

CITY OF PORTSMOUTH

Planning and Sustainability Department
(603) 610-7216

MEMORANDUM

TO: KAREN S. CONARD, CITY MANAGER
FROM: PETER BRITZ, DIRECTOR OF PLANNING AND SUSTAINABILITY
SUBJECT: 2025-2030 CAPITAL IMPROVEMENT PLAN (CIP) PROCESS
DATE: AUGUST 15, 2023

Background

The Capital Improvement Plan (CIP) is both a financial and infrastructure planning tool that sets forth a multi-year schedule and financing strategies for accomplishing public capital projects that both maintain safe quality city infrastructure and assist in the achievement of Citywide Goals. Careful development of and adherence to the CIP ensures that needed capital projects are accomplished within the City's financial capability. In combination with the annual City budget, the Capital Improvement Plan has a significant impact on the planned allocation of fiscal resources and is thus one of the most important documents considered by the City Council.

State/Local Regulatory Context

RSA 674.5: Capital Improvement Program

"674:5 Authorization. – 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 6 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 or selectmen and the budget committee in their consideration of the annual budget."

City Charter

City Charter Section 7.6 - Capital Program:

The Manager shall prepare and submit to the Council a six (6) year capital program at least three (3) months prior to the final date for submission of the budget. The program shall include:

- *A general summary of its content;*
- *A list of all capital improvements proposed during the next six (6) fiscal years;*

- *Cost estimates, methods of financing, recommended time schedules for each improvement; and*
- *Estimating annual operating and maintenance costs.*

The purpose of the CIP is to:

1. Implement needed improvements on a scheduled basis
 - Provides a complete picture of the City's major development needs
 - Coordinates activities of various City departments and agencies
 - Assists in implementing recommendations of the City's Master Plan
2. Forecast future allocation of fiscal resources
 - Establishes fiscal priorities for projects
 - Aids in the proper utilization of funding sources
3. Help plan for future City expenditures
 - Discourages piecemeal improvements and duplication of expenditures
4. Ensure capital project needs are provided within the City's financial capability
 - Informs the taxpayers of anticipated future improvements,
 - Helps to schedule major projects to avoid large fluctuations in the tax rate.

As used in the CIP, a capital improvement project is defined as a major fiscal expenditure that falls into one or more of the following categories:

- ✓ Land acquisition,
- ✓ Construction or expansion of a public facility, street, utility or public infrastructure,
- ✓ Rehabilitation of a public facility or public infrastructure provided the cost is \$50,000 or more,
- ✓ Design work or planning study related to a capital project or implementation of the Master Plan,
- ✓ Any item or piece of equipment, non-vehicular in nature, that costs more than \$50,000 and has a life expectancy of 5 or more years, or
- ✓ Replacement and purchase of vehicles which have a life expectancy of more than 5 years or cost more than \$50,000.

Plan Development Process

The capital planning process is coordinated by the Finance and Planning Departments under the direction of the City Manager. Capital project requests are initially formulated by City department heads and submitted to the Finance Department. Members of the public may also submit project requests, which are reviewed by City departments and incorporated into the departmental project submissions as appropriate.

CIP projects originate from three sources.

- ✓ Capital Improvement Plan from the Prior Fiscal Year
- ✓ City Staff
- ✓ Residents

Staff works to update the prior year's CIP projects to reflect the current status, project needs and costing. After city departments and residents submit their new requests for capital project, staff works with the City Manager to prioritize them by utilizing the following:

- **Project requirements** – Is the project required to meet legal, compliance, or regulatory requirements?
- **Timing** – How soon does the project need to be implemented to address the needs identified?
- **Strategic alignment** – To what extent is the project aligned with other city projects, policies, processes?
- **Public value** – How much value does the outcome of this project provide to the general public? How much public support is there for implementing this project?
- **Finance planning** – Is the project fundable in the time frame identified, are there available funding sources for this project?

Although the factors above are consistently utilized in the prioritization process, other factors, such as urgent community needs or public health and safety, may also contribute to the final project placement, allowing the process to be nimble and responsive to emerging community needs.

Planning Board Advisory Committee and City Council Adoption

The Planning Board appoints a three member Advisory Committee to review the projects in the initial draft CIP. The Finance Department incorporates the Advisory Committee's recommendations into a revised form of the CIP which is then reviewed by the Planning Board. The Planning Board holds a public hearing and votes to recommend the adoption of the document to the City Council. The City Council holds a public hearing and adopts the CIP in accordance with City Charter requirements. Once adopted, the CIP is utilized in the development of the annual budget in accordance with RSA 674.5.

