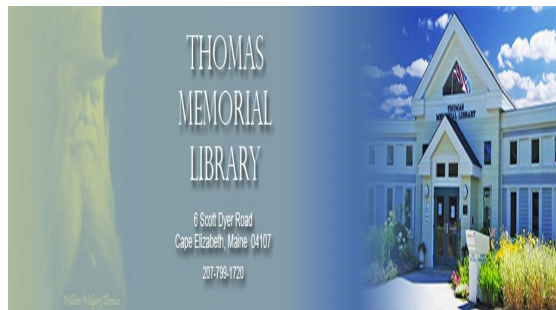




Cape Elizabeth Combined CIP Summary



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

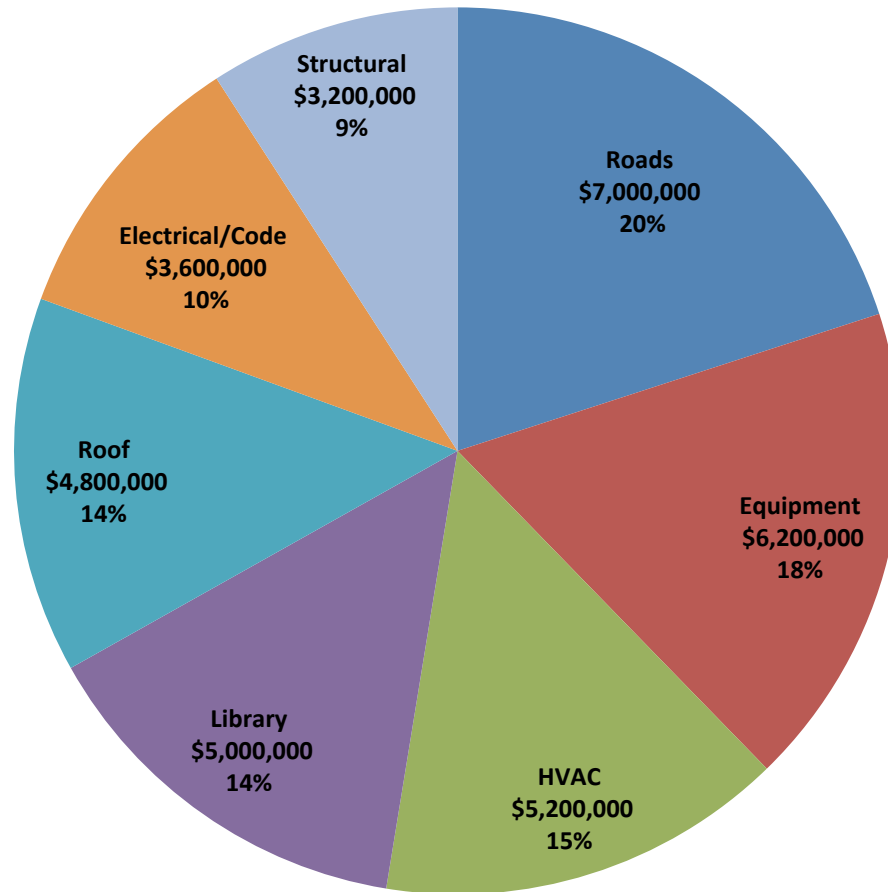
- 426,000 sq. ft. of facilities
 - schools, library, community services, town hall, pool, police department, fire department, transfer/recycling station, public works
- 63 miles of roads
- 120 vehicles/mobile equipment
- \$90 million conservative replacement value for all Cape Elizabeth capital assets

CIP Summary

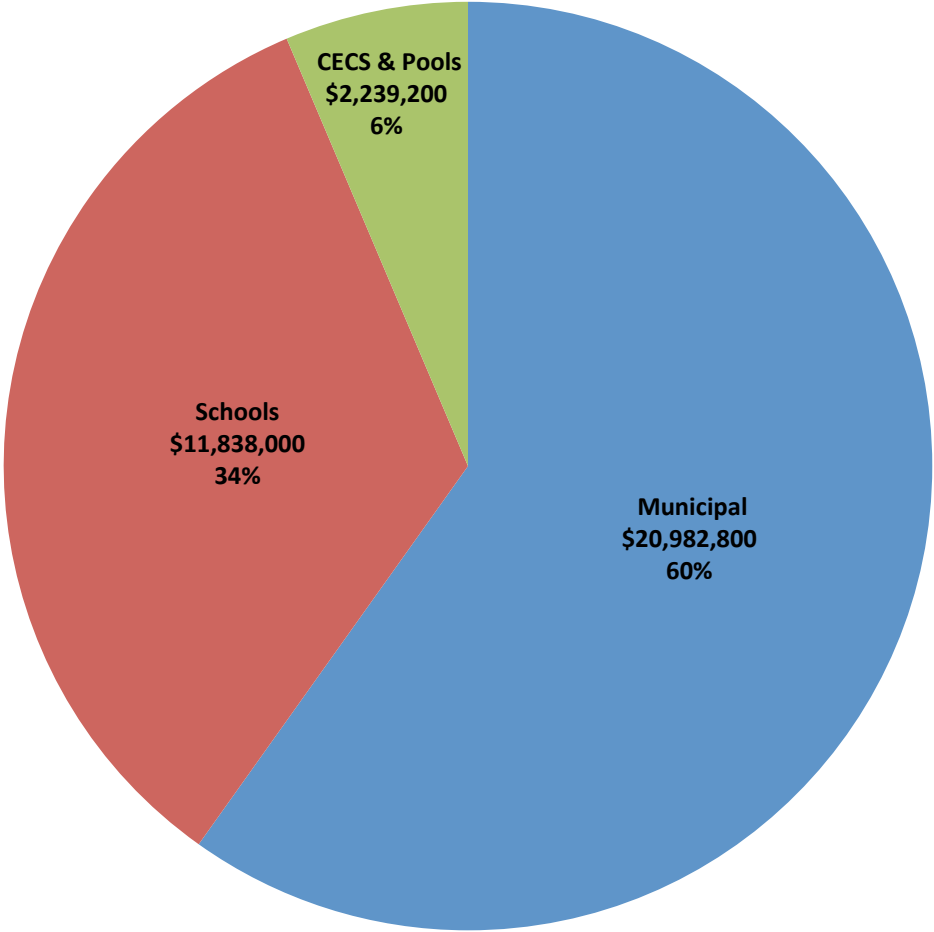
- Internal reviews confirmed by external engineering studies indicate that increased annual CIP investments are required to maintain roads, facilities, equipment and infrastructure
- \$3.5 million in average annual capital investments needs (including placeholder for library.)
- Multiple large projects 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 replacement cost analysis.
- Recommended CIP levels by staff for Municipal, Schools, CECS, and Pool appear reasonable and supported by internal analysis and external engineering analysis.
- Recommended spending levels require an increase in annual spending 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	\$ -	\$ 700,000		
Total Cape Elizabeth Replacement Value	\$ 88,300,000	\$ 3,500,000		

