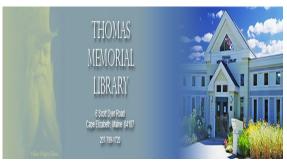






Cape Elizabeth Combined CIP Summary







Introduction

What have we done?

 Your two Finance Chairs have taken the work of the SB & TC and melded them together into a single financial presentation.

Why have we done this?

 To provide a framework for present and future TC/SB to make judgments about CIP within the context of the global needs of CE today and in the future.

What have we NOT done?

 We have not independently assessed all the CIP recommendations that have already been presented to elected officials over the past several months.

What is the goal of this exercise?

 To give the present and future TC/SB the tools needed to ask informed questions and make informed decisions.

Cape Elizabeth Stewardship Responsibilities

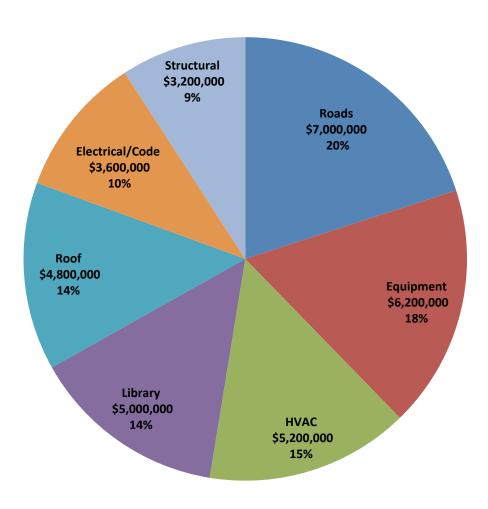
- 426,000 sq. ft. of facilities
 - schools, library, community services, town hall, pool, police department, fire department, transfer/recycling station, public works
- 63 miles of roads
- 120 vehicles/mobile equipment
- \$90 million conservative replacement value for all Cape Elizabeth capital assets

CIP Summary

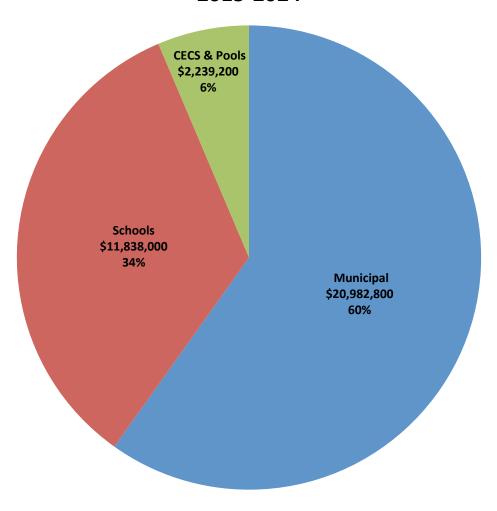
- Internal reviews confirmed by external engineering studies indicate that increased annual CIP investments are required to maintain roads, facilities, equipment and infrastructure
- \$3.5 million in average annual capital investments needs (including placeholder for library.)
- Multiple large projects scheduled for 2016
- Declining debt service requirements provide capital to increase annual CIP investments and limit annual tax impact

Note: for purposes of this presentation the term "CIP" includes all capital investment, regardless of the funding source, i.e. both annual CIP budget plus bonded CIP.

Combined Cape Elizabeth 10 Year CIP Allocation 2015-2024



Combined Cape Elizabeth 10 Year CIP Needs 2015-2024



Projected CIP Spending Rate Assume Reasonable Asset Lives

- Recommended CIP levels by staff for Municipal, Schools, CECS, and Pool appear reasonable and supported by <u>replacement cost analysis</u>.
- Recommended CIP levels by staff for Municipal, Schools, CECS, and Pool appear reasonable and supported by <u>internal analysis and external</u> <u>engineering analysis.</u>
- Recommended spending levels require an <u>increase in annual spending</u> compared with prior years.
- Deferring investments now will shorten the useful lives of facilities and assets.

