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Presented to
The Planning Board
of the

Town of West Greenwich
Rhode Island

FINANCIAL PLANNING

AND

CAPITAL BUDGET ORGANIZATION STUDY

by

Rhode Island Department of Community Affairs
Planning and Development Division

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INTRODUCTION

This report is presented in two parts; A Financial Planning Policy and Capital Budget Organization.

Financial Planning

The fiscal management and day to day operation of municipal services in a growing community, assume a role of increasing complexity in relation to population increase. The need of this population for increased government services and associated community facilities, warrant the initiation and adherence to a sound fiscal planning and programming policy.

The intent of this section is to propose a financial policy based on accepted budgeting procedures. The key to the success of a program such as this, is not in the proposals, but the policies that may be adopted and followed in guiding decisions related to capital expenditures.

The application of fiscal spending guidelines will indicate to the Town Council at any point in time what amount of additional bonding could be undertaken safely within stated limits and in accordance with the ability of the Town to pay. In this way, large expenditures for capital projects could then be scheduled in such a way that the delicate balance between revenues and expenditures would not be upset.

If this program is followed, the acquisition of needed projects and facilities without concomitant sizeable tax increases should be realized.

Capital Budget Organization

West Greenwich, at this stage of development, does not spend large annual sums for capital projects. Until the recent authorization was given for the borrowing of money to finance a new Town Hall and Town Garage, there was no outstanding bonded debt. The Town has in the past had experience with the issue of bonds, particularly for school purposes. This past debt has now been assumed by the Exeter-West Greenwich School District.

The initiation of a modified Capital Budget and Capital Improvement Program at this time will enable various Town Agencies and Officials to become more knowledgeable in this budgeting, programming procedure. It is expected that experience gained through the financing of limited capital items will stand the Town and Town Officials in good stead when more substantial capital expenditures and increased debt service are undertaken.

II

RECEIPTS AND EXPENDITURES

This section presents historical data covering receipts and expenditures for the Town of West Greenwich from the fiscal year ending June 30, 1963, to the fiscal year ending June 30, 1972.

Receipts

During the period studied, total receipts have increased 58 percent from \$186,659 to \$320,865. Total receipts for the fiscal years ending in 1966 and 1967 are lower than the previous years reflecting the reallocation of State grants for education to the Exeter-West Greenwich Regional School District. The five year period from 1968 through 1972 more nearly reflects the true rate of revenue increase. At this time, total revenues increased 61 percent from \$198,134 to \$320,865. Property taxes, the major revenue source for the Town have increased 54 percent from \$141,545 to \$260,411 within this five year period. Table 1 on the following page indicates these general fund receipts for the ten year period, 1963-1972.

Table 1 West Greenwich General Fund Receipts
1963-1972

Fiscal Year Ending	Total Receipts	Property Taxes	Shared Taxes	Grants In-Aid	Licenses	Other Revenue
6/30 1963 ^{1/}	\$186,659	\$ 98,632	\$4,481	\$77,366	\$2,072	\$3,576
" 1964	206,348	118,268	4,788	78,482	2,560	1,050
" 1965	210,462	114,358	5,138	87,571	2,321	388
" 1966	161,931	136,079	5,250	14,952	3,106	1,389
" 1967	174,905	146,766	5,686	15,442	3,510	1,234
" 1968	198,134	141,545	5,285	45,782	3,450	2,072
" 1969	226,954	167,522	5,418	47,733	3,810	4,471
" 1970	234,494	177,408	5,964	45,641	3,048	2,433
" 1971	289,485	225,384	7,964	48,630	4,047	3,460
" 1972	320,865	260,411	6,878	45,297	3,992	4,287

^{1/} Receipts are for 16 months period - change of fiscal year
ending from 2/28 to 6/30.

Source: 1963-1966 Division of Local and Metropolitan Government.
1967-1972 Department of Community Affairs

Annual Report on Local Government Finances and Tax Equalization.

Expenditures

Along with increased revenues, there has been a concomitant increase in Town operating expenditures. During the ten year period depicted in the accompanying table, total expenditures increased 53 percent from \$188,875 to \$355,194; during the five year period 1968 to 1972, which is more representative of the true increase, the increase was 54 percent from \$194,214 to \$355,194. During this same five year period, expenditures for education, which are responsible for the largest share of the total budget, increased 64 percent from \$114,501 in 1968 to \$178,720 in the year ending 1972. The establishment of the Exeter-West Greenwich Regional School District in 1965, reduced the expenditures for education and debt service and was accompanied by a shift in revenue from State and Federal education grants. Table 2 which follows, shows the operating expenditures in West Greenwich for the period 1963-1972.