Source: Insurer Replacement Cost Estimates

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

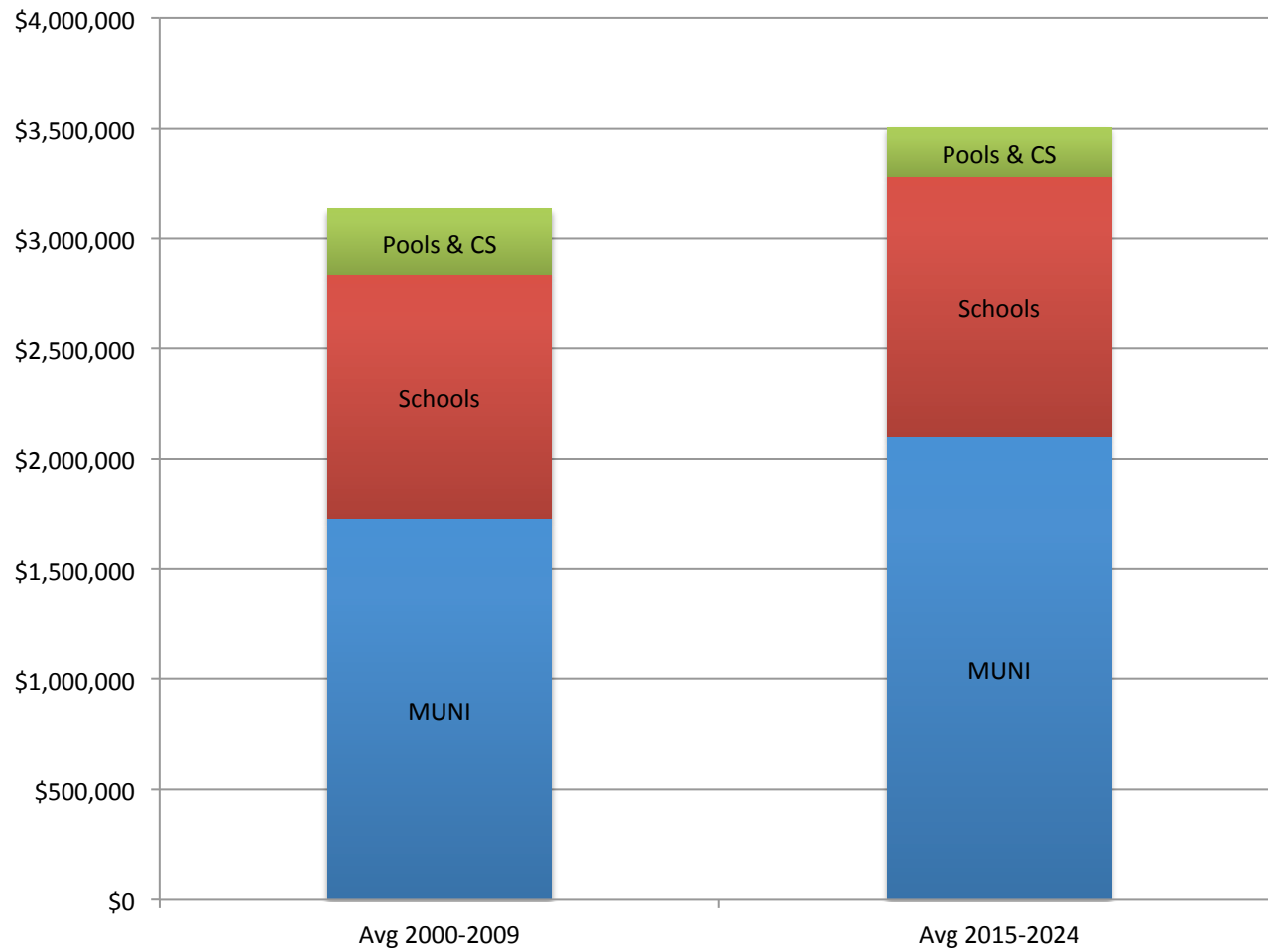
Variance between internal & external studies largely explained by:

- 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 Estimates	Internal 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)



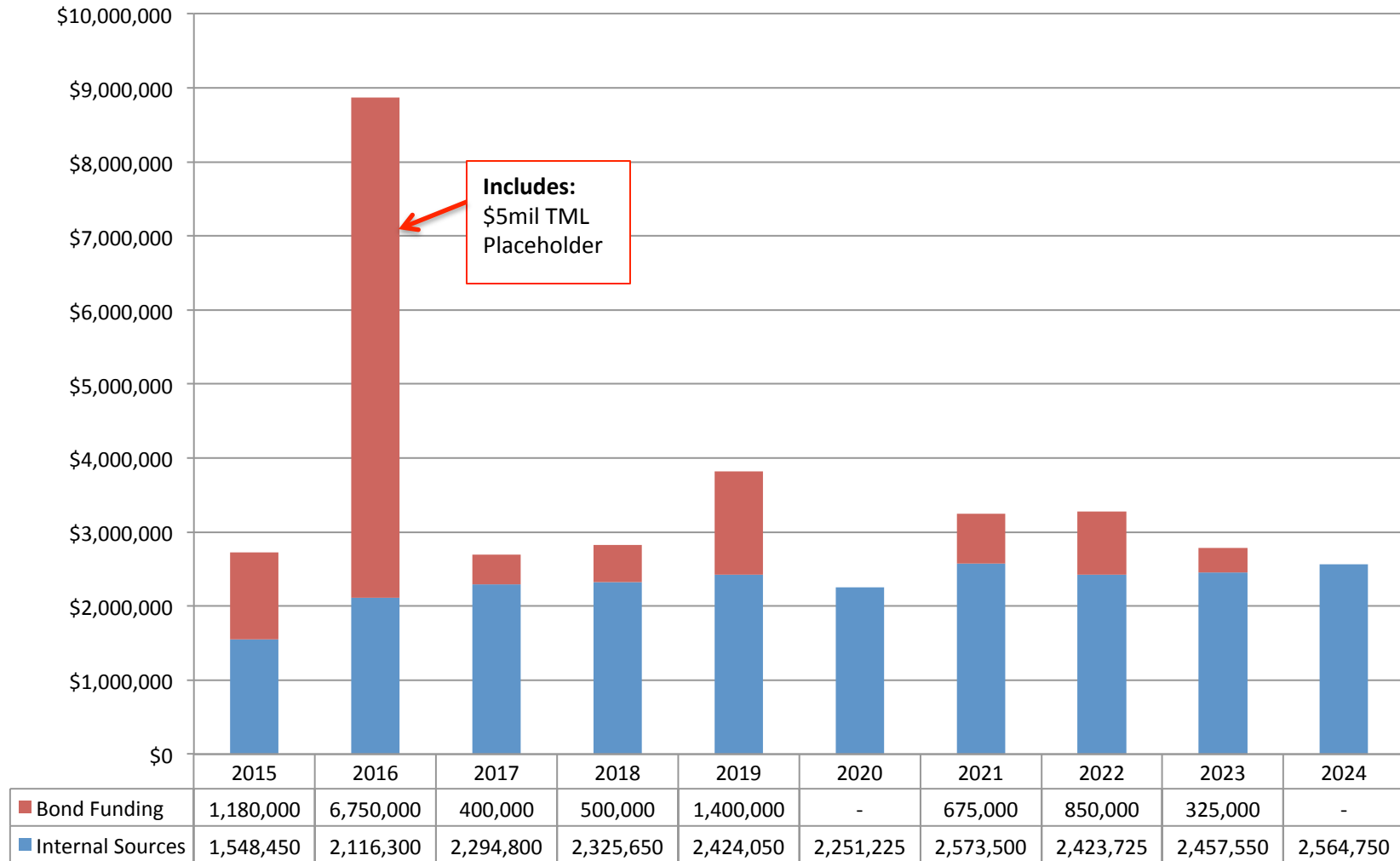
Making Judgments on Key Issues:

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)