Replacement Value Analysis Implied Useful Lives Are Reasonable

CIP Categories		Replacement Value	10 Year Projected Annual CIP Spend		Projected Annual Reinvestment Rate	Implied Useful Life (years)	
Facilities-Schools	\$	53,000,000	\$	1,140,000	2.2%	46	
Facilities-Municipal	\$	14,000,000	\$	356,100	2.5%	39	
Facilities-Library	\$	3,500,000	\$	500,000			
Facilities-CS/Pool	\$	4,300,000	\$	223,900	5.2%	19	
Total Facilities Replacement Value	\$	74,800,000	\$	2,180,000	2.9%	34	
Total Facilities, ex. Library	\$	71,300,000	\$	1,680,000	2.4%	42	
Equipment	\$	13,500,000	\$	620,000	4.6%	22	
Roads/Fields	\$	<u>-</u>	<u>\$</u>	700,000			
Total Cape Elizabeth Replacement Value	\$	88,300,000	\$	3,500,000			
Source: Insurer Replacement Cost Estimate	s						

USEFUL LIFE COMPARISONS Per IRS Guidelines:

- 39 years is the average useful life for non-residential real property
- 5 to 40 years is useful life range for equipment (5 for trucks, 40 for leasehold improvements (example: lockers)); average is 22 years

General Alignment of Internal & External Studies With Some Material Variances

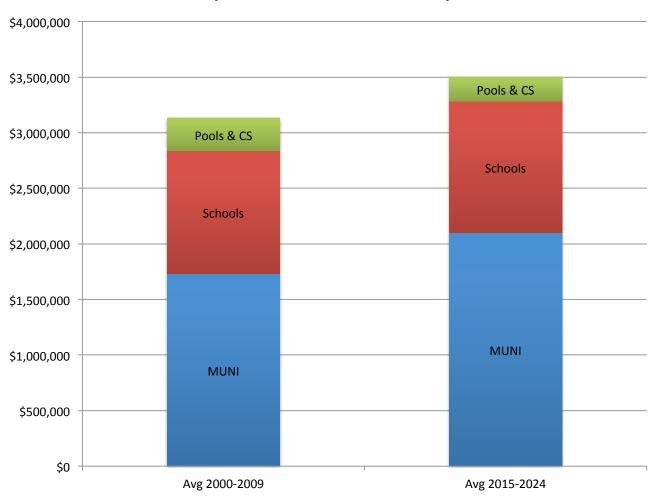
Variance between internal & external studies largely explained by:

- Differences in cost estimates and timing differences.
- External studies did not cover all areas covered by overall CIP needs (library, equipment, pool heating systems, etc)

Some specific deviations in major categories:

	External	Internal	
	Estimates	Estimates	
Pavement Study	\$7,486,225	\$7,000,000	
Facilities Study-Schools	\$10,156,000	\$10,781,000	
Facilities Study-CS/Pool	\$530,000	\$500,000	
Facilities Study-Municipal	\$1,805,000	\$2,008,220	

Historical & Pro Forma CIP (Bonded + Current Year)



Making Judgments on Key Issues:

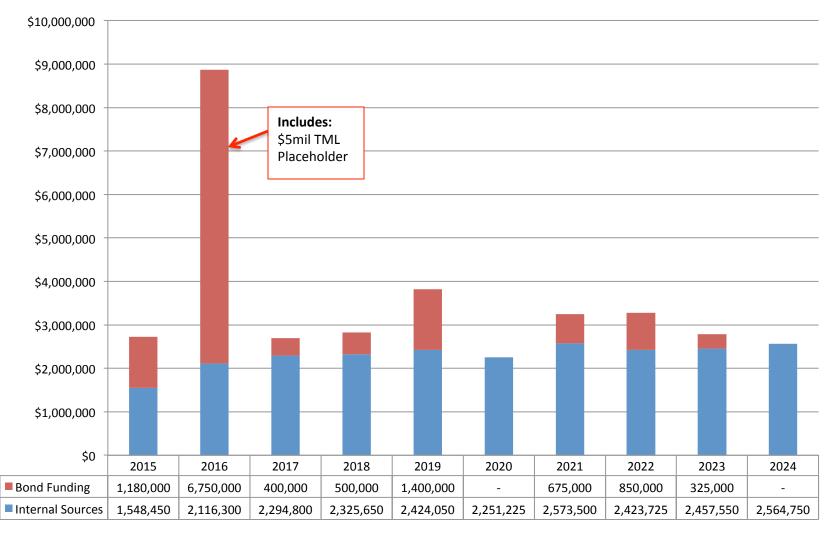
- 1. Recommended CIP levels are reasonable based on replacement cost analysis, internal and external studies and historical spending comparative analysis.
- 2. Large dollar cost of discrete projects are appropriately funded by long term sources:
 - Reduces volatility in annual budget
 - Shares cost with future users of assets
 - Takes advantage of current low interest rates
 - Can be accommodated by CE's low level of existing debt
- 3. Scheduled declines in existing debt service creates availability of additional capital to fund large but required CIP projects and moderates tax impact.

