

WINFIELD TOWNSHIP
BUTLER COUNTY, PENNSYLVANIA

CAPITAL IMPROVEMENTS PLAN
FY 2016-2022



WINFIELD TOWNSHIP
CAPITAL IMPROVEMENTS PLAN
FY 2016 – 2022

ACKNOWLEDGEMENTS

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INTRODUCTION

Capital Improvements Planning (CIP) is an integral part of the overall budget process and allows municipalities to analyze and understand upcoming necessary and significant investments in areas such as infrastructure, facilities, and equipment. CIP is a tool used by municipal government to plan for and project financial needs beyond the annual operating budget cycle, and typically spans a three- to seven -year budget period. As part of its annual operations budgeting process, the Township of Winfield prepares a CIP to identify specific capital improvements with corresponding funding sources planned for the next several years. The first year's facility, infrastructure, and equipment needs identified in the CIP are then used in preparation of the annual operating budget and provide a starting point to identify the appropriate level to which capital budget items can and will be funded for the current fiscal year.

The reason for separating capital and operating costs is a practical one, in that most communities only consider capital costs after funding annual operating expenses. Operating costs are considered on an annual basis during budget discussions and will typically involve discussions on departmental service levels. Once annual service and budget levels are established and operating costs are determined to meet those service levels, consideration of current and future capital needs follows and is based on available financial resources.

Capital improvements planning is essential for municipal governments to understand, prioritize, and finance long-term project needs within the community. It provides a focus on preserving a governmental entity's infrastructure, facilities, and equipment, while ensuring the efficient use of public funds. It provides an opportunity to foster cooperation among departments and to inform other units of government of the entity's priorities. For example, it is not uncommon for a Township to share its CIP with a county, school district, utility, and/or some other public service organizations and then coordinate projects to increase efficiencies.

More than just a seven-year budget, a CIP:

- allows for a systematic evaluation of all potential projects through an inclusive process soliciting potential projects from internal and external sources;
- smooths out annual operating budgets that often spike as the result of one-time expenditures for projects or equipment purchases;
- allows for informed decision process of how capital costs should be spread out over the life expectancy of the project or equipment while considering all capital needs instead of one project at a time;
- stabilizes debt and consolidates projects to reduce borrowing costs;
- serves as an economic development tool; and
- provides an informational tool for the public to understand financial commitments, project priorities, and vision for the Township.

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To that end, Winfield Township recognizes the importance of fiscally responsible, long-term financial management and has undertaken this CIP in order to identify the Township's capital needs for the next five years.

DEFINING CAPITAL IMPROVEMENTS

The CIP has been prepared by the Township to plan for capital expenditures. The program is primarily used as a planning document over the next seven years (updated annually) and for budgeting purposes in the upcoming fiscal year. Using a seven -year time period, expenditures can be spread out more evenly, helping to avoid the need for abrupt tax increases. In order for the program to work, all departments in the Township must project capital requests for the upcoming seven years. While it is difficult to forecast all needs for seven years, most departments and the elected officials have a good understanding of the projects and equipment that is important for the operation of the Township and critical to the community, and therefore should be considered in capital planning in upcoming years. Most capital items, excluding buildings and real property, have a finite lifetime.

A capital item is one that meets any one or more of the following criteria:

1. A project with a tangible result that has a life expectancy of more than one year
2. In general, any nonrecurring (less frequently than five years) purchase that costs more than \$10,000. Technology capital projects are those less frequent than three years at no less than \$3,000. This applies to both new and replacement equipment
3. A project, that will increase the value of land or buildings substantially
4. Other items at the discretion of the Secretary, with the concurrence of the Board of Supervisor's

CAPITAL IMPROVEMENTS PLANNING PROCESS

Including the CIP process as part of the annual operating budget cycle allows the Supervisor's and the Township Secretary to make important policy decisions about which projects will be undertaken and what priorities are to be advanced over the next seven years in order to achieve the Township's goals. The CIP for Winfield Township was reviewed, analyzed, and adopted during the annual budget process, in order to determine the appropriate level of funding for each project identified in the CIP.

Governments should make capital project investment decisions that are aligned with their long-range goals and plans. The list of potential projects for inclusion in the CIP comes from a variety of sources, including department requests, plans for facility construction and renovations, long-term capital replacement programs, citizen requests, and area plans and projects for which grant funds may be available. These projects are reviewed for consistency with the Township's long-range/Comprehensive Plan. The CIP should be viewed as a financial blueprint that helps prioritize needs to achieve implementation of the public improvements identified as important

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in the Township. The level of funding in the CIP defines the financial capacity needed to reach the desired goals collectively set forth by the Board of Supervisors and the Township Secretary.