Table 2 West Greenwich Operating Expenditures
1963-1972

Fiscal Year Ending	Total Expenditures	General Government	Financial Admin.	Public Safety	Public Works	Public Welfare	Education	Debt Service	Other Expenses
	\$	\$	\$	\$	\$	\$	\$	\$	\$
6/30 1963 ^{1/}	188,875	2,400	2,702	8,025	*31,173	-	124,786	11,330	6,674
" 1964	185,960	3,995	3,241	5,066	*30,403	2,213	126,829	11,382	2,831
" 1965	211,287	3,652	2,985	6,554	*34,620	2,190	154,107	10,745	5,433
" 1966	164,787	7,400	3,724	7,252	*46,434	1,834	96,046	-	4,047
" 1967	159,393	7,860	4,171	8,914	*45,100	2,029	63,007	35	28,244
" 1968	194,214	7,783	4,050	10,277	46,066	2,655	114,501	-	8,882
" 1969	215,623	9,406	6,748	11,347	50,181	5,207	125,078	-	7,656
" 1970	274,606	11,999	4,300	18,899	53,194	4,227	113,882	625	67,480
" 1971	274,623	14,411	4,956	20,028	49,265	8,675	138,482	11,540	27,316
" 1972	355,194	16,120	5,400	29,770	61,138	4,040	178,720	34,561	25,445

* Includes Public Health and Sanitation.

^{1/} Disbursements are for a 16 month period, reflecting change of fiscal year ending from 2/28 to 6/30.

Source: 1963-1966 Division of Local and Metropolitan Government
1967-1972 Department of Community Affairs
Annual Report on Local Government Finances and Tax Equalization.

III

BONDED INDEBTEDNESS

West Greenwich's obligations for school bonds with a balance of \$67,000 as of June 30, 1965 were assumed on July 1, 1965 by the Exeter-West Greenwich Regional School District. Although these bonds do not show in a financial analysis of Town government, they are now being retired through the Regional School District.

ALLOCATION OF BOND SERVICE COSTS EXETER-WEST GREENWICH SCHOOL DISTRICT

The takeover of bond and note obligations, including existing school buildings, were covered in Chapter 80, Section IV of the Public Laws of Rhode Island, 1965, which states in part as follows:

All school buildings currently in use in the member towns shall be transferred to the district on July 1, 1965. The district shall assume responsibility for the servicing of outstanding debts thereon on July 1, 1965.

Thus on July 1, 1965, the Exeter-West Greenwich Regional School District assumed the bond and note obligations for West Greenwich as follows:

Town of West Greenwich

2.25% School Bond, dated 6/1/50	80,000	4,000	20,000
4.5% School Bond, dated 8/1/57	80,000	4,000	47,000

During the Districts fiscal year ending June 30, 1966, the Town of West Greenwich was billed for \$5,413.54 for its share of the debt service account. This amount was arrived at as a total of the two, \$4,000 principal payments on previous Town bond issues, plus \$2,565 interest (total \$10,565) less \$5,151.46, State Aid for school housing.

In subsequent years, the district will bill back to each town the amount of the debt service charges (principle and interest payments), less the State Aid for school housing, on the bonds or note that each town turned over to the districts.

The following table presents the balance of the debt of each town and the annual debt service required to amortize these debts.

Table 3 Debt Service Changes and Remaining Balance
 of Debt Assumed by
 Exeter-West Greenwich Regional School District

<u>Year Ending 6/30</u>	<u>Principal Payments</u>	<u>Interest</u>	<u>Debt Service Payment*</u>	<u>Balance</u>
<u>Exeter</u> (2.4% 130,000, School Bldg. & Equip. Bonds Dated 10/1/51; 5,000 Due Annually Through 10/1/77)				
1974	\$5,000	\$ 600	\$5,600	\$20,000
1975	5,000	480	5,480	15,000
1976	5,000	360	5,360	10,000
1977	5,000	240	5,240	5,000
1978	5,000	120	5,120	-

<u>West Greenwich</u> (4.50% School bonds, dated 8/1/57, \$80,000, \$4,000 due annually thru 8/1/75; \$3,000 due 8/1/76)				
1974	\$4,000	\$ 675	\$4,675	\$11,000
1975	4,000	495	4,495	7,000
1976	4,000	315	4,315	3,000
1977	3,000	135	3,135	-

* Debt Service to member towns will be reduced annually by amount of state aid for school housing, averaging 42%-49%.

State aid for school housing is not a fixed sum every year, therefore, it is not possible to figure the yearly cost to the Town of West Greenwich over the remainder of the retirement schedule of these bonds. It can be assumed, however, that this fixed cost will be approximately \$5,000 a year to the year 1976 at which time the principal portion of the payment will be reduced \$1,000.

Present Bonded Debt

As of June 30, 1972, the Town had a net bonded debt of \$120,000, outstanding on bonds sold for the new West Greenwich Town Hall.

