

## CAPITAL PLANNING

### 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 applies to all current and proposed capital projects in the Town except for those that come under the authority of the Community Preservation Committee. It establishes a framework for long-term capital improvements, sets guidelines and expectations for all Town departments in planning for and requesting capital projects, and outlines consensus budgetary goals for the Board of Selectmen, Town Manager, and Finance Committee. It also applies to related job duties of the Town Accountant and Treasurer/Collector.

### 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, six-year plan for capital improvements. The Town will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace exhausted goods as necessary.

The Town Manager, in consultation with the Capital Improvement Committee (CIC), is charged to oversee West Newbury's capital improvement program. The CIC's membership includes one member from the Board of Selectmen appointed by the Board for a one-year term, one member from the Finance Committee appointed by the Committee for a one-year term, and five citizens appointed by the Selectmen to three-year rotating terms. The objectives are to identify and prioritize projects, analyze funding, and create a long-term financial plan achievable within the Town's budget limitations.

#### A. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over \$20,000, to have or extend at least five years of useful life, or to require an authorized borrowing. These include:

- Real property acquisitions, construction, and long-life capital equipment
- Major improvements to physical infrastructure, including streets, sidewalks, stormwater drains, and water distribution systems
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under a long-term capital lease
- 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

## B. Inventory

To support a systematic acquisition and replacement schedule, the Town Accountant will annually update and maintain a detailed inventory of all capital assets, which shall include dates built, acquired or last improved, original costs, current conditions, expected and remaining useful lifespans, depreciated values, extent of use, and any scheduled replacement or expansion dates.

## C. Evaluation of Capital Projects

Only projects that have gone through the review process will 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 Town Manager, with the CIC, will evaluate and prioritize the capital requests received from departments using the criteria below:

1. Public health or safety
2. State or federal laws or regulations
3. Available outside financing sources, such as grants
4. Preservation or replacement of an existing asset
5. Productivity or service impact
6. Adopted plans, goals, objectives, and policies of the Town
7. Benefit to the Town's economic base
8. Social, cultural, historic, economic, or aesthetic value
9. Operational or personnel cost impact
10. Community support

## D. Multiyear Capital Plan

The Town Manager will annually develop a ten-year capital improvement plan (CIP) and provide it to the Board of Selectmen and Finance Committee by November 1. The CIP will include the upcoming fiscal year's capital budget proposal and a five-year projection of capital needs and expenditures. The plan will incorporate assets from the Town Accountant's capital inventory and provide estimated replacement dates and costs, descriptions, and anticipated funding sources, including all annual debt service requirements.

Throughout the year, the Town Accountant will monitor active capital projects to ensure they remain properly funded and will report any capital plan amendments or issues to the Town Manager.

## E. Capital Financing

To provide reserve monies for the CIP, the Town will establish and maintain a capital improvement stabilization fund. Doing this enables the Town to pay outright for moderate-range capital and other maintenance expenditures and thereby preserve debt capacity for major, higher-dollar purchases or projects. This approach balances debt with pay-as-you-go practices and protects against unforeseen costs. In accordance with the Town's Financial Reserves policy, the target maintenance level for this reserve should be 15 percent of the Town's annual operating budget.

Annually, the Town will strive to maintain [three to five] percent of the general fund operating budget, net of debt, on capital investment allocations. Funding shall be derived from a combination

of property taxes and the general and capital improvement stabilization funds. 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.

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

- Special revenue sources (e.g., grants, trust funds) shall be evaluated as funding options whenever practical.
- The annual operating costs of each proposed capital project, as well its debt service costs, shall be identified before any long-term, bonded capital project is recommended.
- Short-term debt may be used to fully finance purchases with useful lifespans of less than 10 years.
- Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.
- Infrastructure or facility maintenance budgets built into the general operating budget will not be reduced to fund other departmental budgets.
- To the fullest extent feasible, all capital projects associated with the Town's water enterprise fund shall be financed from user fees.

#### F. Capital Project Closeouts

The Town will endeavor to close out all capital projects within six months of completion or discontinuation. When closing out any project with a residual balance, the Town Accountant will work with the Treasurer/Collector to do one of the following:

- If the project was funded by available revenue (tax levy or reserves), reallocate the balance to another capital project(s) or close it to the appropriate fund surplus.
- If the project was bond-funded and has a balance under \$50,000, propose that the Board of Selectmen apply the balance to debt service.
- If the project was bond-funded and has a balance over \$50,000, propose that the Board of Selectmen apply the balance to another capital project(s) for which the Town may borrow for an equal or greater term than the originally issued loan.

#### REFERENCES

[M.G.L. c. 44, § 20](#)

[M.G.L. c. 44, § 33B](#)

West Newbury bylaw Chapter IV, Capital Improvements Committee Bylaw  
West Newbury policies on Debt Management and Financial Reserves

Division of Local Services (DLS) Best Practice: [Presenting and Funding Major Capital Projects](#) and [Special Purpose Stabilization Funds](#)

DLS Financial Management Guidance: [Capital Improvement Planning Manual](#) and [Capital Improvement Planning Guide – Developing a Comprehensive Community Program](#)

#### EFFECTIVE DATE

This policy was adopted on December 3, 2018.