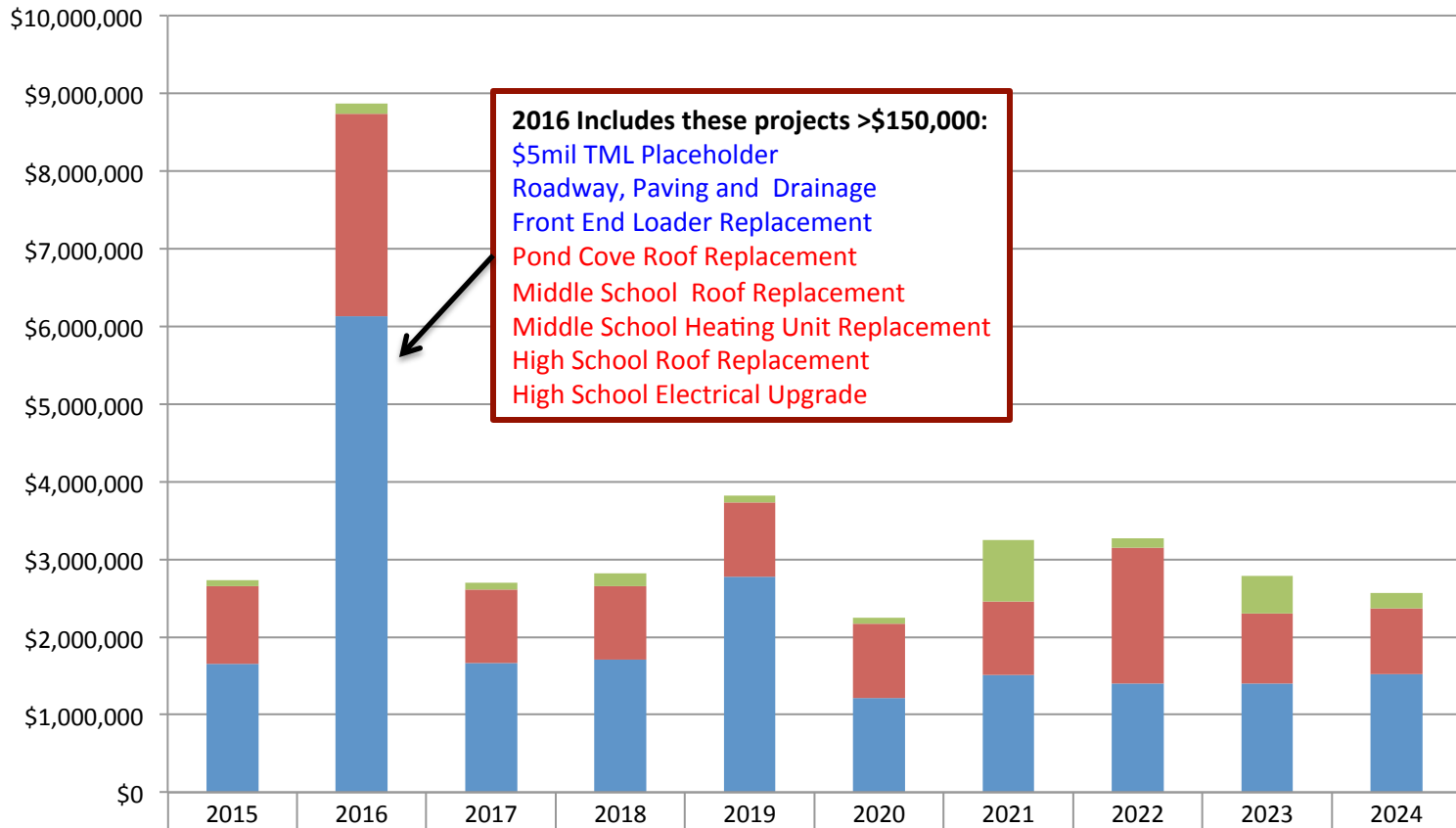
2015-2019			2020 - 2024		
Projects Exceeding \$150,000	Cost	Timing	Projects Exceeding \$150,000	Cost	Timing
Roadway, Paving and Drainage	\$ 712,000	2015	Roadway, Paving and Drainage	\$ 500,000	2020
Middle School Boiler Plant Replacement	\$ 580,000	2015	Middle School Roof Replacement	\$ 200,000	2020
Dump Truck/Plow Replacement	\$ 172,000	2015	Dump Truck/Plow Replacement	\$ 185,000	2020
Compactor Replacement	\$ 150,000	2015	Roadway, Paving and Drainage	\$ 520,000	2021
Roadway, Paving and Drainage	\$ 435,000	2016	Pool Roof Replacement	\$ 350,000	2021
Pond Cove Roof Replacement	\$ 175,000	2016	Pool HVAC Replacement	\$ 325,000	2021
Middle School Roof Replacement	\$ 175,000	2016	Pond Cove Heating Recovery Unit	\$ 350,000	2021
Middle School Heating Unit Replacement	\$ 325,000	2016	Roadway, Paving and Drainage	\$ 540,000	2022
Library-Placeholder	\$ 5,000,000	2016	Pond Cove Heating Recovery Unit	\$ 150,000	2022
High School Roof Replacement	\$ 800,000	2016	Middle School Roof Replacement	\$ 250,000	2022
High School Electrical Upgrade	\$ 275,000	2016	High School Roof Replacement	\$ 600,000	2022
Front End Loader Replacement	\$ 185,000	2016	Fire Dept. Security Access Upgrade	\$ 200,000	2022
Roadway, Paving and Drainage	\$ 745,000	2017	Fire Dept. Roof Replacement	\$ 200,000	2022
Dump Truck/Plow Replacement	\$ 195,000	2017	Pond Cove Roof Replacement	\$ 175,000	2022
Town Hall HVAC Conversion	\$ 225,000	2018	Roadway, Paving and Drainage	\$ 560,000	2023
Roadway, Paving and Drainage	\$ 470,000	2018	Pond Cove Heating Recovery Unit	\$ 150,000	2023
Middle School Roof Replacement	\$ 200,000	2018	Dump Truck/Plow Replacement	\$ 188,000	2023
Middle School Generator	\$ 235,000	2018	Middle School Roof Replacement	\$ 150,000	2023
Front End Loader Replacement	\$ 192,000	2018	Roadway, Paving and Drainage	\$ 580,000	2024
Ambulance Replacement	\$ 210,000	2018	Fire Dept. Ladder Truck Replacement	\$ 800,000	2024
Town Hall HVAC Central System	\$ 350,000	2019	Fire Dept. HVAC Upgrades	\$ 200,000	2024
Roadway, Paving and Drainage	\$ 1,350,000	2019	Dump Truck/Plow Replacement	\$ 188,000	2024
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			Annual Total		
Major Projects > \$150,000	\$ 1,614,000	2015	Major Projects > \$150,000	\$ 885,000	2020
Major Projects > \$150,000	\$ 7,370,000	2016	Major Projects > \$150,000	\$ 1,545,000	2021
Major Projects > \$150,000	\$ 940,000	2017	Major Projects > \$150,000	\$ 2,115,000	2022
Major Projects > \$150,000	\$ 1,307,000	2018	Major Projects > \$150,000	\$ 1,048,000	2023
Major Projects > \$150,000	\$ 2,705,000	2019	Major Projects > \$150,000	\$ 1,768,000	2024