IV

TAXABLE ASSESSED VALUATIONS

Property taxes in West Greenwich are the major source of Town revenue. In the ten year period from 1963 to 1972, property taxes accounted for approximately 70 percent of total revenue. Since 1968, there has been a marked increase in this percentage figure with property taxes contributing 81 percent of all revenue in 1972.

Table 4 TAXABLE ASSESSED VALUATIONS, FOR
WEST GREENWICH 1963-1970 AND PROJECTED 1971-1975

<u>Assessed 12/31 of Previous Year</u>	<u>Real Estate and Tangible Personal Property</u>
1963	\$ 4,307,808
1964	4,545,474
1965	5,090,114
1966	*4,516,562
1967	5,175,284
1968	5,889,901
1969	6,856,301
1970	8,118,660
1971	9,098,000
1972	10,078,000
1973	11,058,000
1974	12,038,000
1975	13,018,000

* Reduction in valuation reflects condemnation of \$1,089,115 of real estate by Water Resources Board for reservoir purposes.

Using the table above, the increased tax yield for the period 1971-1975 can be projected. The current equalized tax rate of \$22.00 per thousand dollars of assessed valuation has been used to derive the following table indicating projected tax yields.

Table 5

PROJECTED TAX YIELD FOR TAXABLE
ASSESSED VALUATIONS 1971-1975

<u>Assessed 12/31 of Previous Year</u>	<u>Projected Taxable Assessed Valuation</u>	<u>Projected Tax Yield @ \$22.00 Per Thousand</u>	<u>Projected Increase In Yield Per Year</u>
1971	\$ 9,098,000	\$200,156	\$ -
1972	10,078,000	221,716	21,560
1973	11,058,000	243,276	21,560
1974	12,038,000	264,836	21,560
1975	13,018,000	286,396	21,560
1976	13,998,000	307,956	21,560
1977	14,978,000	329,516	21,560

Based on the assumption that taxable assessed valuations will increase at a uniform rate, the yearly increase in tax yield should be approximately \$21,500 a year. This does not necessarily mean that the Town will have \$21,500 yearly in increased revenues to use for capital expenditures or to earmark for use in new areas of spending.

If these projections are carried out an additional step, some indication of what actually will be realized by a tax increase of \$1.00 can be determined. For every \$1.00 increase in taxes, using a \$23.00 per thousand tax rate, approximately \$13,718 in additional revenue would be realized.

As a community grows in wealth and population, there are additional demands for services as well as increased operating costs in customary areas of Town Government. Many times this increase in revenue is not sufficient to cover normal increases in the cost of government. This is particularly true when it is considered that the budget of the Exeter-West Greenwich Regional School District is set independently from the direct control of Town government. Any substantial increase in school spending must then be met as part of the two Town's shares.

Revenue Sharing

The initiation of Federal Revenue Sharing has provided another source of income to all communities. These monies have made it possible to fund and provide certain projects in smaller communities that heretofore were not economically feasible under previous revenue limitations. The following table indicates revenue sharing funds that have been allocated to West Greenwich.

Table 6

West Greenwich
Revenue Sharing Allocations
By Entitlement Periods
January, 1972 - June, 1974

<u>Entitlement Period</u>	<u>Dates</u>	<u>Allocation</u>
1	January 1972 - June 1972	\$11,470
2	July 1972 - December 1972	11,006
3	January 1973 - June 1973	11,999
4	July 1973 - June 1974	<u>14,108</u>
TOTAL		\$48,583

Through June 1974 the Town has received approximately \$49,000 in revenue sharing monies. At this time, the amount the community will receive for entitlement period 5 has not been released.

FINANCIAL PLANNING

As outlined in Section III of this study, Bonded Indebtedness, West Greenwich presently has only \$120,000 of bonded debt.

The Town is, therefore, in an ideal position to develop guidelines leading to a long-range financial plan to obtain necessary community improvements and other capital equipment.

Keeping in mind that the financial integrity of the Town is its greatest asset when borrowing for needed improvements, certain criteria relative to borrowing procedures should be established. Afformative answers to the following questions should be part of this criteria.

1. Is the project for which the borrowing is anticipated, a true capital improvement item whose useful life will equal or exceed the period of bond retirement that is anticipated?
2. Is the purpose of the loan or bond issue reasonable from the standpoint of usefulness to the Town?
3. Does the financial condition of the Town warrant the obligation of necessary funds to retire this obligation when due?

The answers to the above questions and the resultant action taken, will determine to a great extent the fiscal responsibility of the Town. Establishment of this "fiscal responsibility" will in turn determine the extent of acceptance and interest rates that will be charged by lending institutions.

The International City Managers Association in 1959^{1/} established guidelines for financial planning that have been widely accepted. These guidelines relate to two indices as follows:

1. This index concerns the establishment of the ratio of debt service, for debt retirement to annual total revenue. The recommended limit using this method is that debt service payments should not exceed 25% of the total annual revenues in any year these payments are made.