Major Projects Exceeding \$150,000 2015 to 2024 (sorted by timing)

2015-2019						
Projects Exceeding \$150,000		Cost	Timing			
Roadway, Paving and Drainage	\$	712,000	2015			
Middle School Boiler Plant Replacement	\$	580,000	2015			
Dump Truck/Plow Replacement	\$	172,000	2015			
Compactor Replacement	\$	150,000	2015			
Roadway, Paving and Drainage	\$	435,000	2016			
Pond Cove Roof Replacement	\$	175,000	2016			
Middle School Roof Replacement	\$	175,000	2016			
Middle School Heating Unit Replacement	\$	325,000	2016			
Library-Placeholder		5,000,000	2016			
High School Roof Replacement	\$	800,000	2016			
High School Electrical Upgrade	\$	275,000	2016			
Front End Loader Replacement	\$	185,000	2016			
Roadway, Paving and Drainage	\$	745,000	2017			
Dump Truck/Plow Replacement	\$	195,000	2017			
Town Hall HVAC Conversion	\$	225,000	2018			
Roadway, Paving and Drainage	\$	470,000	2018			
Middle School Roof Replacement	\$	200,000	2018			
Middle School Generator	\$	235,000	2018			
Front End Loader Replacement	\$	192,000	2018			
Ambulance Replacement	\$	210,000	2018			
Town Hall HVAC Central System	\$	350,000	2019			
Roadway, Paving and Drainage	\$	1,350,000	2019			
Gym Floor Replacement	\$	150,000	2019			
Fire Pumper Replacement	\$	425,000	2019			
Dump Truck/Plow Replacement	\$	180,000	2019			
Brickwork Water Proofing	\$	250,000	2019			
Annual Total						
Major Projects > \$150,000	\$	1,614,000	2015			
Major Projects > \$150,000	\$	7,370,000	2016			
Major Projects > \$150,000	\$	940,000	2017			
Major Projects > \$150,000	\$	1,307,000	2018			
Major Projects > \$150,000	\$ 2	2,705,000	2019			

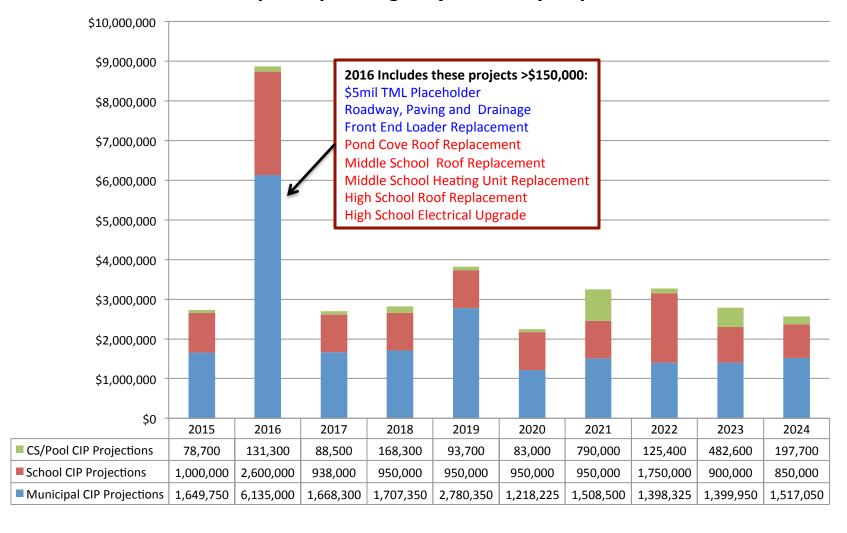
2020 - 2024	ļ		
Projects Exceeding \$150,000		Cost	Timing
Roadway, Paving and Drainage	\$	500,000	2020
Middle School Roof Replacement	\$	200,000	2020
Dump Truck/Plow Replacement	\$	185,000	2020
Roadway, Paving and Drainage	\$	520,000	2021
Pool Roof Replacement	\$	350,000	2021
Pool HVAC Replacement	\$	325,000	2021
Pond Cove Heating Recovery Unit	\$	350,000	2021
Roadway, Paving and Drainage	\$	540,000	2022
Pond Cove Heating Recovery Unit	\$	150,000	2022
Middle School Roof Replacement	\$	250,000	2022
High School Roof Replacement	\$	600,000	2022
Fire Dept. Secuity Access Upgrade	\$	200,000	2022
Fire Dept. Roof Replacement	\$	200,000	2022
Pond Cove Roof Replacement	\$	175,000	2022
Roadway, Paving and Drainage	\$	560,000	2023
Pond Cove Heating Recovery Unit	\$	150,000	2023
Dump Truck/Plow Replacement	\$	188,000	2023
Middle School Roof Replacement	\$	150,000	2023
Roadway, Paving and Drainage	\$	580,000	2024
Fire Dept. Ladder Truck Replacement	\$	800,000	2024
Fire Dept. HVAC Upgrades	\$	200,000	2024
Dump Truck/Plow Replacement	\$	188,000	2024
Annual Total			
Major Projects > \$150,000	\$	885,000	2020
Major Projects > \$150,000	\$ 1	1,545,000	2021
Major Projects > \$150,000	\$ 2	2,115,000	2022
Major Projects > \$150,000	\$ 1	1,048,000	2023
Major Projects > \$150,000	\$ 1	1,768,000	2024