IDENTIFY NEEDS

The first step in the CIP is identifying needs. Using information, including development projections, strategic plans, comprehensive plans, facility master plans, regional plans, and citizen input processes, the Township identifies current and future service needs that require capital infrastructure or equipment. Departments, officials, and associated organizations are asked to give consideration to the issues below:

- Capital assets that require repair, maintenance, or replacement that, if not addressed, will result in higher costs in future years
- Infrastructure improvements needed to support new development or redevelopment
- Projects with revenue-generating potential
- Projects that may have outside funding availability
- Improvements that support economic development
- Changes in policy or community needs

DETERMINE COSTS

The full extent of project costs should be determined when developing the multiyear capital improvements plan. Township departments and personnel are asked to consider and identify the following cost-related issues when developing their request for the CIP:

- The scope and timing of a planned project
- Project costs and potential revenues that could be derived from the project
- The ongoing operating costs associated with each project
- The time value of money should be considered in estimating costs – projects identified for later years of the CIP should take into account inflation
- Major components of the project should be outlined to the fullest extent possible (e.g., design, construction, Right-of-Way, operating, additional manpower, etc.)

DEVELOP FINANCING PLAN

Once projects are prioritized and identified for completion in a given year, the Township must develop the appropriate funding strategy. The funding strategy provides an opportunity for the Township to discuss how projects can be funded and the potential commitments/impacts that the CIP will have on its financial picture over the next several years. The CIP does not necessarily need to be fully funded in all years. But instead the CIP can show unfunded balances, which indicate the need to find alternative funding sources, reprioritize completion dates, or prepare for higher commitment levels from existing sources. Year one of the CIP does reflect projects that the Township anticipates being fully funded, given the current economic and political environment. When developing the financial planning portion of the CIP, the Township considers the following factors:

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- Anticipated revenue and expenditure trends
- Outside funding sources
- Dedicated revenue sources
- Current and future debt capacity
- Ability to raise additional financial capacity
- Impacts on current operating capacity
- Project revenue potential
- Reliability and stability of identified funding sources

PROJECT JUSTIFICATION

The Township must consider and weigh projects in order to establish priorities for funding. In an ideal world, the Township would fund all capital projects when necessary; however, this is not possible given economic constraints and the ability to raise the necessary revenue to complete requests. In order to provide as much background and supporting information as possible, the requests are categorized by type of improvement. This categorization assists in establishing priorities among the projects. The following categories have been established to help provide a relative understanding of project need. The matrix in this table provides the staff and elected officials with perspective during the decision-making process. The following categories have been established for Winfield Township’s CIP.

RISK TO PUBLIC SAFETY OR HEALTH

The project protects the community from a threat to public welfare in the form of a safety or health problem. Requests for departments that deal principally with public safety.

DETERIORATED FACILITY

The action taken when dealing with a deteriorated facility may be either:

1. Reconstruction or extensive rehabilitation to extend its useful life to avoid or postpone replacing it with a new and more costly one; or
2. Replacement of the facility by relying on a “deferred maintenance approach” that allows a facility to deteriorate and be replaced only when it is worn out.

SYSTEMATIC REPLACEMENT

A project may replace or upgrade a facility as part of a systematic program (such as street paving program). The investment will not change the level of service, but is intended to extend the useful life and avoid future, more costly repair/replacement.

The program weighs carefully the cost effectiveness of additional maintenance expenses against the cost of replacing the facility or system. This is the opposite of the “deferred maintenance approach.” A project that significantly expands or increases the level of service would be

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evaluated under the New or Substantially Expanded Facility or Improvement of Operating Efficiency criteria.

VEHICLE REPLACEMENT

Municipal CIPs treat vehicle replacement in a variety of different ways, and it is typically a matter of local policy discretion. Some local governments include all wheeled vehicle purchases (e.g. public works vehicles) in the CIP, while others will only include large, expensive vehicles that have a longer life expectancy, such as dump trucks and/or excavators. As a matter of policy, the Township has decided to include all vehicles and equipment in the CIP.

IMPROVEMENT OF OPERATING EFFICIENCY

An investment may substantially and significantly improve the operating efficiency of a department, facility or infrastructure. Also, a project's expenditure may have a favorable return on investment, promising to reduce existing, or future, increases in operating expenses (e.g., introduction of a new technology).

COORDINATION

Coordination activities may include any of the following:

1. An expenditure that may be necessary to ensure coordination with another CIP (e.g., scheduling a sewer project to coincide with a street reconstruction project so that the street is not dug up a year after it is completed)
2. A project that may be needed to comply with requirements imposed by others (e.g., a court order, a change in federal or state law, an agreement with another town or governmental agency)
3. A project that may be needed to allow for cost and/or benefit sharing with other communities or organizations (e.g., shared recreational facilities).

NEW OR SUBSTANTIALLY EXPANDED FACILITIES

Construction, or acquisition, of a new facility or major expansion thereof, may provide a service, or a level of service, not currently available.

COMPREHENSIVE PLAN CONSISTENCY

Pennsylvania Code §301-4.2 specifies "A discussion of short- and long-range plan implementation strategies, which may include implications for capital improvements programs, new or updated development regulations, and identification of public funds potentially available." As such, Winfield Township's Comprehensive Plan establishes the Township's community development objectives and provides the policy foundation and supporting justification for a number of capital improvements identified herein. Such improvements include transportation systems, preservation of farm land, allows for sewer and water improvements where needed, public safety, parks and recreation, and stormwater management

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systems. As such, the CIP is yet another effective mechanism the Township uses to implement its Comprehensive Plan.