Combined Cape Elizabeth Annual CIP and Funding Sources



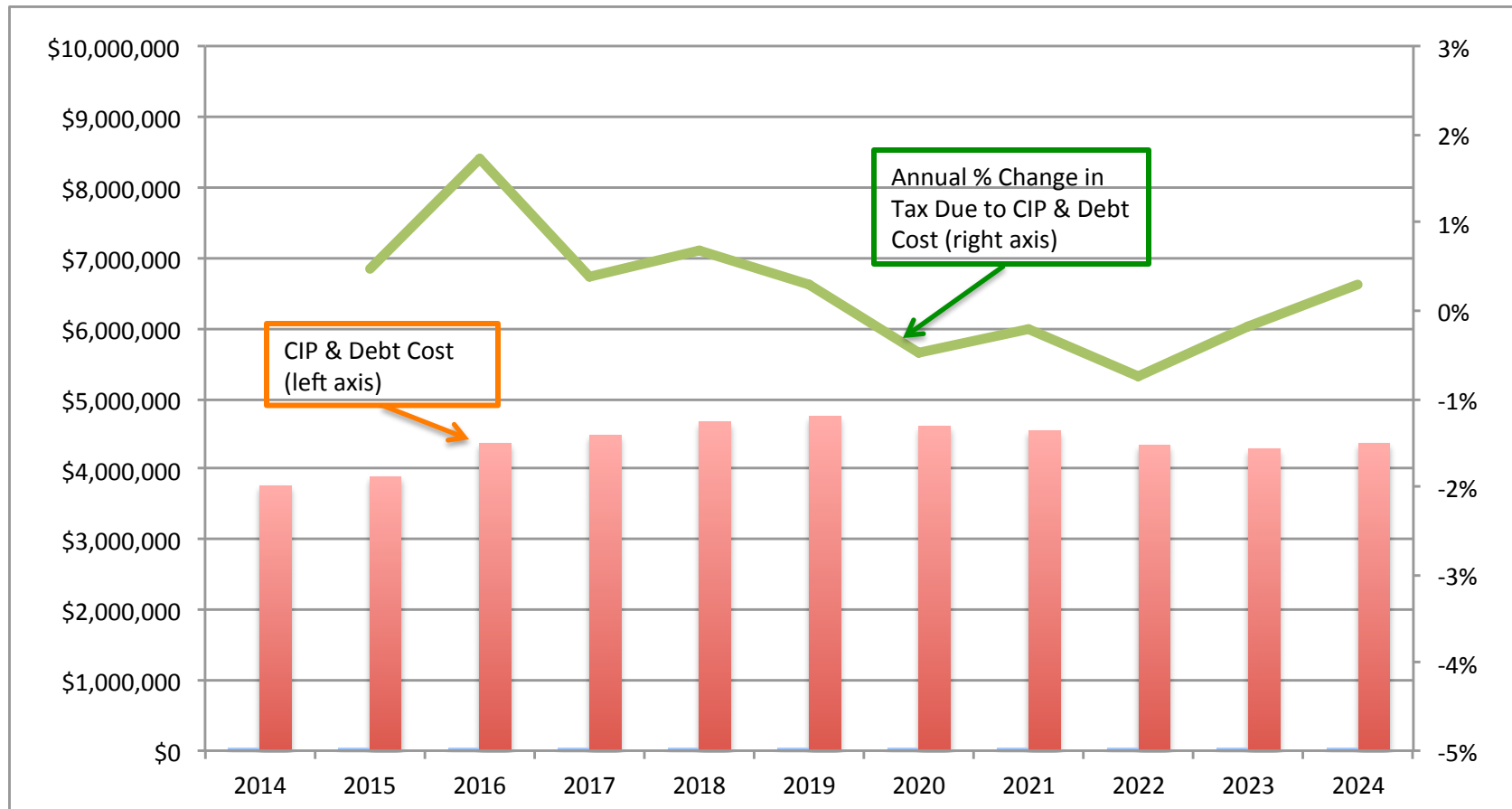
From this slide forward, funding impact reflects the above combined analysis