^{1/} Local Planning Administration, (The International City Managers Association, 1959)

2. The second index is derived by establishing the ratio of bonded debt to full taxable valuation. Recommended limits when using this index are: a ratio of 10% or lower is considered safe; 10% to 15% becomes a doubtful area; and over 15% should definitely be avoided.

Table 7 has been prepared to illustrate the above ratios in West Greenwich for the period 1963-1972.

Table 7 RATIO OF DEBT SERVICE TO TOTAL REVENUE AND
RATIO OF BONDED DEBT TO TOTAL ASSESSED VALUATION
1963-1972

Fiscal Year Ending 6/30	Total Revenue \$	Debt Service \$	Ratio of Debt Service to Total Revenue	Total ^{1/} Taxable Assessed Valuation \$	Net Bonded Debt \$	Ratio Bonded Debt To Assessed Valuation
1963 ^{2/}	186,659	11,330	6.1%	4,018,228	83,000	2.1%
1964	206,348	11,382	5.5%	4,307,808	75,000	1.7%
1965	210,462	10,745	5.1%	4,545,474	67,000	1.5%
1966	161,930	-	-	5,090,114	-	-
1967	174,905	-	-	4,516,562	-	-
1968	198,134	-	-	5,175,284	-	-
1969	226,953	-	-	5,889,901	-	-
1970	234,494	625	.3%	6,856,301	-	-
1971	289,485	11,540	3.9%	8,118,660	125,000	1.5%
1972	320,865	34,561	10.7%	-	120,000	-

^{1/} Assessed 12/31 of preceding year.

^{2/} 16 month period.

VI

FINANCIAL PLANNING POLICY

In the preceding section, two indexes were used to measure reasonable limits for a Town's indebtedness. The two indexes can be utilized to provide the framework within which decisions regarding future indebtedness could be made.

In order to insure sound financial planning, it might be well to adopt a midway ratio of 10% between debt service and total revenue using the first index. This ratio approximates the existing debt ratio in the Town of West Greenwich.

In the first index, the ratio of indebtedness to total revenue, could be used to establish a maximum of 10% between debt service and total revenue.

Table 8 has been prepared to project this maximum debt service until 1978.

Table 8

MAXIMUM DEBT-SERVICE, BASED UPON
15% RATIO - WEST GREENWICH
1973-1977

<u>Year Ending 6/30</u>	<u>Projected Total Revenues</u>	<u>Maximum Available for Debt-Service @ 10% Ratio</u>
1973	\$364,000	\$36,400
1974	407,000	40,700
1975	450,000	45,000
1976	493,000	49,300
1977	536,000	53,600

An alternative to the above mentioned method of determining safe maximum debt limits would be based upon Index 2 outlined on page 13. Limits of total bonded indebtedness could be established at 7 1/2% of the total taxable valuation assessed as of December 31 of the previous year.

It is recommended that both indexes be used together since Index 1 concerns debt service and Index 2 total bonded debt.

Table 9 has been prepared to show the limits of bonded indebtedness based upon this 7 1/2% ratio limitation.

Table 9

LIMITATION OF BONDED DEBT
BASED UPON 7 1/2% RATIO TO TOTAL TAXABLE
VALUATION 1971-1978

Assessed 12/31 of the Previous Year	Projected Total Taxable Valuation	Limit of Bonded Debt
1971	\$ 9,098,000	\$ 682,350
1972	10,078,000	755,850
1973	11,058,000	829,350
1974	12,038,000	902,850
1975	13,018,000	976,350
1976	13,998,000	1,049,850
1977	14,978,000	1,123,350

The limits of bonded indebtedness as prescribed in tables 8 and 9, are not to be taken as "hard and fast rules" but rather as guidelines to assist Town Officials in carrying on a program of municipal improvements.

The primary purpose of these indexes is to establish workable guidelines within which future capital improvement spending can be evaluated to determine if increased bonded indebtedness is feasible. These are in no way to be construed as the amount of debt-service or limits of debt that are desirable; and that projects should be undertaken simply because present debt is not up to the limit.

Proper financial planning will permit the spacing of capital projects so that new projects are initiated only as the debt service on present bonding is reduced.

Following the procedure should help to maintain a fairly even tax rate, with no sizeable increase due to unforeseen spending.

Future Bonded Indebtedness

To illustrate the impact of future borrowing at different rates, a bond retirement schedule was constructed. Table 10 indicates the annual debt service for retirement per \$1,000 of bond issue for a 20 year period at three different rates.