Combined Cape Elizabeth Annual CIP and Funding Sources

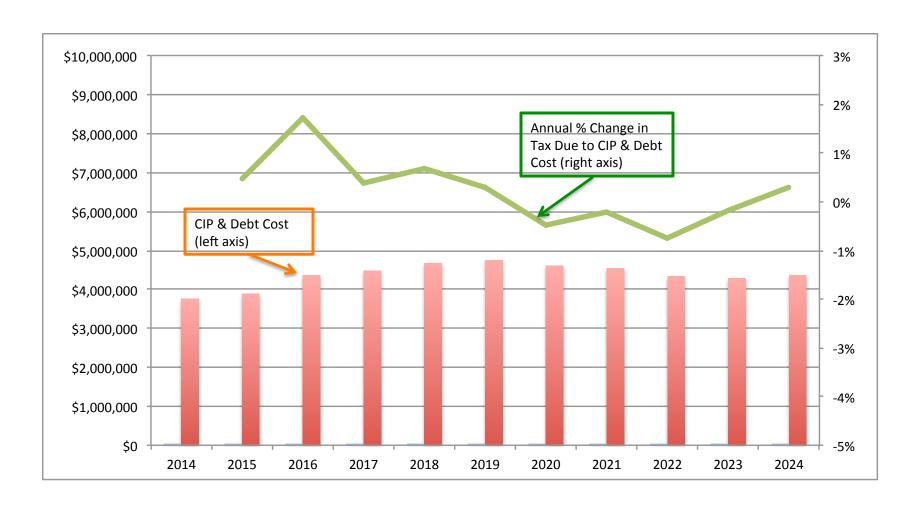


From this slide forward, funding impact reflects the above combined analysis

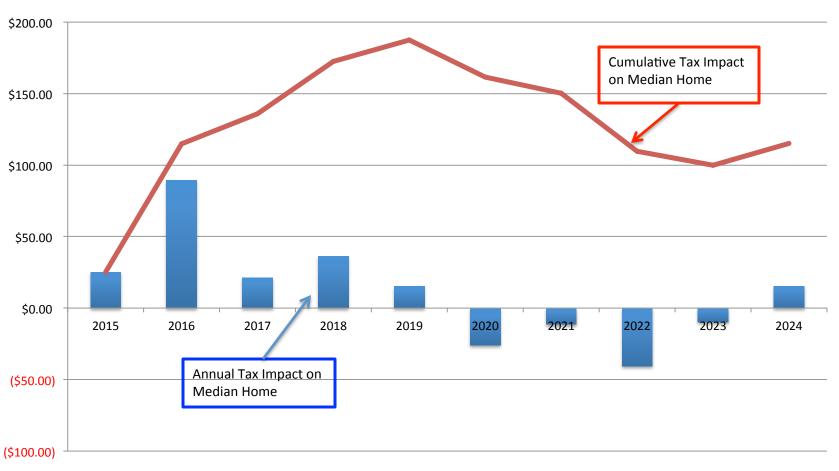
Cape Elizabeth 2015-2024 Annual Capital Spending Projections by Department



