

8 CAPITAL IMPROVEMENT PROGRAM AND BUDGET

Providing the basic services which ensure the health and safety of Kensington's citizens is a fundamental responsibility of Town government. Programs of regular facility maintenance and upgrades and expansion of municipal services to meet minimal federal, state and local standards are essential. The cumulative effect of deferring major maintenance expenditures and basic improvement of essential services often results in an expensive series of stopgap measures which fail to address the communities comprehensive long-term needs.

The Capital Improvements Program (CIP) is a valuable part of the community planning process. The CIP links the local infrastructure investments with Master Plan goals, land use ordinances and regulations, and general community goals. A CIP bridges the gap between planning and spending, between the visions of the Master Plan and the fiscal realities of improving and expanding community facilities. When related to the Master Plan, the CIP process strives to anticipate investments in community facilities which are necessary to serve or shape the pattern of growth and development. The portions of selected CIP expenditures which are necessitated by growth may be eligible for funding by impact fees in accordance with NHRSA §674:21. Upgrades to local roads, school expansion or improvement of municipal facilities which are required to serve new development can be paid for by developers through impact fees on a pro rata basis.

Capital improvements programming is a means of avoiding the unpleasant surprise of expensive projects which result in large property tax increases. While cost impacts can not always be precisely determined in advance, the CIP fosters discussion of the distribution of the tax burden of new capital expenditures over time. The CIP process allows for a public discussion of the preferred means of distributing capital costs not only over time, but also among users of the facilities to be financed. Some communities prefer to pay for capital costs out of current revenues and absorb a high but single year tax increase. Other communities prefer to establish annual appropriations to capital reserve accounts to pay for future projects. Still others believe that construction should take place as needed, and be funded by bonded debt, retired by both existing and future users of the expenditure. At the very least, the CIP process should promote discussion of fairness in fiscal policy.

NHRSA §674:5 enables the Planning Board to prepare a CIP as follows:

In a municipality where the planning board has adopted a master plan, the local legislative body may authorize the planning board to prepare and amend a recommended program of municipal capital improvement projects projected over a period of at least six years. The capital improvements program may encompass major projects being currently undertaken or future projects to be undertaken with federal, state, county and other public funds. The sole purpose and effect of the capital improvements program shall be to aid the mayor and the budget committee in their consideration of the annual budget.

The CIP is a comprehensive schedule of all major Town improvements to be made within a minimum of six years. When adopted and fully utilized, the CIP serves to ensure that facilities are improved in accordance with the needs and within the financial capabilities of the Town. The scheduling of capital expenditures in a rational planning and budgeting process is an important management tool for use in allocating tax dollars.

The adoption and implementation of a CIP offers many advantages:

1. **Stabilizes year to year variations in capital outlays.** By examining projected operating expenditures and revenues over the six-year period, available funding can be evaluated and capital projects prioritized and scheduled to temper tax impacts.
2. **Substantiates the need for development impact fees.** The costs of providing municipal services and infrastructure to new developments which would otherwise not have required Town expenditures can be reasonably passed on to developers as development impact fees.
3. **Makes pre-emptive acquisitions more feasible and defensible.** Anticipating and scheduling land purchases for Municipal use, recreation, preservation, etc. will help ensure that opportunities are taken if they arise.
4. **Supports growth control and impact fee ordinances.** A current Master Plan and CIP are statutory prerequisites for these regulations.
5. **Facilitates implementation of the Master Plan.** Prioritizing and scheduling of proposed projects over time can eliminate duplication and a random approach to expenditures.
6. **Provides a total picture of Kensington's major needs.** Large expenditures will be viewed in the context of other projects, rather than in isolated instances as the needs arise. In this way, activities of municipal departments can be coordinated and piecemeal expenditures discouraged.
7. **Establishes a rational and defensible project schedule.** Needs are evaluated and prioritized in light of anticipated revenues.
8. **Serves as a public information tool.** The CIP is prepared in a public forum and provides sound information on the Town's plans for major expenditures.

The CIP will provide Kensington with an opportunity to schedule future capital expenditures necessary to support the existing and forecasted population. At the same time the Capital Program Budget process is a means of providing input to the Board of Selectmen and in

preparation for Town Meeting, effectively implementing the Master Plan. A Capital Improvement Program and Budget is utilized to realistically measure public expenditure needs to implement programs provided for in the Master Plan and relate them to the Town's growth, then provide for the scheduling for such improvement.

The Capital Budgeting process affords the ability to stabilize the tax rate by spacing programs and payments gradually over a period of time, thus avoiding peaks and valleys in the necessary appropriations. It is becoming increasingly important, particularly as state and federal funding programs become less and less available to local communities, that alternate sources of funding are sought and utilized.

A CIP can assist Kensington's measurement of capital expenditures required by proposed developments (even though in conformance with the Zoning Ordinances and Subdivision Regulations) against the Town's ability to provide the means necessary to support such new developments. It is through this process that a Planning Board may require off-site improvements in support of development rather than placing burdens of public improvements on the general public. This is especially true when the only beneficiary will be the developer who is proposing the development and those ultimately living in such development.

It is this process also that makes the Town realize that Capital expenditures necessary for new development and expansions of old ones are creating a burden on the public funding process. New developments can be reasonably assessed for their fair share of capital facility needs.

For Kensington to provide services without unduly burdening its financial capability, the Town should use a managed growth process. NH Statutes require that a community, before exercising growth management, adopt a Master Plan and a Capital Improvement Program. The CIP must not merely indicate a community's inability to provide for rapid growth, but also indicate how financial planning can meet needs arising from future community growth.

Once the Planning Board has adopted a Capital Improvement Program and Capital Budget, Growth Management must be related to such a process. The Planning Board measures new and proposed development, determining its appropriateness in a schedule of timing, or its appropriateness in keeping with the community's ability to provide services, as well as its relationship to growing physical development.

It is through these means that the Planning Board can measure the need for off-site improvements such as road and traffic safety, can assess the impact of a proposed development, and can provide for orderly development of the community and implementation of the Master Plan.

While Kensington has demonstrated a commitment to wise land-use planning through the implementation of prior Master Plans and resulting ordinances and regulations, the Planning Board must continue its efforts to manage its rate of growth.

8.1 RECOMMENDATIONS

1. The Planning Board in cooperation with all Town officials should prepare a current CIP, and commit to updating the Program annually;
2. The Town should continue to seek outside funding sources for required capital expenditures to reduce the impact on Kensington's taxpayers.

NOTES

[illegible]