Table 10

BOND RETIREMENT SCHEDULE PER \$1,000
INDEBTEDNESS FOR 20 YEARS AT THREE RATES
OF INTEREST

<u>Year</u>	<u>Principal Payment</u>	<u>Debt Service</u>			<u>Balance Outstanding</u>
		<u>@5%</u>	<u>@5.5%</u>	<u>@6%</u>	
0	-	-	-	-	1,000
1	\$50.	\$ 100.00	\$ 105.00	\$ 110.00	950
2	50.	97.50	102.25	107.00	900
3	50.	95.00	99.50	104.00	850
4	50.	92.50	96.75	101.00	800
5	50.	90.00	94.00	98.00	750
6	50.	87.50	91.25	95.00	700
7	50.	85.00	88.50	92.00	650
8	50.	82.50	85.75	89.00	600
9	50.	80.00	83.00	86.00	550
10	50.	79.50	80.25	83.00	500
11	50.	77.00	77.50	80.00	450
12	50.	72.50	74.75	77.00	400
13	50.	70.00	72.00	74.00	350
14	50.	67.50	69.25	71.00	300
15	50.	65.00	66.50	68.00	250
16	50.	62.50	63.75	65.00	200
17	50.	60.00	61.00	62.00	150
18	50.	57.50	58.25	59.00	100
19	50.	55.00	55.50	56.00	50
20	50.	52.50	52.25	53.00	-
Totals	\$1000	\$1525.00	\$1577.00	\$1630.00	

CAPITAL BUDGET
ORGANIZATION STUDY

I. THE CAPITAL IMPROVEMENT PROGRAM AND CAPITAL BUDGET

A Capital Improvement Program is designed to assist the community in the orderly development and acquisition of municipal facilities and equipment that are required to provide services that are needed at present and those which are anticipated for the future. It is based upon a list of facilities improvements and equipment needed in the community during the following six years plus an analysis of the financial structure of the community to determine the feasibility of accomplishing the program during the period. Those projects which are tentatively selected for construction or acquisition are then scheduled over these six years in the order of their relative desirability and in relation to the funds available for the purpose. The first year of the schedule is then recommended as the Capital Budget for the coming year and the balance of the schedule constitutes an estimate of future requirements.

At the end of the first year, the program is reviewed. New projects which appear to be needed are added to the program and projects which no longer appear to be justified are eliminated. Other projects may be shifted in the schedule in accordance with changing needs. An additional year is added to replace the year just completed, and the revised list of projects is again scheduled over the full period of the program. The schedule for the first year of the newly revised program is then recommended as the capital budget for the coming year.

Annually, thereafter, the operation is repeated. Thus, a carefully conceived continuing program is available for use, but with only one year actually recommended at any time. As this annual procedure becomes established in the operation of the local government, proposed projects are evaluated annually for several years before they reach the stage of actual undertaking.

Public improvements are constructed, and equipment is acquired, as a result of action growing out of the annual capital budget. By adding an additional year at the time of each annual review, the procedure is consistent with the fact that communities are never finished with their development and emphasizes the fact that no fixed program can provide for all of the changing needs of a growing community.

II. THE PURPOSE OF A CAPITAL IMPROVEMENT PROGRAM

A primary function of municipal government is that of providing public facilities and services. The exercise of this function requires the construction and operation of such typical facilities as water and sewerage systems, schools, streets and recreational facilities. Equipment and buildings are needed to provide for police and health protection and in the general administration of municipal affairs. The physical plant and equipment for all these services and facilities are variously termed "public works" or public improvements". Funds expended for the building of this plant are usually considered "capital expenditures" or "capital outlays".

Public improvements are important in determining the direction and degree of community development, and their construction or purchase frequently involves the expenditure of a sizeable portion of the municipal income. Nevertheless, public improvements are too frequently constructed as unrelated individual items rather than as integrated components of the total community plant. Furthermore, with the exception of small items financed out of current revenues, improvements are generally financed through individual bond issues or other borrowings, occasionally without due consideration of their effect upon present and future financial resources. Uncoordinated scheduling of improvement projects can result not only in serious financial difficulties in later years, but may be detrimental to the proper physical development of the community.

Much advantage is gained and some of these difficulties are avoided when the budgeting operation covers all public improvements, regardless of how they are financed. Something more is required, however, if public improvements are to be provided on a coordinated long-range basis. Municipal budgets ordinarily are restricted by law to one year, whereas the effect of expenditures for new improvements upon the finances of a municipality will extend generally over a number of years, and the projects themselves will have a long-term effect upon the physical development of the community. Requirements for servicing the debt initially incurred to finance the projects, or increases in ordinary expenses resulting from their operation, may in future years seriously tax the financial resources of the municipality or handicap the financing of additional improvements.

If a community is to provide the public improvements and services which even average standards of municipal efficiency require and, at the same time, is to continue on a healthy financial basis, it is confronted with a governmental problem that cannot be solved in a haphazard fashion. To be successfully accomplished, this task must be approached through an orderly

farsighted procedure based upon three fundamental considerations. First, the cost of proposed projects must be related definitely to the financial resources of the community, through essential financial planning. Second, proposed projects must be selected from the point of view of general community need. This involves community planning. Third, the element of flexibility must be provided, if the procedure is to be realistic and of continuing value. Conditions in a community are never static, and changes and additions are ever necessary to provide for growth and developments.