Financing

Capital improvement projects are funded from a variety of sources. These funding sources include: General Fund (GF) Capital Outlay; Federal/State Grants; Bond or Lease; Revenues (Parking, Water and Sewer); State Revolving Loan Fund (SRF) and Public Private Partnerships (PPP).

General Fund – Capital Outlay – The most commonly used method of financing capital projects is through the use of the General Fund – Capital Outlay. The General Fund includes the money raised by the local property tax for a given year. When a project is funded with General Fund revenues, its entire cost is paid off within the year. The intent is to budget annually a certain amount from the General Fund (approximately 2% of previous Fiscal Year General Fund total Budget) to address City priorities.

Grants – One source of grants is from other levels of government, for example, the Environmental Protection Agency, the NH Department of Health and Human Services, U.S. Housing and Urban Development, NH Department of Environmental Services, and the NH Department of Transportation. Generally, these Federal and State sources provide an outright grant or matching funds to go with locally raised funds. The City also pursues non-governmental private grants when applicable.

General Obligation Bonds – Bonds are used to finance major municipal capital projects. These are issued for a period of time generally extending from ten to thirty years during which time principal and interest payments are made. They are secured by the raising of property taxes. This type of payment has the advantage of allowing the costs to be amortized over the life of the project and of allowing taxpayers to pay a smaller amount of the project's cost at a time. However, they do commit the City's resources over a long period of time and decrease the flexibility of how yearly revenues can be utilized. The City's bonding capacity is a limited resource. All projects that are to be bonded should meet minimum eligibility criteria and must have a life span at least equal to the bond life. **Projects that are funded through bonds must go through a separate process provided under the local and state regulations.**

Revenues – The City has two established Enterprise Funds (Water and Sewer). The needs for these two divisions are met through the revenues raised from providing that particular service. Therefore, there is no impact on the City's tax rate. Additionally, the City has established a Parking and Transportation Fund (Special Revenue Fund). Revenues derived from the City's parking functions are transferred to this fund in order to operate the City's parking and traffic related activities.

State Revolving Loan Fund – This is a program offered through the NH Department of Environmental Services for the purpose of providing low interest rate funding for approved water pollution control projects. State approval of applications does not bind the City to any of the individual projects but does lock into a low interest rate loan. Upon completion of projects, the loan becomes a serial bond payable by the City of Portsmouth Sewer or Water Fund to the State of NH. In addition, the City applies for State Aid Grant funding to assist in repaying SRF loans up to 30% of the total project cost.

Public Private Partnership – This method of financing involves joint funding of a particular project between the City and one or more private sector or non-governmental partners. This

method is used for projects that will benefit the partners and help to minimize costs to local taxpayers.

Deciding on which method of financing should be selected for a given project is dependent on a number of factors. These include the cost of the project, its useful life, the eligibility of the project to receive funds from other than local taxes, long-term and short-term financial obligations of the City and a project's relative priority in terms of implementation. The Capital Improvement Plan seeks to maximize the potential benefits from all revenue sources.

Timeline

- August 17, Process Kick Off – Planning Board Presentation
- October - Citizen requests and City department project requests reviewed/ financials prepared
- December- Planning Board CIP Subcommittee meets with departments to review draft CIP
- December – Planning Board holds a public hearing votes to submit CIP to the City Council
- January/February/March – City Council holds a public hearing and adopts CIP.



THE CAPITAL IMPROVEMENT PLAN (CIP)

- What is a CIP?
- FY2025-FY2030 CIP Timeline
- Public Input Opportunities



What is the CIP?

- **The CIP is a PLAN**
The CIP is a six-year plan for establishing upcoming capital projects such as roadway paving or building improvements.

- **The CIP is a Budgeting Tool**
The CIP does not spend or commit any money but instead, identifies projects for various upcoming years and its planned budget source. Some projects move forward to become part of the later budget process.

- **The CIP is an Informational Tool**
The Public can utilize the CIP to learn more about upcoming capital projects, the timeline in which they are planned, project details, evaluation criteria, costs, links to relevant documents, and identification of project funding.

- **The CIP is a Citizen Input Opportunity**
Citizens have numerous public input avenues throughout the process from the ability to request a project to public hearings throughout the document cycle.

WHAT QUALIFIES AS A CAPITAL IMPROVEMENT PROJECT?

