



POLICY No.: F-2

DATE ADOPTED: OCTOBER 3, 2018

# **TOWN OF WEST BOYLSTON BOARD OF SELECTMEN POLICY**

## **CAPITAL PLANNING POLICY**

### **PURPOSE**

To effectively maintain the Town's infrastructure and protect the value of its capital assets, this policy outlines guidance for planning, reviewing, and coordinating capital improvements. Adherence to this policy will help the Town meet its capital needs despite limited resources.

### **APPLICABILITY**

This policy establishes a framework for the charge of the Capital Investment Board (CIB), sets guidelines and expectations for all officers, boards, and committees, including the Selectmen and the School Committee in planning for and requesting capital projects, and outlines consensus budgetary goals for the Board of Selectmen, Town Administrator and Finance Committee.

### **POLICY**

The Town will maintain its physical assets by providing funding in the operating budget to protect its capital investments and minimize future maintenance and replacement costs. To provide and preserve the infrastructure needed for achieving the highest levels of public services and quality of life possible within available financial resources, the Town will maintain an annually updated, five-year capital improvement plan (CIP). The Town will emphasize preventative maintenance as a cost-effective approach to capital investment and replace exhausted goods as necessary.

The CIB is charged to oversee West Boylston's capital improvement program as outlined in the Town Bylaws. The definition of a Capital Project is: *a tangible asset or project estimated to cost over \$20,000 and estimated to have, or to extend, five or more years of useful life*. These include:

1. Real property acquisitions, construction, and long-life capital equipment
2. Major improvements to physical infrastructure, including streets, sidewalks, stormwater drains, and water distribution systems (excluding C90 projects)
3. Major renovations of existing capital items that extend their useful lifespans, performance or capabilities, as distinguished from normal operating expenditures
4. Planning feasibility studies, and designs for potential capital projects
5. Items obtained under long-term leases
6. With limited exception for the school dept, bulk purchases of similar items, like software or furniture, with expected useful lifespans of five or more years that, when aggregated, have total costs exceeding the capital threshold. Such aggregation will be for purposes of common function or use, not budgetary convenience.

## Inventory

To support a systematic acquisition and replacement schedule, the Town Administrator will work with the Town Accountant to annually update and maintain a detailed inventory of all capital assets, which shall include dates built, acquired, or last improved, original cost, expected remaining useful lifespans, and any scheduled replacement or expansion dates. The Town Administrator will provide the CIB with a copy of the inventory annually.

## Evaluation of Capital Projects

Only projects that have gone through the CIB's review process shall be included in the CIP unless required by an emergency, in which case, a written report explaining the emergency must be provided to the Board of Selectmen, the CIB and the Finance Committee. The CIB will evaluate and prioritize capital projects received from departments using the criteria below.

- Eliminates a hazard to public health and safety
- Required by state or federal laws or regulations
- Uses outside financing sources, such as grants
- Supports adopted plans, goals, objectives, and policies
- Stabilizes or reduces operating costs
- Makes better use of a facility or replaces one
- Maintains or improves productivity or existing standards of service
- Directly benefits the Town's economic base by increasing property values
- Provides new programs having social, cultural, historic, economic, or aesthetic value

The Town Administrator shall act as the agent of information transfer from town departments to the CIB. Each year on a schedule agreed to by and between the Town Administrator and the CIB, all department managers shall submit Capital Requests. The Town Administrator shall review the requests to assure the required information has been provided and then forward that information to the CIB. With the exception of emergencies as defined above, capital projects not submitted in this manner will not be considered for funding.

The School Committee, the executive board which directs school department activities and budget, is an independently elected board with separate constraints and regulations as to operational and capital expenditure, has within its own operating guidelines the ability to expend money from its operational budget for capital items. In an effort to establish a parallel path for capital purchases for all town departments, the School Dept will be asked to comply with this same functional outline for Capital Planning and notification of planned expenditures.

Should the School Department choose to purchase capital items from its operating budget not previously identified to the Town Administrator, Finance Committee or CIB as part of their capital plan and request, within 2 months of the end of the then current fiscal year, will notify these 3 entities of which items have been purchased, the costs of the purchases, the lifespan of the asset and the accounts from which the funds were used to pay for those capital purchases and any annual expected operating costs or cost savings associated with those purchases. The Town Accountant will update the inventory of capital assets accordingly.

### Multiyear Capital Plan

The CIB will annually update and propose to the Town Administrator a five-year CIP, including the upcoming fiscal year's capital improvement budget and a four-year projection of capital needs and expenditures.

Throughout the year, the Town Accountant will monitor active capital projects to ensure they remain properly funded and will report any capital plan amendments to the Town Administrator and Board of Selectmen.

### Capital Financing

Long term debt is an appropriate funding source for certain types of projects, while short-term debt and current revenues should be used for assets with short useful lifespans. Funding will be derived from a combination of property taxes and the capital investment fund.

The CIP shall be prepared and financed in accordance with the following policies:

1. Special revenue sources (e.g. grants, revolving funds) shall be evaluated as funding options whenever practical
2. The annual operating costs of each proposed capital project, as well its debt service costs, will be identified before any long-term, bonded capital project is recommended.
3. Short-term debt may be used to fully finance purchases with useful lifespans of less than 10 years
4. Major capital projects( such as new construction or major renovations to existing facilities) or major capital purchases ( such as major fire equipment or DPW equipment), may be accomplished through capital or debt exclusions
5. To the fullest extent feasible, all capital projects associated with the Town's wastewater enterprise fund shall be financed from user fees

### Capital Project Closeouts

The Town will endeavor to close out all capital projects within six months of completion or

discontinuation. As these projects are closed out, the Town Accountant will do the following:

1. For bonded projects with residual balances of less than \$50,000, the Town Accountant and the Treasurer/Collector will propose that the Board of Selectmen approve applying the balances to debt service
2. For bonded projects with residual balances in excess of \$50,000, the Town Accountant and Treasurer/Collector will propose appropriating the balances for other capital projects for which the Town may borrow for an equal or greater term as the original loan that was issued (per MGL C44, Section 20)
3. For projects funded with available revenue (tax levy or reserves) having residual balances, the Town Accountant will propose reallocating the balances for other capital projects or close the balances to the appropriate fund surplus

### **REFERENCES**

M.G.L. c. 44, S20

M.G.L. c. 44, §33B

Division of Local Services (DLS) Best Practice: *Presenting and Funding Major Capital Projects*

DLS Financial Management Guidance: *Capital Improvement Planning Manual* and *Capital Improvement Planning Guide-Developing a Comprehensive Community Program*