The objective of long-range public improvement programming is to provide for the orderly satisfaction of public improvement needs for a number of years in advance.

III. FINANCING THE CAPITAL IMPROVEMENT PROGRAM

There are several ways to finance a Capital Improvement Program; however, only the three which seem appropriate for West Greenwich are discussed herein: Pay-as-you-go, Borrowing, and Partial Borrowing.

PAY-AS-YOU-GO. Except for the construction of schools and major public facilities, a Town should make every effort to finance its public improvements on a pay-as-you-go basis, with the exception of issuing short-term notes. This plan of financing is the most economical when the Town's annual improvement needs are few and fairly uniform in cost, because financing from current revenues is less expensive than borrowing. This plan is not feasible for large-scale improvements such as major building construction.

BORROWING. When a community finances public improvements by borrowing, it receives funds for the immediate construction of a project and spreads the payment over a number of tax years. It is the obvious method of financing major improvements in small communities which cannot afford to pay the entire cost of a large project in a single year.

Financing improvements by borrowing requires raising money in each succeeding year to retire the principal and cover interest charges. If borrowing is continuously resorted to, the annual program which may be undertaken is likely to grow smaller as the burden of debt increases and a greater portion of municipal revenues are required for servicing it. Because of the expenditure required for interest on borrowed funds, borrowing should, then, be used for extraordinarily large projects and not for all construction.

PARTIAL BORROWING. This is a combination of the two previous methods of financing and is the most appropriate method of financing an expanded Capital Improvement Program.

By employing this method, the borrowing of funds is restricted to those projects requiring large capital outlays and smaller projects are financed out of current revenues.

In West Greenwich, the need for public improvement projects requiring large capital outlays will not occur annually. Borrowing for public improvements under such circumstances does not have the same effect as borrowing for all improvements, since it does not tend to build up a large fixed amount of debt to be serviced.

IV. CAPITAL IMPROVEMENT ORDINANCE

It is recommended initially that the Capital Budget and Capital Improvement Program be carried out through the cooperation of Town Officials and Agencies without resorting to or requiring the enactment of a specific ordinance. This mode of procedure is predicated on the existing situation where capital expenditures in West Greenwich are limited, coupled with the limited number of Town Agencies requiring or submitting sizeable capital projects.

If continuing cooperation and participation is not realized with this new program, the following draft ordinance, designed to establish the machinery and procedures necessary to carry out the annual capital improvement program in the Town, should be enacted. Although the broad scope of the Planning Board's duties would generally include the recommendation of a capital improvement program, the ordinance is designed to strengthen the procedure and assure the participation of all Town Officials and Agencies.

DRAFT CAPITAL IMPROVEMENT ORDINANCE

In order to provide for an annual review of capital needs, to establish an orderly method for requesting the acquisition of capital items and to relate such acquisitions to the needs and financial resources of the Town, the Town Council of the Town of West Greenwich hereby ordains:

Section I Definition

For the purposes of this ordinance, a Capital Improvement Project shall be defined as the type of project or acquisition which fits within one or more of the following categories:

1. Acquisition or lease of land.
2. Construction of new buildings or facilities, including engineering, design and other preconstruction costs.
3. Improvements or additions to existing buildings or facilities, not including annual replacements or items of routine maintenance and repair.
4. Purchase of major items of equipment under the following conditions.
 - a. The equipment shall have an anticipated life of two years or more.
 - b. The cost of the equipment shall be in excess of \$500.

Section II Participating Town Agencies and Officials

Not later than OCTOBER of each year, the following Town agencies and officials shall submit requests for Capital Improvement Projects to the West Greenwich Planning Board:

1. Board of Canvassers
2. Building Inspector
3. Director of Public Welfare
4. Health Officer
5. Highway Supervisor
6. Police Department
7. Volunteer Fire Departments
8. Tax Assessors
9. Tax Collector
10. Town Clerk
11. Town Council
12. Town Treasurer
13. Any other Town agency, official or department having need for capital acquisitions as defined by Section I of this ordinance.

Section III Procedure for Submitting Requests

Requests for Capital Improvement Projects shall be submitted on forms supplied by the West Greenwich Planning Board in accordance with instructions contained in the "Capital Improvement Manual" to be supplied to each participating agency, department and official by the Planning Board. Each request shall be reviewed by the Planning Board in the light of current development plans and program of the Town of West Greenwich.

Section IV Project Priority

In evaluating requests and recommending a Capital Improvement Program, the West Greenwich Planning Board shall base its recommendations on the following major criteria and others that may be considered essential to the general welfare of the community:

1. Protection of life.
2. Maintenance of public health
3. Protection of property
4. Conservation of resources
5. Provision of necessary public services
6. Replacement or improvement of obsolete facilities
7. Reduction of operating costs
8. Public comfort and convenience.

