



# Town of Simsbury

933 HOPMEADOW STREET

SIMSBURY, CONNECTICUT 06070

## Capital Policy Work Group

Thursday, November 8, 2018

5:00 p.m.

Main Meeting Room, Town Hall, 933 Hopmeadow Street

## SPECIAL MEETING AGENDA

Call to Order

- 1) Discussion on Capital Policy
- 2) Next Steps
- 3) Future Meeting Dates

Adjournment





# Town of Simsbury

933 HOPMEADOW STREET ~ SIMSBURY, CONNECTICUT 06070

## **TOWN OF SIMSBURY CAPITAL PLANNING AND FINANCING POLICY STATEMENT**

*Adopted by the Simsbury Board of Finance on November XX, 2018*

### **I. Introduction & Purpose**

The use and purpose of this policy is to promote consistency and continuity in decision making related to capital improvement planning and to set the general parameters within which capital spending decisions are made. This policy establishes the general financing goals and the specific elements that comprise a long-range planning and financing strategy, including capital financing guidelines and the transfer of funds to and from the Capital Projects Funds, Capital and Non-Recurring Fund and Capital Reserve Fund.

The goals of this policy statement are to:

1. Make a strong commitment to the strategic management of the Town's capital financing process.
2. Promote financial stability and focus attention on the Town's long term financial capacity to meet capital needs.
3. Designate acceptable parameters of debt issuance and management.
4. Provide a framework for monitoring capital financing practices and results.
5. Effectively communicate the Town's priorities and plans for undertaking capital projects to internal and external stakeholders.
6. Provide a framework for monitoring capital financing practices and results.

### **II. Effective Date**

This policy shall remain in effect until revised or rescinded. The Town reserves the right to amend this policy.

### **III. Capital Planning and Financing Guidelines**

1. Capital Project is defined as any project, resulting in or contributing to the acquisition of, or addition to, a capital asset with an anticipated cost equal to or exceeding \$10,000 for equipment purchases, \$20,000 for building improvements and \$100,000 for infrastructure improvements and with an anticipated life equal to or exceeding (5) five years for equipment purchases, and (10) ten years for buildings, improvements and infrastructure.
2. The capital plan shall be prepared and updated annually by the Town Manager and Finance Director and present programmatic needs and priorities for a (6) six year period.

3. The first year of the (6) six year capital plan will be adopted annually by the Board of Selectmen and the Board of Finance as part of the budgeting process.
4. Future operating costs associated with new capital projects and assets will be projected and included in operating budget forecasts.
5. Each capital project submitted for consideration shall identify operating budget impacts and potential financing methods available.
6. The Town shall take the appropriate actions to maintain its “Aaa” credit rating and minimize debt service expenditures.
7. The Town Manager and Finance Director will identify the optimum mix and financing sources for all capital projects, in conjunction with the adopted Debt Management Policy.
8. Whenever possible, capital costs should be financed by means other than borrowing. Borrowing should be limited to infrastructure or facility improvement projects with an estimated life expectancy of at least 15 years and cost of at least \$250,000.
9. Capital projects financed through the issuance of general obligation bonds shall be financed, when practical, for a period which does not exceed the useful life of the asset.
10. Maintenance Scheduling – The Town intends to set aside sufficient revenues to finance ongoing maintenance needs and to provide periodic replacement and renewal to keep its capital facilities and infrastructure systems in good repair to maximize a capital asset’s useful life and to avoid unnecessary borrowing.

#### **IV. Capital Projects Fund(s) Policy**

The Capital Project Fund(s) is used to account for the financial resources used for the acquisition of major pieces of equipment, vehicles in the fleet, studies (if related to a larger capital project), professional services, building improvements, land acquisitions, building acquisitions or construction of major capital facilities and capital infrastructure improvements.

This fund may receive contributions from the sale of town owned buildings and property, transfers from the General Fund, transfers from the Capital Reserve Fund, unexpended balances of completed capital projects in the Capital Projects Fund(s), grants and donations.

If applicable, funds shall be invested in accordance with the Town’s investment policy.

#### **V. Capital and Non-Recurring Fund Policy**

The Capital and Non-Recurring Fund is established to provide for small capital and non-recurring expenditures which would distort year to year budget comparison. Non-recurring is to mean an expenditure that occurs no more frequently than once in a five year period.

Capital items and studies of single or aggregate cost that exceed \$10,000 but are less than \$100,000 shall be accounted for as expenditures in the capital and non-recurring fund. The Capital and Non-Recurring Fund will also include fleet purchases that are less than \$100,000 per vehicle.

The Town shall not fund on-going operating expenditures from the Capital and Non-Recurring Fund.

This fund may receive contributions from transfers from the General Fund, transfers from the Capital Reserve Fund, unexpended balances of completed capital projects in the Capital Projects Fund(s), grants and donations. Capital and Non-Recurring Fund projects should be fully funded in the fiscal year for which they are budgeted/adopted.

If applicable, funds shall be invested in accordance with the Town's investment policy.

## **VI. Capital Reserve Fund Policy**

The Capital Reserve Fund is established to allow more flexibility, to serve as a future source of pay-as-you-go financing of capital projects, and to provide a revenue source for emergency capital needs such as an emergency repair to a building not covered by insurance. It is a part of the Town's capital financing strategy and seeks to fund to a level deemed sufficient to fully fund recurring expenditures for replacement capital equipment and maintaining public facilities that do not meet the Town's general obligation bond issuance guidelines.

The target funding level shall be an amount sufficient to fund the capital fund budget pay-as-you-go plus 3% of the total adopted uses. This is to ensure a sufficient balance remains in the Capital Reserve Fund for unanticipated needs or emergencies.

This fund may receive contributions from the sale of town owned buildings and property, transfers from the General Fund, unexpended balances of completed capital projects in the Capital and Non-Recurring Fund and Capital Projects Fund(s), grants, donations and interest from investments.

If applicable, funds shall be invested in accordance with the Town's investment policy.

## **VII. Accounting Guidelines**

The following are a list of specific accounting practices related to capital transactions:

1. On the first day of the fiscal year, the General Fund appropriations to the Capital Projects Fund(s), Capital and Non-Recurring fund and Capital Reserve Fund will be transferred.
2. On the first day of the fiscal year, the Capital Reserve Fund appropriations to the Capital Projects Fund(s) and the Capital and Non-Recurring Fund will be transferred.
3. All bond proceeds will be deposited directly into the Capital Projects Fund(s).
4. Proceeds from the sale of town property will be deposited directly into the Capital Projects Fund or Capital Reserve Fund.
5. Interest earned by the Capital Projects Fund(s) for the entire fiscal year will be transferred into the Capital Reserve Fund on the last day of the fiscal year, if applicable.
6. Grant funds, including school construction progress payments will be deposited into the Capital Projects Fund(s).
7. All debt service payments and debt issuance costs will be paid from the General Fund and/or Debt Service Fund.
8. All capital projects expenditures will be paid directly from the Capital Projects Fund(s).