

TOWN OF SOUTHBOROUGH



OFFICE OF THE BOARD OF SELECTMEN

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Capital Planning Policy

Purpose/Objective

To develop and maintain a 10-year capital plan for the Town of Southborough to be overseen by the Capital Planning Committee ("Committee").

Definition:

A capital item is a tangible asset or project estimated to cost over \$10,000 ("capital threshold") and estimated to have, or to extend, three or more years of useful life.

Bulk purchases of similar items, like software or furniture, with expected useful lifespans of three or more years that, when aggregated, have total costs exceeding the capital threshold.

These include:

1. Real property acquisitions and construction equipment.
2. Planning feasibility studies, and designs for potential capital projects such as new buildings or major additions to existing buildings which would include equipment needs to furnish such building or addition.
3. Major renovations of existing capital items that extend their useful lifespans by at least 5 years, as distinguished from normal operating expenditures.
4. Major improvements to physical infrastructure, including streets, sidewalks, stormwater drains, and water distribution systems.
5. Land acquisition and/or improvement.
6. Equipment acquisition, replacement or refurbishment, including but not limited to vehicles, furnishings, and IT systems' hardware and software or other items that combined in purpose together make it a capital project.
7. Items obtained under long-term leases three years or greater.

Funding Source Guidelines:

Any item meeting the definition of capital item should be considered for the following process regardless of the proposed funding source.

The Committee should advise financing method recommendations in accordance with the following policies:

1. The Town should maintain its physical assets by providing consistent funding in the operating budget to protect its capital investments, minimize future maintenance, and thus mitigate the need for large capital replacement funding requests.
2. Special revenue sources (e.g. grants, revolving funds) should be evaluated first as funding options whenever possible.
3. Community Preservation Funds should be pursued if a capital project is eligible.
4. The annual operating costs of each proposed capital project, as well its debt service costs, should be identified before any long-term, bonded capital project is recommended.
5. If material one time Town revenues are recognized the Committee should consider recommending these be reserved or purposed for capital funding.
6. Major capital projects, such as new construction or major renovations to existing facilities exceeding \$5,000,000, should be approved through capital or debt exclusions. This requires a 2/3 Town Meeting vote and a majority ballot exclusion vote. Exempted Debt service is outside the normal tax levy once approved.
7. Infrastructure or facility maintenance budgets built into the general operating budget will not be used to fund other departmental budgets.

Process:

1. At the beginning of each Fiscal Year, Department Heads will be asked to re-assess their current capital plan items and make recommendations related to additions, subtractions, and cost adjustments based on current department needs related to capital items anticipated over the next ten years. This should also include a review of the recommended timing to bring the item forward to Town Meeting.
2. All adjustments or new capital items should be submitted in writing via the form adopted by the Committee in the ClearGov software.
3. The Committee will then vote on the addition, subtraction, cost, or timing adjustment in a public meeting.
4. Department Heads are expected to raise capital items as they arise and not wait for the formal fiscal year review.
5. Each year in the Fall, the Committee shall meet to prioritize and vote on capital items to be brought forward for consideration at the Annual Town Meeting.
6. These recommendations shall then be presented to the Board of Selectmen and Advisory Committee in public meetings.
7. For any Special Town Meeting, the Committee shall assess the current inventory of capital items to determine whether it is appropriate to recommend consideration of funding for specific capital item(s). Committee may, if applicable, suggest method of funding.
8. Upon request of the Board of Selectmen, the Committee shall make a presentation to Town Meeting regarding any capital items that are on the warrant for that Town Meeting.
9. Throughout the fiscal year, the Committee shall meet regularly to look at future capital items to ensure that the proper due diligence has been performed on upcoming items and to assess whether items should be accelerated or deferred. Any recommendation that deviates from that of the Department Head, shall specifically be communicated in a Board of Selectmen or Advisory Committee presentation.

Prioritization of Capital Items:

The following conditions will be considered when prioritizing items in the capital plan:

- Imminent threat to the health and safety of citizens/property
- Preservation of operations
- Legal requirement of Federal or State agencies
- Improvement to infrastructure
- Improvement in the efficiency and effectiveness of service delivery
- Alleviation of an overtaxing or burdened situation (i.e. insufficient instructional space in a school building)
- Supports community plan (i.e. Master Plan, Open Space and Recreation Plan)
- Results in lower energy consumption
- Results in lower operations and maintenance costs
- Continues the phased funding for a project included in a prior year's budget
- Scheduled replacement (i.e. motor vehicles, roofs, computers)

The full extent of project costs should be determined when developing the multi-year capital plan. Cost issues to consider include the following:

- The scope and timing of a planned project
- Identification of the most appropriate approaches, including outside assistance, when estimating project costs and potential revenues
- Adjustment of cost projections based on anticipated inflation
- Quantifying ongoing operating costs associated with each project, and identification of the sources of funding for those costs
- A clear estimate of all major components required to implement a project, including land acquisition needs, design, construction, contingency and post-construction costs
- Recognition of the non-financial impacts of the project (e.g., environmental) on the community

The Committee will be responsible for prioritizing capital requests. Prioritizing capital project requests is a critical step in the capital plan preparation process. When evaluating project submittals, the Committee should:

- Reflect the relationship of project submittals to financial and governing policies, plans, and studies
- Allow submitting agencies to provide an initial prioritization
- Incorporate input and participation from major stakeholders and the general public
- Adhere to legal requirements and/or mandates
- Anticipate the operating budget impacts resulting from capital projects

- Apply analytical techniques, as appropriate, for evaluating potential projects (e.g., net present value, payback period, cost-benefit analysis, life cycle costing, cash flow modeling)
- Re-evaluate capital projects approved in previous multi-year capital plans
- Use a rating system to facilitate decision-making

Inventory:

The Committee shall have access to a detailed list of capital assets that the town owns to help to anticipate and evaluate capital needs. The Committee should work collaboratively with the Town Accountant and Department Head responsible for the capital item to ensure the appropriate data is maintained on the asset.

Capital Project Closeout:

The Committee shall regularly review the account balance of any capital item approved at a prior Town Meeting. At the end of each fiscal year, a detailed review should occur on each remaining balance and a recommendation of what to do with the remaining balance should be made in conjunction with the Town Administrator, Finance Director, Town Accountant, and Department Head. It is the general expectation that funds will not carry into future fiscal years unless the nature of the capital item is such that expenditures happen across multiple fiscal years (e.g. building construction). Any balance that will carry over should have written documentation on the reason for such carry over and a vote of the Committee.

Adopted by Board of Selectmen on January 5, 2021