Section V Financial Aspects

The West Greenwich Planning Board in consultation with the Town Treasurer shall review the requests with respect to the financial resources of the Town and shall prepare a schedule showing the effect of requested projects upon the current annual budget and the future debt and debt service charges for the Town.

Section VI Presentation to the Town Council

Not later than JANUARY of each year, the West Greenwich Planning Board shall forward to the Town Council and make public a recommended Capital Budget and Capital Improvement Program for the following six-year period. The first year of this six-year program shall be designated as the Capital Budget. The Town Council shall consider this recommended program in assembling the budget for presentation to the Annual Financial Town Meeting.

Section VII Separability Clause

If any section or portion of a section of this ordinance shall be declared invalid, such action shall not affect the remainder of this ordinance except to the extent that an entire section or part of a section may be inseparably connected in meaning and effect with the section or portion thereof to which such determination shall directly apply.

Section VIII Effective Date

This ordinance shall take effect upon its passage and any prior ordinance or parts of prior ordinances not consistent herewith are hereby repealed.

V. THE ROLE OF THE PLANNING BOARD

As the recipient for all Capital Budget and Capital Improvement requests, it is the task of the Planning Board to study, review and recommend an annual Capital Budget and five year Capital Improvement Program. Upon receipt of the various project requests, it is recommended that the Planning Board schedule discussion meetings with the various Town Officials and Agencies that have made these requests. At this time, projects which are of immediate concern, as well as the long-range needs of a department, agency or individual will be reviewed.

One of the major objectives of Capital Budgeting and Capital Improvement Programming is to anticipate future needs and to schedule these over a realistic span of years. In this way, a department, agency or individual can be assured of better facilities, and equipment which in turn will improve the services the Town provides.

It is relatively easy to anticipate needs or projects one year ahead. When this procedure is multiplied by all Town Officials and Agencies employing the very same techniques for budgeting purposes, long-range planning is seldom considered. The attempt must be made, not only to provide for short-range needs, but at the same time employ planning and foresight so that total projects and needs for a five year period can be anticipated. This procedure of scheduling projects is not intended to be fixed into a rigid unbending program and changes in any five year improvement program can be made based on contingencies that may arise from time to time.

If all Town Officials and Agencies follow this procedure in planning for capital expenditures, some insight should be gained to the overall costs of these projects and the fiscal impact they will create.

The Planning Board, based on the information submitted and the review of project requests, then prepares the annual Capital Budget and Capital Improvement Program for the Town Council. This document should provide the council with a good overview of future Town needs and requirements. The Capital Budget and Capital Improvement Program, utilized with up-to-date financial information, should aid significantly in the preparation of the annual budget. At the time this is being done, the council will also be made aware of what subsequent demands will be placed upon it for future capital projects through inspection of the Capital Improvement Program.

The initiation and continued participation in a program of this type will provide the Town of West Greenwich the working experience and necessary expertise to handle major recurring capital expenditures as the community grows.

CAPITAL IMPROVEMENTS PROGRAM
MANUAL

WEST GREENWICH PLANNING BOARD
WEST GREENWICH, RHODE ISLAND

I The Capital Improvement Programming Procedure

A. By October 1 of each year, all commissions, agencies and officials of the Town are requested to submit to the Planning Board information on all capital projects planned or proposed for acquisition during the following six fiscal years. The Planning Board will then review all proposals with the agencies or officials submitting them, and develop a recommended six-year program of capital improvements for submission to the Town Council. The following factors, among others, will be considered before a capital project is programmed:

1. Relative need for each project, as shown in the facts presented by the agency.
2. Relationship of the project to plans for the development of the Town.
3. Relationship to other projects
4. Ability of the Town to finance the project.

B. That part of the program which covers the following fiscal year is known as the Capital Budget; it will serve as a guide to the Council for the formulation of those parts of the budget involving capital expenditures. It also will be an aid to the Annual Financial Town Meeting in considering appropriations and bond authorizations for improvements.

C. The remaining five years of the six-year program are flexible in nature. In each succeeding year, recommendations will be reviewed in the light of current demands and financial capabilities, and such recommendations extended one additional year in order to maintain a continuing six-year program. Annually the first year of each program is recommended as the Capital Budget for the year immediately following. The better the agencies estimate the need for future replacements or additions to their capital equipment, the more effective the Capital Improvement Program will be in assisting the Town in its long-range financial planning. Furthermore, the earlier a worthwhile project is submitted, the better are the chances that future revenues can be budgeted for its accomplishment.

II Definitions of Capital Improvement Projects

Capital Projects are those defined as:

1. Acquisition or lease of land.
2. Construction of new buildings or facilities, including engineering, design and other preconstruction costs.