Cape Elizabeth 2015-2024 Annual Capital Spending Projections by Department

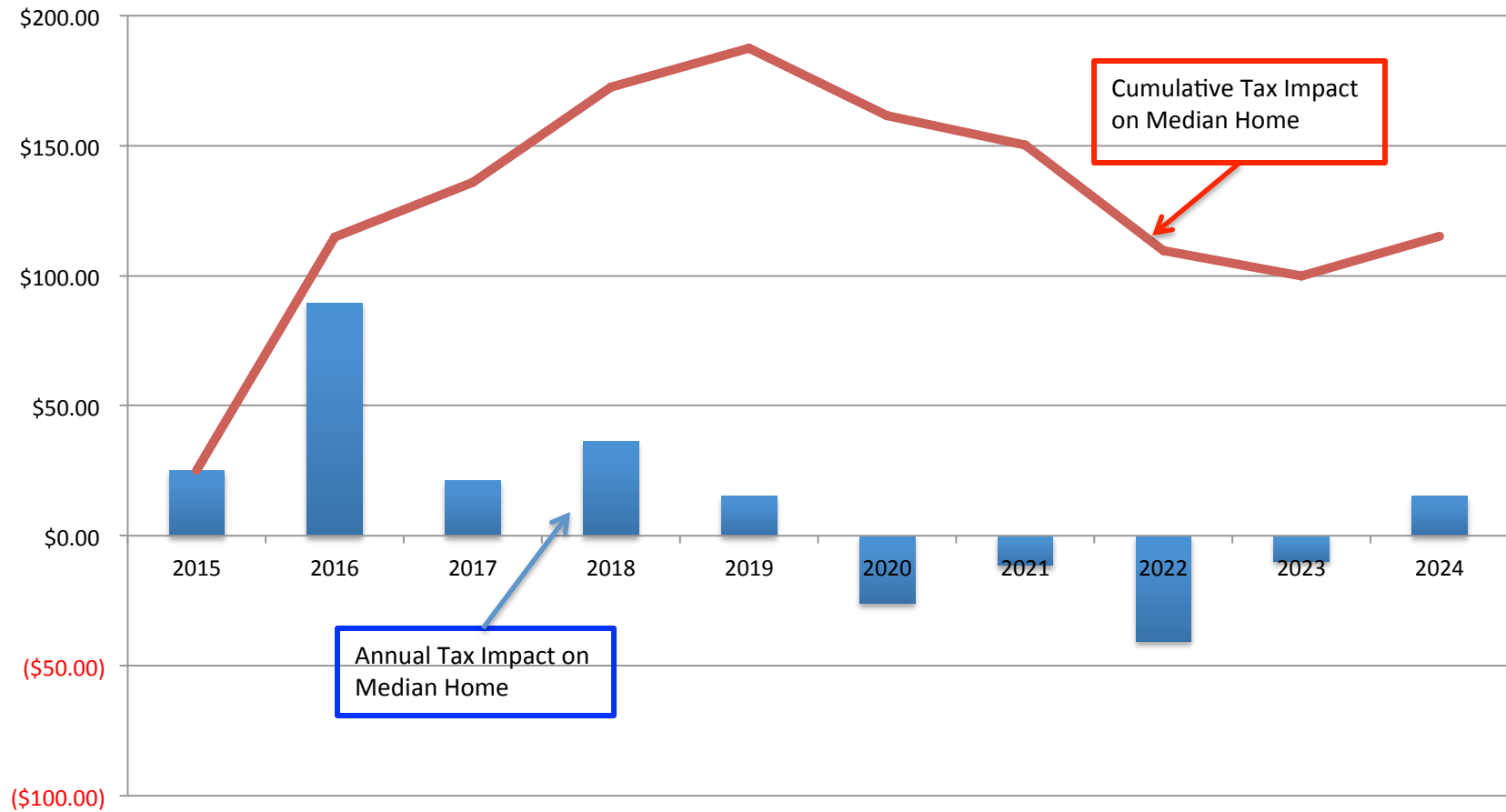


	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CS/Pool CIP Projections	78,700	131,300	88,500	168,300	93,700	83,000	790,000	125,400	482,600	197,700
School CIP Projections	1,000,000	2,600,000	938,000	950,000	950,000	950,000	950,000	1,750,000	900,000	850,000
Municipal CIP Projections	1,649,750	6,135,000	1,668,300	1,707,350	2,780,350	1,218,225	1,508,500	1,398,325	1,399,950	1,517,050