- Land acquisition
- Construction or expansion of a public facility, street, utility or public infrastructure
- Rehabilitation of a public facility or public infrastructure, provided the cost is \$50,000 or more
- Design work or planning study related to a capital project or implementation of the Master plan
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How are projects evaluated and prioritized?



Responds to a Federal or State Requirement



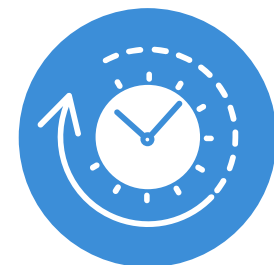
Address Public Health or Safety Need



Alleviates Substandard Conditions or Deficiencies



Eligible for Matching Funds with Limited Availability



Timing or Location Coordinate with Synergistic Project



Identified in a Planning Document or Study



Improves Quality of or Provides Added Capacity to Existing Services



Reduces Long-Term Operating Costs



Provides Incentive to Economic Development

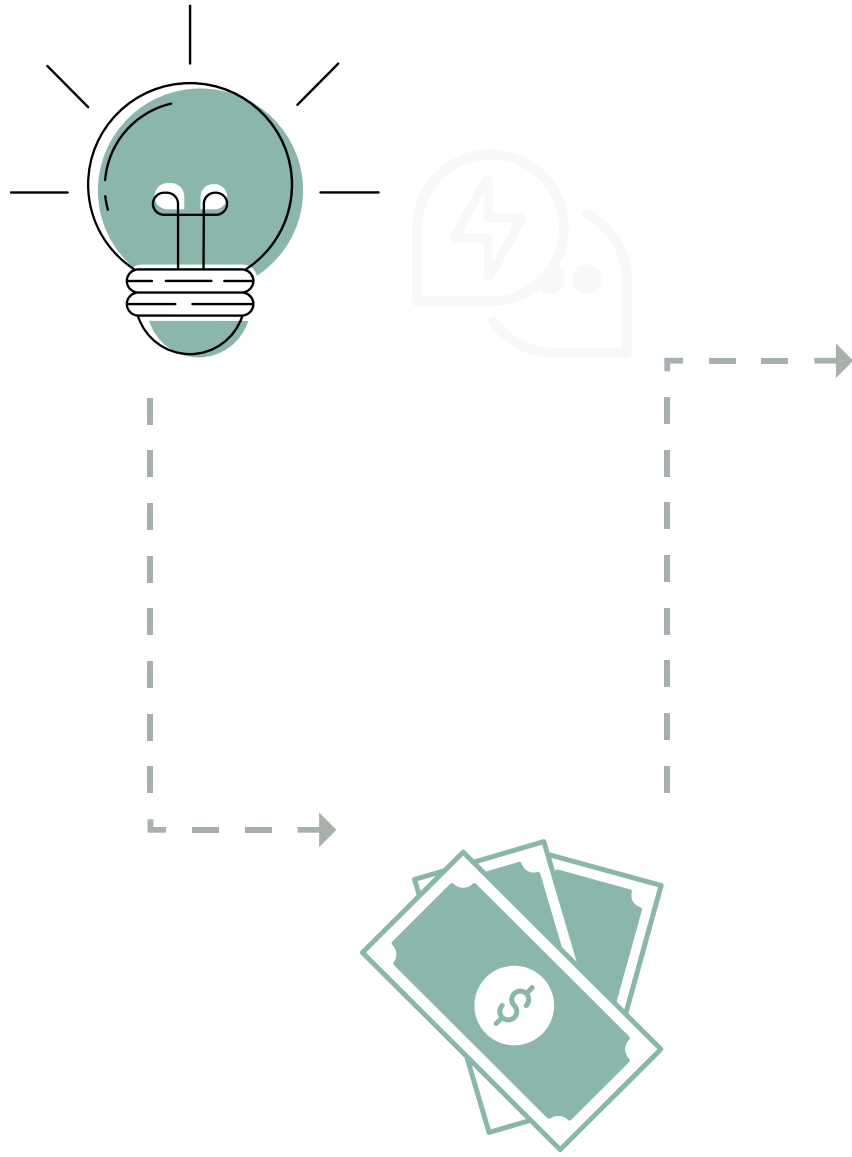


Responds to a Citywide Goal or Submitted Resident Request

Projects are evaluated both financially and based on the 10 Evaluation Criteria above. Items that Respond to Federal or State Requirements or address Public Health or Safety needs take priority. Other criteria are utilized by the Planning Board and City Council to best prioritize projects.

