Capital Project Funding
A summary of the Town’s budget process by month and funding alternatives for capital projects

Discussion Draft 2,
Long Term Financial Planning Committee
September 2020
Board of Finance requested posting to Town website October 26, 2020
Overview of the Town’s Annual Budget and Capital Approval Process

The three operating entities: BoS, BoE and WPCC prepare and endorse operating and capital budgets.

Public budget hearings are held to discuss spending plans.

The BoF approves an operating budget, capital items, and sources to finance capital items.

Voters approve the operating budget and capital projects by Town Meeting or special referendum.
**The Town of Redding Budget Process, by Month**

The First Stage of Capital Planning- September thru November

- **SEPTEMBER-NOVEMBER**
  - Town Department Heads review current capital plans for short term and long term needs

- **SEPTEMBER-NOVEMBER**
  - Long Range Financial Planning Committee Meets to review the existing plan and new additions.

- **SEPTEMBER-NOVEMBER**
  - The First Selectman, Department heads refine the Town’s budget plans
The Town of Redding Budget Process, by Month

December Board Meetings identify budget drivers

Long Range Financial Planning Committee provides an update to the BoF of Capital items identified by the BoS, BoE, and WPCC

BoE at their December meeting adopts an updated Capital Plan

The Joint meeting of the three Boards (BoS, BoE, BoF) is held and Budget drivers for next FY are discussed, including capital items
The Town of Redding Budget Process, by Month
January Budget Workshops evaluate spending plans

Capital Plan document is presented as part of the BOS budget workshop in first week of January. School and town capital items are combined in one document to provide the debt service and borrowing costs impact upon the Selectmen’s budget.

Town Department heads present their case for funding of operating and capital requirements. Documentation of the vetting and bids for capital items should be included in presentations.

WPCC also presents in the January workshop both an operating budget and needs for Capital requests; the capital requests will be added to the Town’s capital plan.
The Town of Redding Budget Process, by Month
Boards meet to finalize budget plans in February

BOS Regular February Meeting typically involves evaluation and discussion based upon the information presented at the January budget presentations.

BOS and BOE updates the BOF at their regular meeting their proposed budgets as well as items that are capital requests. The capital project discussion may involve questions about the project and bids proposals.

BOS adopts a proposed budget for the BOF public hearing including capital items recommended for funding the in the next fiscal year.
BOS and BOE Public Hearing budget presentations include capital items approved by both boards for inclusion in budget proposals. Additional vetting of requests can occur at this meeting.

BOS budget to BOF includes financing cost of capital items proposed: Leased vehicles are included as an annual expense. The est. cost of borrowing for capital expenses not included in operating budget can be budgeted (estimated cost of issuance) OR can be financed into the cost of the BAN/BOND (increase in debt service hits the following years operating budget).

BOF adopts budget & capital items for referendum. Method of financing of capital items is determined by the BoF.
The Town of Redding Budget Process, by Month
The April Annual Town Meeting

BOS sets the date for Annual Town Meeting to vote on the first Tuesday in May (a Statutory requirement- CGS)
The Notice of Annual Town Meeting is given:
“Call of the meeting”

The sole purpose of Annual Town Meeting is to set the date for May referendum.

A Notice of Referendum is published.
The Town of Redding Budget Process, by Month
The May Referendum as final step to approve the Budget

On the first Tuesday in May voters determine the outcome of the budget REFERENDUM

If approved preparations begin for capital funding activities

If referendum is not approved the BoF meets to consider new budget amounts and a new referendum date
BoF discussions lead to a vote in March to approve or reject proposed capital projects and directs the sponsor to a potential Funding Source—either from the unassigned Fund Balance the Capital Non Recurring Account, Bonding, a Grant or a Lease.

**Employ Unassigned Fund balance**

**Capital Non Recurring Account**

**Project is added to the list for approval by Voters at Special Town Meeting, typically in May**

**Town voters approve the Capital Item for bonding by vote at the Special Meeting**

**Bond Financing Advisor and Counsel is retained to prepare and circulate OS**

**Bond Issuance**

**Ban Issuance**

**Government Grant Funding**

**State Grants**

**Federal Grants**

**Lease Financing**

A State of Connecticut LOCIP grant is obtained
BoF options to fund an approved Capital Project

**Capital Non Recurring Account**

If the project receives approval by the BoF for Capital Non Recurring funding it is sent to the BoS

The BoS can chose to include the Capital item in the referendum or call a special Town Meeting to obtain approval
BoF options to fund an approved Capital Project

The Bond Financing Process

The BoF approves the Projects(s) for Bond financing.

The Finance Director contacts Bond Counsel and selects a Financial Advisor to prepare offering documents.

A meeting is arranged with a rating agency to obtain a bond rating.

The Town’s Financial Advisor distributes the Offering Statement to all bidding dealers with an offering date.

Competitive Bids are obtained and the Bonds are awarded to lowest cost bidder.

Proceeds are distributed to Projects funded by the Bond sale on settlement day of the transaction.
BoF options to fund an approved Capital Project

**Bond Anticipation Notes (BAN) Financing Process**

BoF decides to fund the Project with short term BAN monies that will later be part of a bond offering.

- If there is not an existing BAN, a financial advisor is retained and Town officials meet with the advisor to prepare documents required for a BAN offering.
  - Bids are obtained from investors for the BAN offering and the proceeds are used to fund the Project.
  - At a time of choosing by the BoF, the BAN is refinanced with proceeds from a bond offering.

- If an existing BAN is outstanding, the amount of the Project is added to the BAN on the next date of maturity.
  - Proceeds from the BAN rollover increase are used to fund the Project.
BoF options to fund an approved Capital Project

LEASE FUNDING PROCESS

BoF approves the Capital Project using a lease funding option

Lease financing options are reviewed by the Finance Director and the lowest cost offer is accepted

Lease Proceeds on settlement day funds the Project. Annual lease payments are included in each year’s operating budget
**BoF options to fund an approved Capital Project**

The State of Connecticut Local Capital Improvement Program (LoCip) FUNDING PROCESS

1. **The Project is present for approval at a BoS Meeting** to be added to the LOCIP approved list of projects.
2. **PROJECT OBTAINS VOTER APPROVAL AT TOWN SPECIAL MEETING**
3. **PROJECT PLAN IS SUBMITTED TO STATE OF CONNECTICUT**
4. **STATE APPROVES FUNDING** with funds available per program details.