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

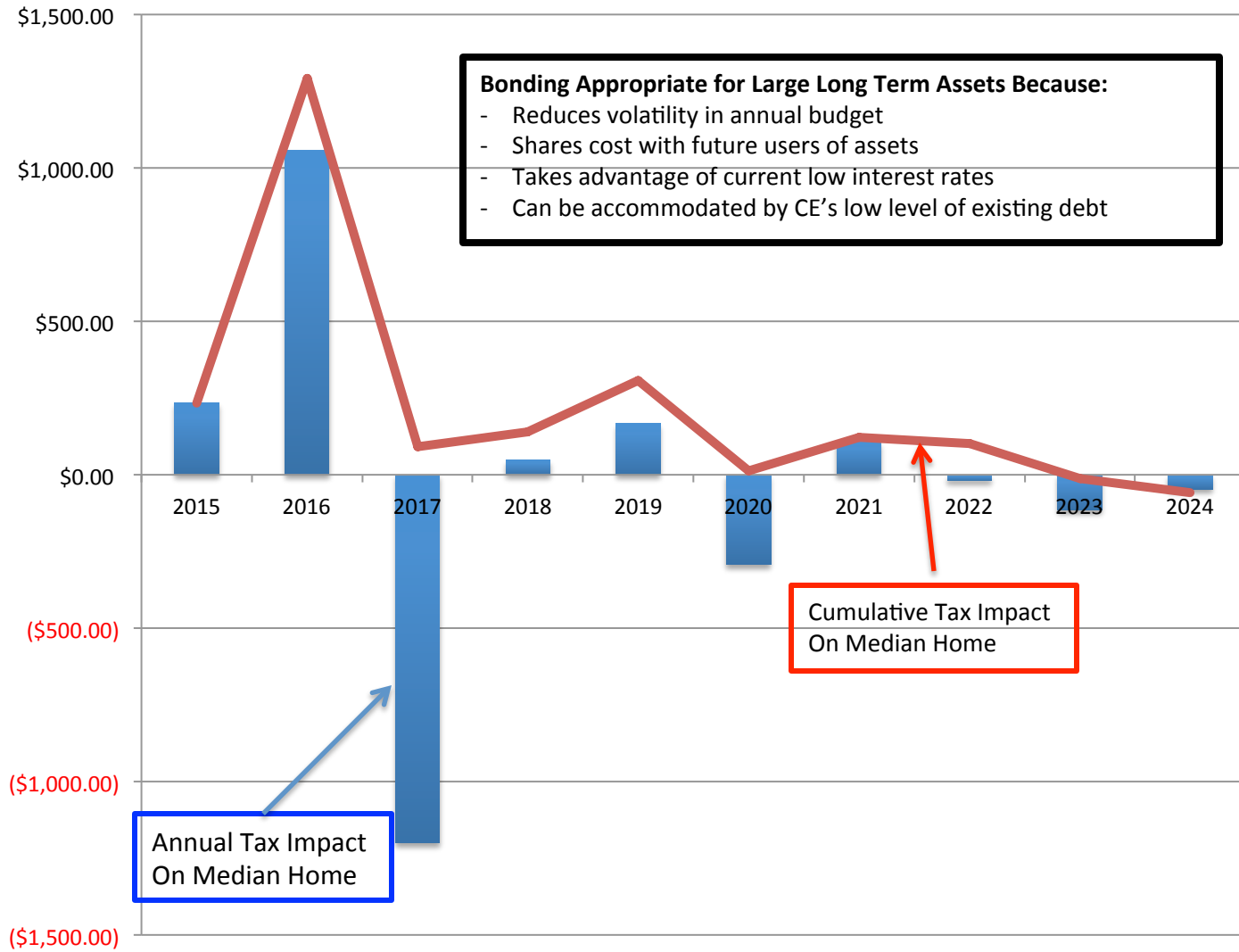


Tax Impact On Median Home from CIP plus Recommended Borrowings



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

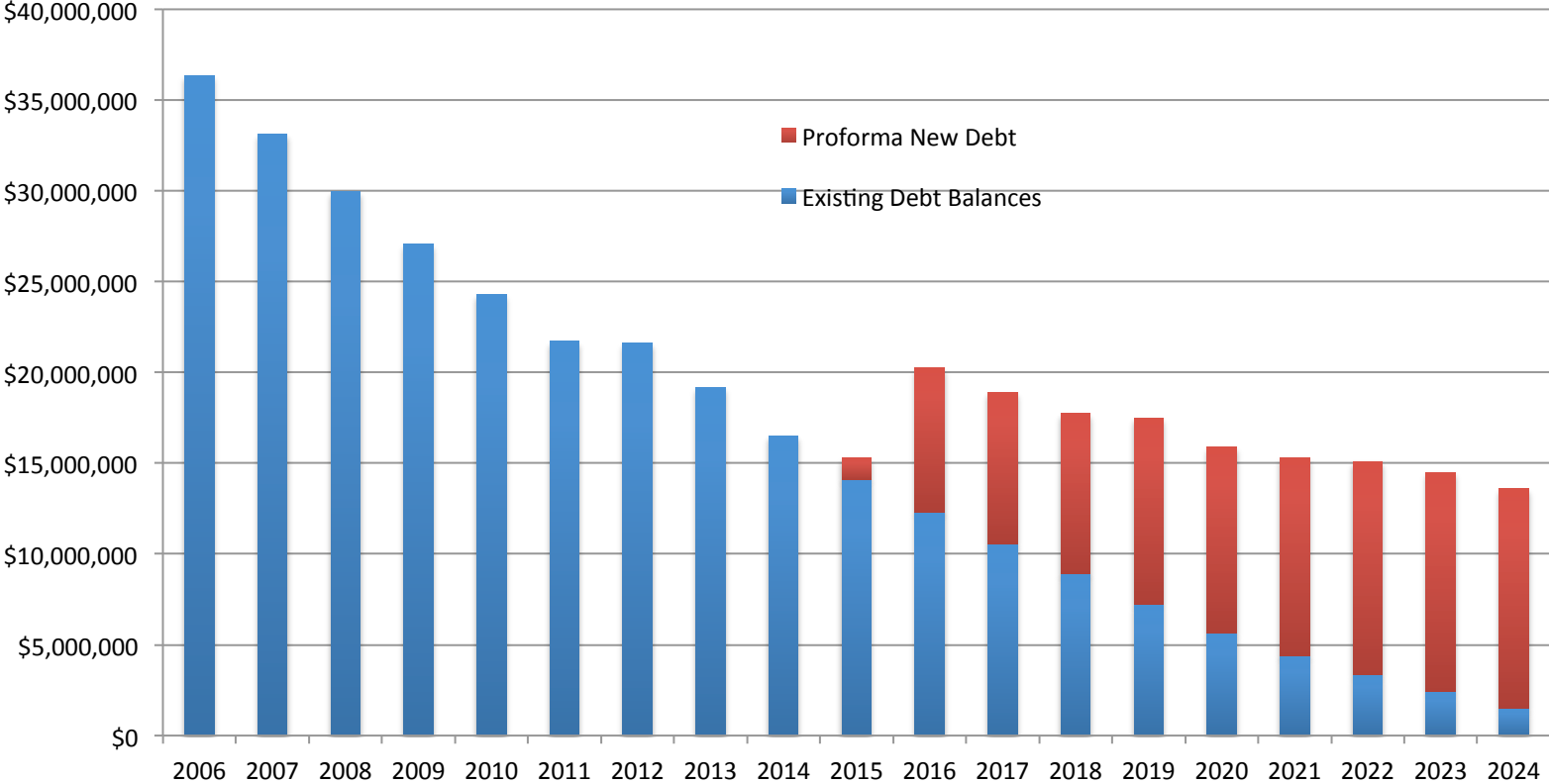
What tax impact looks like with no bonding!