PROJECT JUSTIFICATION SUMMARY

Each capital improvement identified was evaluated against the Township’s seven project justification criteria and categorized according to their applicability with each criterion (**Table 1A**). While it would be easy to assume that projects that hit on more than one justification area have a higher priority, this is not the intent of the information. The purpose is simply to provide information to decision makers so that an evaluation can be made relative to Township priorities.

FINANCING PLAN

The CIP provides a detailed financing plan, which programs the proposed capital improvements based on anticipated revenues and expenditures, and helps establish the Township’s fiscal policies against its strategic community development objectives defined through its Comprehensive Plan. Winfield Township’s fiscal policies help the Township address the following:

- Maximum amount of debt the Township is willing or prepared to encumber.
- Types of revenue devices that will or will not be used.
- Annual amount of debt service the operating budget can absorb.
- Specific projects or facilities that must be made self-sufficient through user fees or other charges.

The fundamental principle of a CIP is to enable the Township to determine the answers to three basic questions:

- What are the capital improvement project needs?
- What are the project costs?
- How will the projects be paid for?

Tables 1A, 1B, 1C, 1D, and Figure 1A illustrate the Township’s CIP financing plan.

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PROJECT DESCRIPTIONS

Capital Improvements Project Description

Category: Vehicles and Equipment

Department: All

Project Name: Vehicles

Cost: \$25,000 - \$45,000 Annually

Location: General Fund

Year: 2016-2022

| | |
|-------------------------|---|
| Project Description: | This account will be used to buy or replace existing dump trucks and other vehicles currently in the Township’s fleet. Vehicle Replacement will save funds that would otherwise be used on repairs. |
| Project Justification: | Continue to provide equipment that will allow Township staff to effectively, efficiently, and safely perform their daily jobs. |
| Annual Capital Expense: | Vehicles – 2016-2020- \$25,000 Annually |
| Cost/Revenue Source: | General Fund |
| Overall Priority Level: | 2 |
| Expected Useful Life: | 10-15 years |

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Capital Improvements Project Description

Category: Street and Transportation

Department: Public Works

Project Name: Annual Seal Coating Program

Cost: \$80,000 - \$100,000 Annually

Location: Township Roads

Year: 2016-2022

| | | |
|-------------------------|---|--|
| Project Description: | Seal Coating has been an effective maintenance measure used by the Township for previous decades to improve the driving surface of the road and prolong the useful life of the roadway by sealing all the cracks to prevent water from penetrating the road, thus allowing the freeze thaw cycle to take its toll on the roads. | |
| Project Justification: | Systematic Replacement Improve Operating Efficiency | |
| Annual Capital Expense: | 2016-2021 - \$100,000 Annually 2016-2017- \$80,000.00 (ACT 13) | } 2016-2017 \$180,000 (3 rd yr program) |
| Cost/Revenue Source: | Liquid Fuels - \$100,000 Annually | |
| Priority Level: | 1 | |
| Expected Useful Life: | 3-5 Years per Seal Coating project | |

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Capital Improvements Project Description

Category: Facilities

Department: ALL

Project Name: Maintenance of Existing Facilities

Cost: \$20,000 Annually

Location: Township Owned Property

Year: 2016-2022

| | |
|-------------------------|---|
| Project Description: | Ongoing maintenance of existing facilities to ensure that buildings obtain their maximum useful life. As well as providing for funds to construct a larger salt storage structure |
| Project Justification: | Aging or facilities that are not large enough |
| Annual Capital Expense: | 2016-2022 - \$20,000 minimum Annually to CIP Fund |
| Cost/Revenue Source: | General Fund/CIP FUND |
| Overall Priority Level: | 3 |
| Expected Useful Life: | 50 Years |

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TABLE 1A - SUMMARY PRIORITY CHART

| Project Name | Project Category | Overall Priority Level |
|--|-------------------------|-------------------------------|
| Technology | General Government | |
| Vehicles | Vehicles and Equipment | |
| Equipment | Vehicles and Equipment | |
| Annual Seal Coating Program | Street & Transportation | |
| New or Expanded Facilities | Facilities | |
| Maintenance of Existing Facilities | Facilities | |
| Recreational Capital Needs/Maintenance | Culture and Recreation | |

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TABLE 1B - PROJECT JUSTIFICATION SUMMARY

| Project | Risk to Public Safety or Health | Deteriorated Facility | Systematic Replacement | Improvement of Operating Efficiency | Coordination | New or Substantially Expanded Facilities | Comprehensive Plan Consistency |
|--|--|------------------------------|-------------------------------|--|---------------------|---|---------------------------------------|
| Technology | | | | | | | |
| Vehicles | | | | | | | |
| Equipment | | | | | | | |
| Annual Seal Coating Program | | | | | | | |
| New or Expanded Facilities | | | | | | | |
| Maintenance of Existing Facilities | | | | | | | |
| Recreational Capital Needs/Maintenance | | | | | | | |