

## **Caribou Capital Improvements Program (CIP)**

Caribou, like many other Maine communities, is struggling to keep property taxes stable as State and, to a lesser extent Federal program are cut or eliminated. In many cases, State and Federal assistance to municipalities has not been fully funded. In spite of the economic challenges, Caribou has met its mandated obligations, and continually maintains and upgrades its services and infrastructure. Through its strong commitment to building reserve accounts, the City has greatly decreased the impact upon taxation for future purposed or improvements. As Caribou considers recommendations to make future capital improvements and/or upgrade public services during the years ahead, they must also consider their ability to finance these programs as well as the future ownership costs.

Since the 1980s, City Council members have made the commitment of “pay as you go” for the City and have made annual contributions to reserve accounts. As a result, Caribou is debt free and has maintained a long term commitment not to borrow money. Caribou is in the process of implementing a new accounting method Governmental Accounting Standards Board (GASB-34). The City will be using the depreciation method and this system will help better track the value of fixed assets and the City’s appropriation for the depreciation of these assets. GASB-34 will be fully operational by the end of 2003.

Caribou approaches capital spending on a rational, consistent basis as part of its regular budget process to meet the needs of the community. Each department develops, implements, and updates a 5-Year Plan for expenditures and projects. City officials review the budget at the end of each year and on any given year, there has been an average of 1 percent deviation between budgeted and actual expenditures.

### **Financial Considerations**

The need for capital spending must be balanced against the ability of the City to pay for these projects. This means that while some projects may be desirable, the City may simply not be able to afford them at the time. Caribou, as most municipalities, has used a "pay as you go" approach by appropriating money annually for their reserves. Only the Ambulance Fund Balance is kept separate. This account derives most of its funds from billed services and per capita fees assessed to other municipalities which covers the operating cost of the department.

The following chart shows the reserve accounts for the City of Caribou through 2006.

### **Summary**

The City of Caribou has made a strong commitment to be fiscally sound and has examined its capital needs for the next five years. City officials should continue to update each department’s 5-Year Plan and Council members fund each reserve account.