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

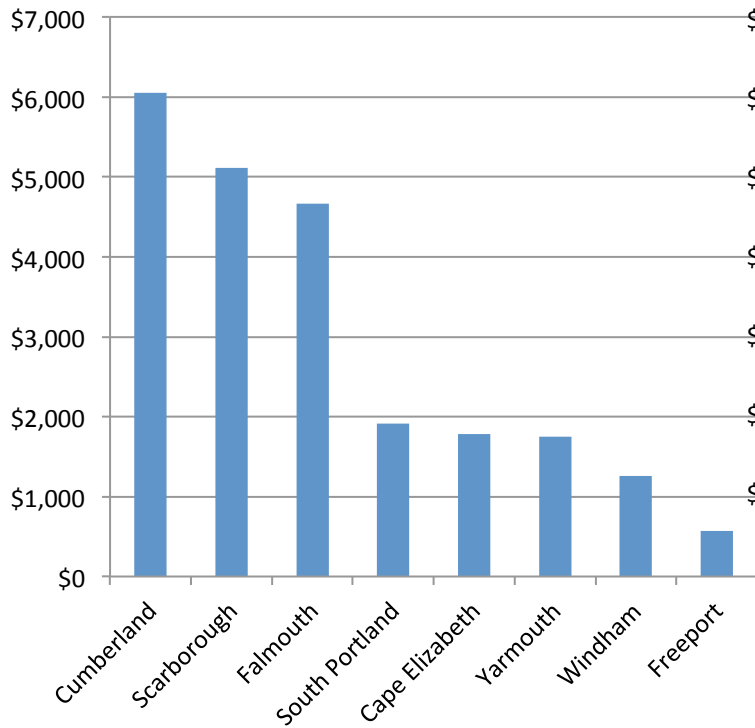
Borrowing Trends In Perspective

Cape Elizabeth Proforma Debt Profile

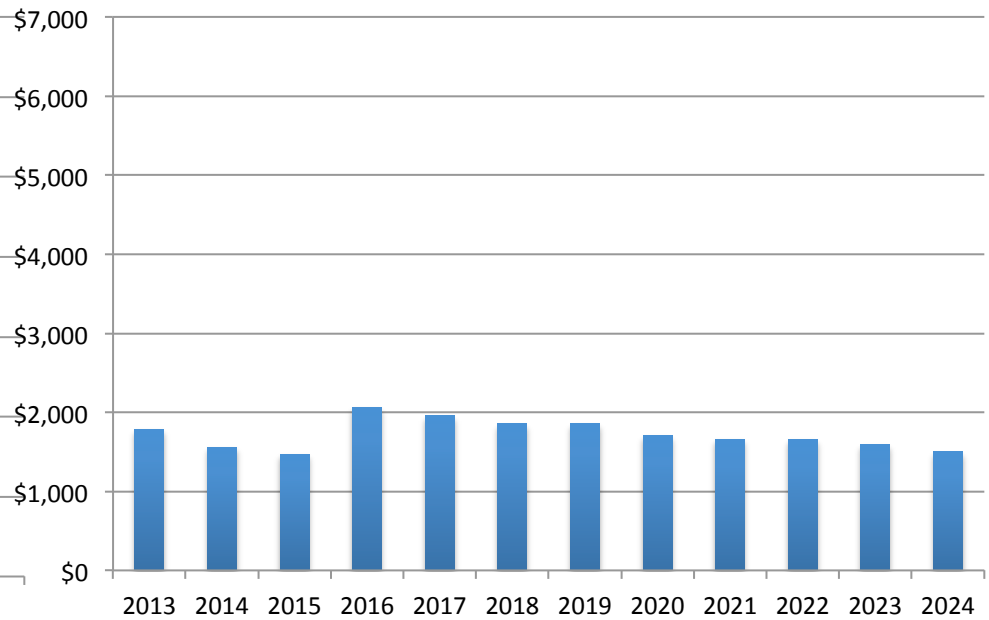


Borrowings in Perspective

Bonds Payable Per Capita Versus Peer Communities



Cape Elizabeth Proforma Bonds Payable Per Capita



Summary

- Capital investment needs are clear 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.