To: Cape Elizabeth Town Council

From: Michael K. McGovern

Re: Capital Improvement Plan

Date: January 5, 2011

The Town of Cape Elizabeth has assets which are positioned to serve the citizens of Cape Elizabeth. These assets include over 1021 acres of land, 62 miles of improved roads, buildings with a value of over $45 million and over $7.0 million of equipment and vehicles. Our auditors estimate that our capital assets depreciate at a rate of just under $2.0 million per year. These assets enable safe travel throughout the town, they house our school children, they provide recreational and literary opportunities, they provide open space and they contain personnel and equipment which enable the expectations of services to be met.

Excluding schools, a review of the useful life of our assets shows that the Town should be spending $500,000 a year on replacing equipment, $400,000 a year to repave roads, $600,000 a year to improve roads and drainage and about $300,000 for repairs and updates to municipal buildings. This adds up to $1.8 million per year. If one adds in taking care of our public lands, the cost to maintain what we have is $2.0 million annually. In Fiscal Year 2011, the general fund contained $466,178 for maintaining this infrastructure. Another $420,000 was funded through other sources.

The funding plan prepared last year proposed that $100,000 additional be raised each year for the next ten years for capital needs in the general fund. In the interim, we need to continue to look at other options for funding equipment and other infrastructure. This includes questioning the necessity of replacing all pieces of equipment and looking at our building and lands. We need to look at other local resources and grants. There is little we can do to reduce the long range cost for our roads and drainage systems but we need to be mindful of taking care of these assets as deferred maintenance results in significantly higher expensive fixes.

This capital improvement plan is very much a work in progress <u>and will be revised and updated in the coming months</u> to confirm with Town Council expectations as outlined in your 2011 goals.

The immediate focus is always the upcoming budget year. This plan proposes $825,000 in expenditures with $600,000 from the FY 2012 budget, $25,000 from the infrastructure fund and $200,000 to be allocated from surpluses resulting from healthy financial results since 2008.