Project Submission

Projects are submitted from City Departments based on Infrastructure needs and/or Master Plan/Department Study goals or through Citizen Requested Project Submissions.

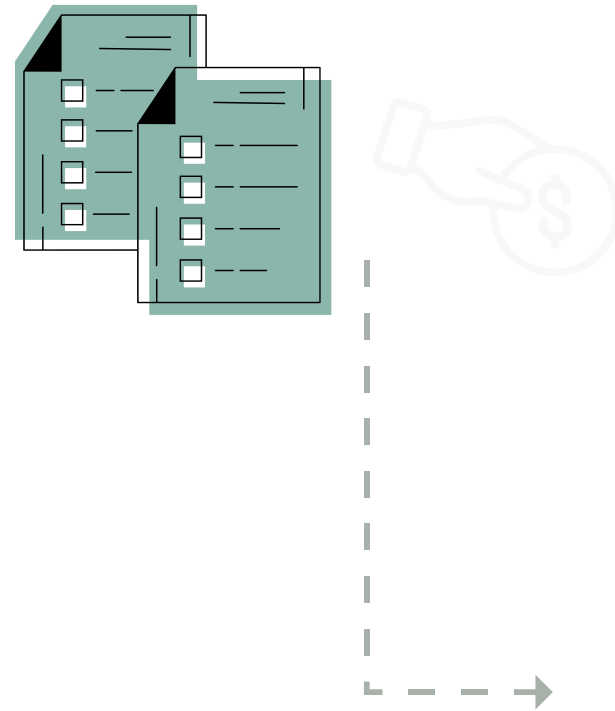


Financials Established

The City's Finance Department documents and illustrates the City's Legal Debt Margin, current debt obligations and financial needs of the CIP based on the current project requests.

Projects are Prioritized

Projects are reviewed by City Staff and prioritized to ensure compliance with Financial Debt Margins. Life safety, legal requirements and public health need projects take priority.

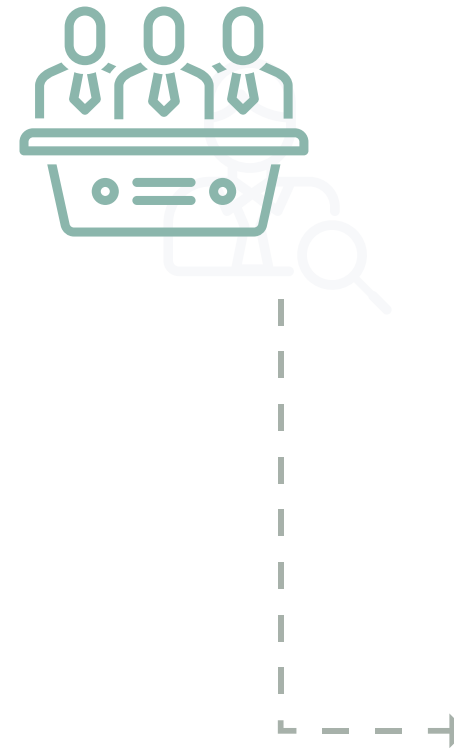


Planning Board

The Planning Board reviews all projects with City Staff in conjunction to the City's Master Plan.

City Council

City Council reviews projects with City Staff and discusses financial implications and project priorities. The City Council can change project priorities during the CIP or Budget Process.



Citizen Input

Citizens weigh in their opinions on the projects costs, priorities and details.

City Budget

The City Council Adopts the CIP in March. After adoption all General Fund projects slated for the upcoming Fiscal Year are placed into the City's Budget. Project funding and priorities can be altered at anytime until the budget is passed.





PUBLIC INPUT OPPORTUNITIES

Project Submission

Have a project that meets the CIP Project criteria? Submit it to the City Online or in the Planning Department at City Hall
DEADLINE: September 15th



Planning Board CIP Public Hearing

The Planning Board holds a public hearing following the CIP Presentation in December.



