usually determined by function (who uses the projects or owns the capital item) or who would otherwise have responsibility for management or oversight of the project.

**Division:** Administrative divisions within departments that are large and capital intensive (such as Public Works) and helps to delineate the type of project in a large or complex department.

**Fiscal Year:** The fiscal year in which a particular item or is proposed on the plan is scheduled to begin. Most projects will be completed within the year specified, but larger more complex projects will begin in one year and may last for several years.

**Total Cost:** The total *projected* cost of a project. Efforts are made to secure as accurate of a project cost as possible, however until a project has been fully put out to bid or prices secured, the number in the CIP is still an estimate. The more complex the project/purchase, the higher the chance for potential price/cost volatility. The number in a given fiscal year represents what will be sought for an appropriation for the project in question, however that number may ultimately change at Town Meeting if new information is available.

**Project Number:** Please see Appendix 6, Project Numbering and Tracking System for a detailed explanation of the Project Numbering and Tracking System. The system ties a project number to a specific project allowing us to know when the project entered the plan and when it was originally scheduled, as well as the department the project belongs to. This will eventually tie into our ERP software to track projects by number and to integrate our capital planning with our financial software.

**Design Services:** The cost of engineering/architectural design needed in preparation for a project and will generally appear in the Capital Improvement Plan in the year preceding a project. The Town, following best practices, should engineer and design most projects before securing funding authorization to begin a project.

**Funding Sources:** An explanation of the proposed funding source for a project.

**Free Cash:** Surplus funds from previous years, revenues over collections or unspent line items.

**Borrowing:** Money to be borrowed (bonded) over the lifespan of the particular project or projects.

**Rates-Cash:** Water or sewer rates, directly raised in the water/sewer budget. Please remember that ALL water/sewer related expenses are paid by water/sewer rates and not by property taxes.

**Operating Budget:** The proposed project is included in the operating budget as part of the department's regular operating budget.

**Grant Funds:** Funds secured from a variety of grant sources, if available.

**Community Preservation Act (CPA):** Funds from the Community Preservation Act, which is a 1% surcharge on properties matched in part by the state. CPA funds have specific requirements for how the funds may be spent.

**Chapter 90 Funds:** State aid targeted specifically for paving/reconstruction of roads. The Town receives approximately \$860,000 annually through this program.

**Rates-Borrow:** Borrowing similar to above, but for water/sewer projects that will be paid out of rates as opposed to property taxes.

**Other:** Any other funding source will be explained in the appendix if utilized.