Tax Impact of CIP Program Moderated by Judicious Use of Long Term Borrowing



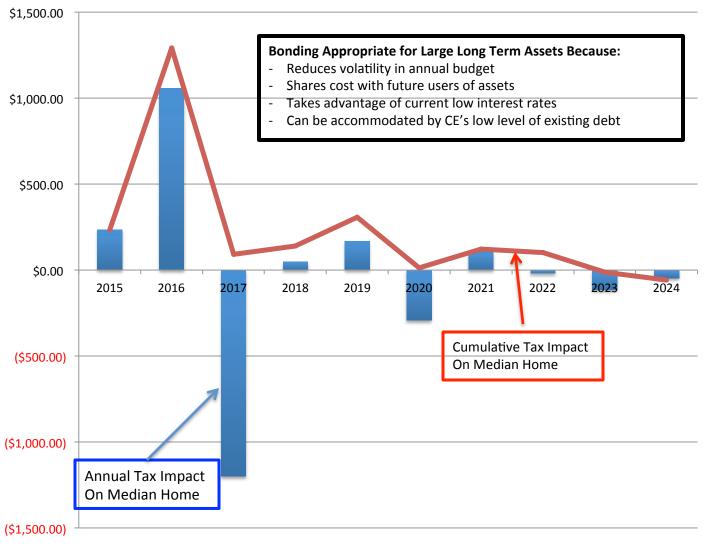
Tax Impact On Median Home from CIP plus Recommended Borrowings



Assumptions: Median Home Value: \$314,000

20 year bonds/ 4% interest

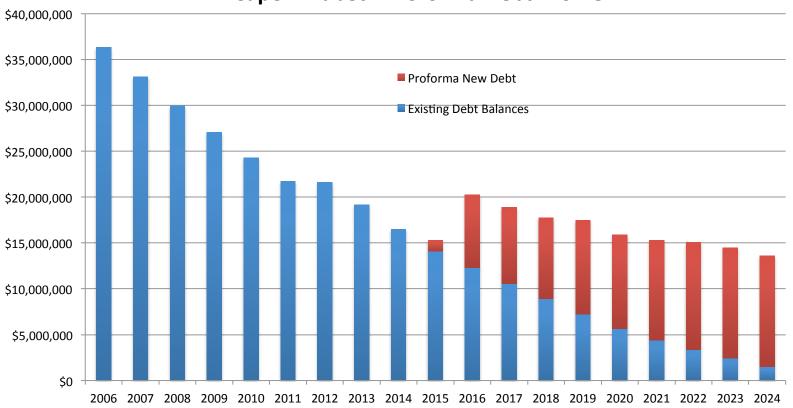
What tax impact looks like with no bonding!



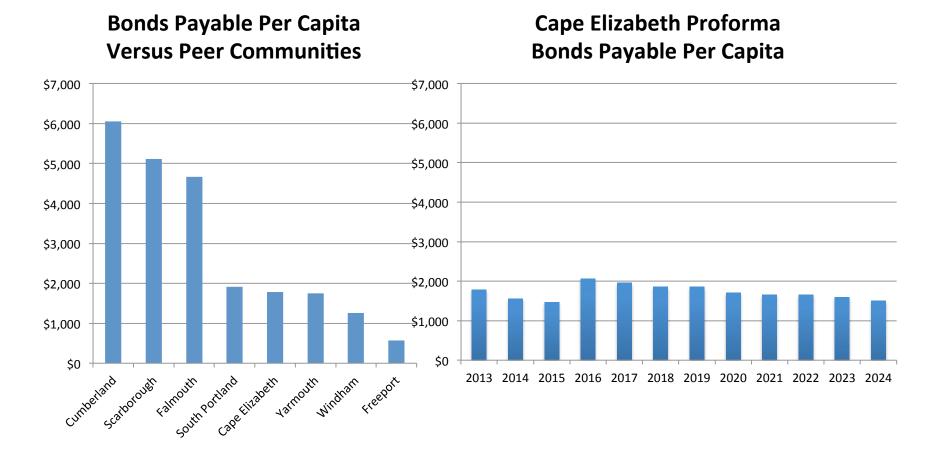
Assumptions: Median Home Value: \$314,000 20 year bonds/ 4% interest

Borrowing Trends In Perspective

Cape Elizabeth Proforma Debt Profile



Borrowings in Perspective



Summary

- Capital investment needs are clear and and strongly supported by internal and external analysis.
- Broad stakeholder use of Cape Elizabeth facilities and assets require responsible and long term stewardship.
- Annual CIP budgeting, combined with scheduled debt repayments and future new bonding, create a path to minimize annual tax volatility and tax increases.

Next Steps

- In light of this combined analysis, consider committing to sustained increase in annual CIP as a way to ensure long term economic viability of asset base.
- Consider tax implications of CIP plan and schedule of bond financing needs and determine acceptability
- At an appropriate time, relevant staff and elected officials should meet with bankers and rating agencies to review plans
- Coordinate bond financing needs of town & schools to maximize availability of funding while minimizing tax impacts of CIP.
- Focus on bonding needs over 2015 & 2016 to ensure adequate preparation, appropriate timing of issuance, and education of community.