City Council CIP Public Hearing

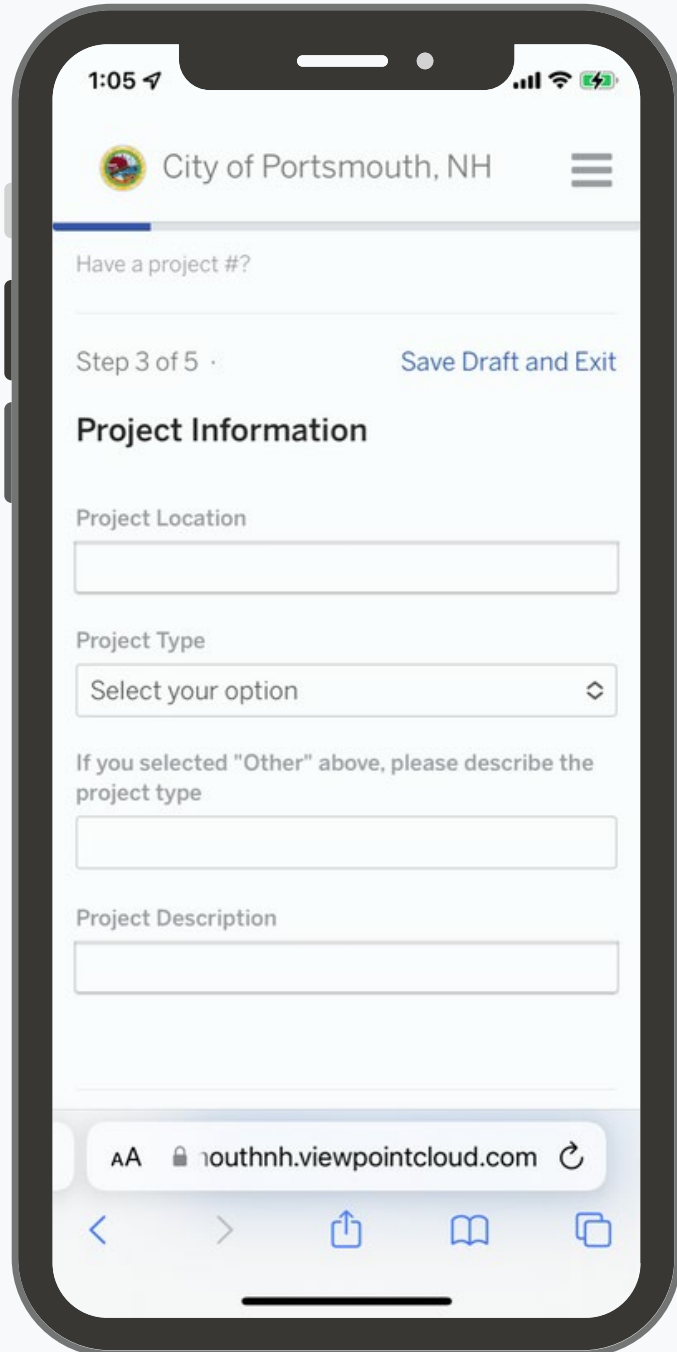
The City Council holds a Public Hearing on the Capital Improvement Plan in February



City Council Budget Public Hearing

The City Council Holds at least one Public Hearing on the City's Budget which will include relevant projects from the CIP.





How to Submit a Project

[CityofPortsmouth.com/planportsmouth/capital-improvement-plan](https://www.cityofportsmouth.com/planportsmouth/capital-improvement-plan)

Review your project suggestion. Does it meet one or more of the CIP Project Qualifications?

- 1) If YES Submit your project idea through the ViewPoint online Portal(<https://portsnh.co/2023citizencip>).
- 2) If NO - This project does not qualify for the CIP.

What is the next step?

- Projects are reviewed by the appropriate department.
- Projects are then either moved forward to the main document as its own unique project, combined with an existing project, placed in a year outside of the CIP or deemed unqualified as a CIP project.
- All Citizen requests are listed (including Department Comments) in the CIP in Appendix I.



August/ September

- Process kickoff
- Citizen Request forms accepted (DUE September 15th)



November/ December

- City Council Citizens Request Subcommittee meets to review Citizen Projects
- Planning Board CIP Subcommittee reviews projects
- Planning Board reviews, holds a public hearing, and votes to recommend the adoption of the CIP by the City Council

CIP PROCESS TIMELINE

HOW THE CIP GOES FROM PROJECTS TO THE BUDGET....



October

- Citizen Requests are reviewed by appropriate departments
- City Departments submit project requests
- The CIP financials are prepared and the document is assembled



January/ February/ March

- City Council reviews, holds a public hearing, and adopts the CIP



April/ May/ June

- Capital Projects for the upcoming Fiscal Year are utilized as part of the non-operating budget.
- The City Council considers funding projects as part of the passage of the annual budget.

