

**Town of Old Saybrook
Capital Planning Policy
Approved**

The purpose of the Capital Planning Policy is to establish a framework for capital investment for the Town of Old Saybrook. Capital projects are generally long term investments in Town infrastructure, technology, major equipment and buildings. Capital planning is critical to providing essential services to Town residents as well as an integral part of economic development. As such, funds shall be allocated at least annually to provide capital to meet the Town's long term capital plans.

I. Amount of Capital Allocated through the Annual Budget Process. The allocation of capital will be a function of the strength of the Town's fund balance, the amount of long term debt and capital requirements. As a general rule, the Town prefers to build capital reserves to pay for asset acquisition as opposed to borrowing in the capital markets. The allocation of capital budgeted annually shall be based on the following financial framework:

- a. As outlined in the Town's fund balance policy, the town will strive to build and maintain the unassigned fund balance[i]. When the unassigned fund balance is within its targeted range, appropriations for unanticipated capital projects may be made against the unassigned fund balance.
- b. Should the town's unassigned fund balance fall below the targeted threshold, surplus funds and other financial strategies may be considered to build the unassigned balance back up to the targeted level. Capital projects appropriated against the unassigned fund balance should be carefully assessed.
- c. The Town will maintain a Municipal Reserve Fund[ii] which includes a capital non-recurring fund, other capital reserve funds, and make yearly contributions to these reserve funds to pay for ongoing capital projects.
- d. The amount allocated toward capital on an annual budget basis shall be considered in terms of total debt service and capital allocations. The annual debt service plus capital allocation is targeted to be 10% of the annual budget or less.
- e. Debt-financed projects must have useful lifespans of seven or more years, borrowing terms of 20 years or less, and deemed a viable debt offering by the Town's independent bond and investment consultant.
- f. The Town recognizes the importance of funding the annual capital plan. The Town is committed to funding a fiscally sustainable, multi-year capital plan to effectively manage capital investment. This plan will identify and prioritize capital expenses. The use of reserves and annual capital allocations will support the multi-year capital strategy.
- g. The First Selectman, in coordination with the Town's department heads, will be responsible for bringing forth capital needs to be considered within the upcoming three-to-five-year periods.

II. Identification of Capital needs. In the development of the longer term capital plan, the Town will utilize the following to identify and prioritize capital needed:

- a. Consideration of existing capital asset life cycles, which should include the cost to operate, maintain, administer or replace the assets.
 - i. As an example, a preferred model would be to purchase equipment on lease where the life cycle and term of lease are similar, use of maintenance warranties to lock in the cost of repairs, and replace the equipment at the end of the lease.
 - ii. Use of sinking funds to save for large dollar purchases and/or expensive maintenance
- b. Use of strategic studies. For complex capital planning, the use of a reasonably priced consultant to create a plan of action is encouraged. Strategic capital plans should identify long term capital goals (both existing and new assets), provide a positive non-financial impact on the community, and/or help with the Town's economic development.



- c. Projects with revenue generating potential

III. **Capital Planning.** A capital plan will be recommended to the Board of Finance for its consideration by utilizing the following framework and approach:

- a. A capital planning committee will be established for all projects that exceed ten thousand dollars (\$10,000). This committee will consist of the First Selectman, Finance Director and two Board of Finance members. The charge of this committee will be to coordinate department capital requests, assess the competitive process of the request, review specifications and determine capital priority. Any capital recommendations presented to the Board of Finance will be reviewed by this committee. Capital requests may bypass the committee and go directly to the Board of Finance if they are of an emergency nature or there is a crucial timing issue. At a minimum the committee will:
 - i. Require all requests for capital expenditures contain the specification for the capital expense. The cost of materials and labor must be included.
 - ii. Ensure that all capital requests meet the minimum requirements for procurement as described in the Town charter.
- iii. The Town may use State of Connecticut preferred vendor pricing. For all other bids:
 - 1. Requests for Proposal ("RFP") may be used on any size project, but will be required on all projects greater than \$25 thousand
 - 2. Projects between \$10 and \$25 thousand: At a minimum specifications will be developed and the request for bids will be listed on the Town's website. The department head will assess the top three low cost/responsible bids. If there are less than three bids, up to and including one bid, the department head may submit that bid provided it is reasonably priced and a responsible vendor.
 - 3. Projects under \$10 thousand will typically be included in the department's annual capital expenditure budget.
- iv. If these conditions aren't met, the Board of Finance may reject the request.

[i] **Excerpt from Town's Fund Balance Policy:** "It is the goal of the Town to build an unassigned fund balance in the GF at each fiscal year end of 12% or more of approved GF annual expenditures. Fund balances that fall within the range of 12% to 15% are deemed to be healthy and no action or reporting is required. Should the unassigned GF fund balance fall below 12% at fiscal year end, the Board of Finance shall be notified. Should the unassigned GF balance fall below 5% the First Selectman shall develop a restoration plan to rebuild the minimum fund balance and present it to the Board of Finance for their approval."

[ii] **Excerpt from CGS regarding the Municipal Reserve Fund:** "Upon the recommendation of the budget-making authority and approval by the legislative body, there shall be paid into such reserve fund (a) amounts authorized to be transferred thereto from the general fund cash surplus available at the end of any fiscal year, (b) amounts raised by the annual levy of a tax not exceeding four mills for the benefit of such fund, and for no other purpose, such tax to be levied and collected in the same manner and at the same time as the regular annual taxes of the municipality or (c) surplus cash funds already held in reserve and available for such capital or nonrecurring expenditures as are contemplated by the terms of section 7-364."