3. Improvements or additions to existing buildings or facilities, not including annual replacements and items of routine maintenance and repair.
4. Purchase of major items of equipment, the cost of which is in excess of \$500 and whose anticipated useful life is two years or more.

III Date for Return of Forms

It is requested that all forms be completed and returned to the Planning Board at the department's earliest convenience, but in no case later than October 1 of each year. Where an agency has no anticipated capital requirements, it is requested to so notify the Planning Board by letter.

The Planning Board, whenever possible, will be pleased to assist in advance planning, to supply available data, and to act as a clearinghouse in suggesting and developing opportunities for cooperative planning in areas where two or more agencies are considering related projects. Questions as to procedure in the preparation of the Capital Improvement Program may be discussed with the Planning Board or with its Technician.

IV Forms Enclosed

Prepare all forms in quadruplicate.

White and blue copy to the Planning Board
Yellow copy retain for departmental files

1. PROJECT REQUEST FORM One set of this form is to be made out for each project. These forms should be completed first, and the summary form filled out from them.
2. SUMMARY FORM List all projects to be included in the entire six-year program. Estimates are to be made of disbursements needed in each year of the program.

V Instructions for Completing the PROJECT REQUEST FORM

PREPARE ONE SET OF THIS FORM FOR EACH PROJECT TO BE PROPOSED. If a project is the same as one submitted last year, it must be resubmitted showing current estimates.

1. Enter name of Agency.
2. Project or Equipment. A short title by which this project may be known when referring to it.

3. Description and Purpose of Project. Enter a description sufficient to identify the project but avoid using specification details. Where possible, give the location of the project.
4. Status of Plans and Site. Check applicable spaces.
5. Priority. Check space deemed appropriate.
6. Estimated Cost. Programming of each project will depend, among other things, upon the accuracy and completeness of information provided in this item. Where only preliminary estimates are available, however, these should be used. Show amounts to the nearest one hundred dollars.
7. Estimated Effect on Annual Budget. The financial ability of the Town to provide services or facilities is obviously dependent, not only upon the original acquisition or construction cost, but also upon the burden added to annual current expenditures. It is requested that each agency submitting project proposals make a determined effort to estimate the changes in operating costs expected to result from the projects.
8. Suggested Source of Funds. The anticipated method of financing the proposed project such as:
 - (1) Current Revenue
 - (2) General Obligation Bonds
 - (3) Revenue Bonds
 - (4) Federal Grant-in-Aid
 - (5) State Grant-in-Aid
 - (6) Special Assessment
 - (7) Other - specify
9. Year Project is Proposed. The fiscal year for which the project is requested.
10. Comments and Suggestions. Leave blank. It is for use by the Planning Board.

VI Instructions for Completing the SUMMARY FORM.

Column 1 Approved Priority. Leave blank.

Column 2 Project Number. Leave blank.

Column 3 Short Title. Titles entered should be identical with short titles entered on the PROJECT REQUEST FORM.

Column 4 Starting Date. The month in which it is anticipated this project will be initiated.

Column 5 Completion Date. Show the probable date of completion.

Column 6 Estimated Life of Project - in the light of your experience with depreciation, technological obsolescence, and other related factors.

Column 7 Funds Authorized through the Current Fiscal Year. Applies only to projects authorized but not completed by the end of the current fiscal year.

Column 8 Funds through the Current Year. The total amount already disbursed in connection with this project.

Column 9 through 14 Estimated Disbursements Required During the Six Years of the Program - which will be necessary during each of the one or several years this project may be underway. In all Columns 9 through 16 for any projects that are financed partly by state or federal grants, list only the Town's share of the cost.

Column 15 Funds Required After the End of the Six-Year Program Period for Completion. This item applies to all proposed projects not expected to be completed by the end of the six-year program period.

Column 16 Total Estimated Cost. The total of all amounts shown in Columns 8 through 15.

PROJECT REQUEST FORM

Capital Improvements Program

Project No. _____
(Leave Blank)

Date _____

1. AGENCY _____

2. PROJECT OR EQUIPMENT _____

3. Description and Purpose of Project: (Brief but sufficient to provide clarity)

4. Status of plans and site: Site Secured _____ Site Not Secured _____

Preliminary estimate completed _____ Preliminary plans completed _____
Survey begun _____ Detailed plans in preparation _____
Survey completed _____ Detailed plans _____
Preliminary plans in preparation _____ Specifications completed _____

5. <u>Priority:</u>	6. <u>Estimated Cost:</u>	7. <u>Effect on annual budget:</u>
		Increase Decrease
Urgent _____	Land _____	Operation _____
Necessary _____	Construction _____	Maintenance _____
Desirable _____	Equipment _____	Revenue _____
Deferrable _____	Other _____	Total _____
		Personnel No. _____

8. Suggested source of funds: _____

9. Year project is proposed: _____

10. Comments and suggestions:

11. Signature _____ Title _____