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 meets its capital needs despite limited resources.

APPLICABILITY
This policy 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 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 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 Administrator is charged to oversee Sandisfield’s capital improvement program (CIP). This involves identifying and prioritizing projects, analyzing funding, and creating 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 $25,000 and to have or extend five or more years of useful life. These include:

- Real property acquisitions, construction, and long-life capital equipment
- Major improvements to physical infrastructure, including streets, sidewalks, stormwater drains, water distribution systems, and sanitary sewer 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 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, current condition, expected and remaining useful lifespans, depreciated value, extent of use, and any scheduled replacement or expansion dates.
C. Evaluation of Capital Projects

As part of the annual budget process, the Town Administrator will solicit capital project requests from department heads. The Town Administrator will then evaluate and prioritize the requests using the criteria below:

1. Eliminates a hazard to public health and safety
2. Required by state or federal laws or regulations
3. Uses outside financing sources, such as grants
4. Stabilizes or reduces operating costs
5. Replaces a clearly obsolete facility, makes better use of an existing facility, or relieves an overburdened situation
6. Maintains or improves productivity or existing standards of service
7. Supports adopted plans, goals, objectives, and policies of the Town
8. Directly benefits the Town's economic base by protecting and increasing property values
9. Provides new programs having social, cultural, historic, economic, or aesthetic value

D. Multiyear Capital Plan

The Town Administrator will annually update and propose for adoption by the Finance Committee a five-year capital improvement plan, including the upcoming fiscal year’s capital improvement budget and a four-year projection of capital needs and expenditures that details their estimated costs, descriptions, and anticipated funding sources.

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

E. Capital Financing

To provide reserve monies for the CIP, the Town will maintain a capital improvement special purpose stabilization fund. Doing so enables Sandisfield 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. The target maintenance level for this reserve shall be 25 percent of the Town’s annual operating budget.

Options to finance projects with short useful lifespans shall include current revenues, the capital stabilization fund, and short-term debt. Long-term debt is an appropriate funding source for projects with very high dollar amounts and lifespans of 10 years or more.

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

- Special revenue sources (e.g., grants, revolving 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 under 10 years. Major capital projects, such as new construction or major renovations to existing facilities, may be accomplished through capital or debt exclusions.

F. Capital Project Closeouts

The Town will endeavor to close out all capital projects within six months of completion or discontinuation. As they are closed out, the Town Accountant will do the following:

- For bonded projects with residual balances, the Town Accountant and Treasurer/Collector will propose reallocating any balances for other applicable capital projects.
- 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 will close the balances to the appropriate fund surplus.

REFERENCES
M.G.L. c. 44, § 20
M.G.L. c. 44, § 33B

Division of Local Services Best Practices: Presenting and Funding Major Capital Projects and Special Purpose Stabilization Funds

EFFECTIVE DATE
This policy was adopted on 07/25/2022.