

Capital Budgeting Policy

WHEREAS, an effective organization must carefully manage and plan the use of its physical assets in order to meet its work requirements; and

WHEREAS, a forward-looking capital program helps schedule the availability of resources to meet needs when they occur; and,

WHEREAS, a long-term capital planning and budgeting policy provides a community with an opportunity to anticipate trends and developments critical to the well-being of its citizens

NOW, THEREFORE, BE IT RESOLVED that the South Windsor Town Council hereby approves the adoption of a Capital Budgeting Policy as shown on attached Exhibit A. and entitled "Town of South Windsor – Capital Budgeting Policy."

Meeting Date: April 20, 1998

Attachment: Exhibit A

CAPITAL BUDGET POLICY

An effective organization must carefully manage and plan the use of its physical assets. At a minimum, this means that buildings and machinery must continually meet work requirements. Governments must go beyond this internal imperative and consider the long-term implication so the location and condition of public infrastructure for private economic decision-making. For example, individuals buy homes where they can enjoy the quality of life they desire. Businesses locate in communities with favorable conditions that will allow owners to gain the desired economic returns. Governments cannot allocate funding to meet all of these demands at one time, and therefore must ration capital to support such physical improvements as parks, schools, police stations, streets, and underground water or sewer lines. Governments turn to long-term capital planning and budgeting as a way to structure the review and funding of capital improvement projects competing for scarce resources.

Capital project may involve the following:

- Purchasing land – other than land purchased under the Open Space program
- Constructing a new public facility
- Improving the infrastructure (e.g., refurbishing a bridge, resurfacing a street)
- Enlarging an existing public enterprise, exceeding \$50,000 (e.g., expanding a sewer system or public parking facility)
- Purchasing major equipment (e.g., fire pumps)
- Major repairs exceeding \$50,000 and having a useful life of five (5) years or more

A forward-looking capital program helps schedule the availability of resources to meet needs when they occur. Identifying spending priorities early also allows for more deliberative planning. Furthermore, a capital program offers time to identify a project's beneficiaries, perhaps permitting the assignment of costs to those who benefit through pricing policies or special taxes. Capital planning and budgeting, therefore, provides a community with an opportunity to anticipate, not just react to, trends and developments critical to the well-being of its citizens.

BUDGETING CAPITAL PROJECTS

Capital planning includes the follow elements:

- *Capital improvement project.* A major, nonrecurring expenditure used to expand or improve a government's physical assets, including facilities and infrastructure, that are not consumed within a year but rather have a multiyear life.

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- *Capital improvement program.* A listing of the planned capital improvement projects (coupled with expected costs and financing plans of each) for the upcoming five-to-ten-year period, and scheduled according to priorities and timing.
- *Capital budget.* The first year of the capital improvement program with a detailed source of financing for each of the capital projects specified for implementation during the upcoming year.

The Board of Education should retain control of school capital project selection/deselection during the budget development process, and the Board of Education shall retain responsibility for project management of all school projects, and all Town projects shall be the responsibility of appropriate Town staff, except those properly assigned by the Board of Education, or the Town, to the Public Building Commission.

Any surplus funds as a result of under-expenditure, or interest revenue, shall remain in the Capital Fund for the purpose of funding future projects. If there is insufficient funds, then the Town Council will need to adjust the Capital Funding levels in the Capital Budget in order to complete the project.

The role of the Public Building Commission will not change; and they will continue to be responsible for projects under their control.

All grants, gifts, special funding, or any other money received for the purpose of funding a capital project shall be accounted for in the Capital Project Fund.

In many governments, several officials are involved in matters influencing capital programs and managing the Capital Plan. In order to effectuate a meaningful Capital Budget Program, and to foster cooperation among officials, a Capital Projects Committee shall be established. The committee members are as follows:

1. Three (3) members from the Board of Education
2. Three (3) members from the Town Council
3. Superintendent of Schools, or Designee
4. Town Manager, or Designee
5. School Director of Building Maintenance
6. Director of Public Works

This committee will have the responsibility of developing a Capital Budget that will enhance the following principles:

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- ◉ *Develop capital budget and planning procedures.* To define and structure the review of individual capital projects as part of an ongoing program of identifying physical asset needs with financial constraints in mind.
- ◉ *Analyze community trends.* To develop an understanding of the trends affecting a community and to evaluate appropriate governmental responses.
- ◉ *Involve all responsible parties.* To promote sharing of information throughout the process, it helps to include citizens, project users, employees, officials from other governments, and other affected parties.
- ◉ *Define goals.* To define community priorities within an overall strategic plan that outlines preferred futures.
- ◉ *Assess service delivery requirements.* To review the role of physical assets in the implementation of service delivery plans that meet community priorities.
- ◉ *Identify capital needs.* To specify capital projects and the time frame for placing them in service to meet clearly defined community needs.
- ◉ *Inventory capital assets.* To identify existing capital assets and their condition.
- ◉ *Maintain existing assets.* To maintain and repair existing assets before making new purchases.
- ◉ *Link Capital and operating budgets.* To consider all fiscal implications of a capital project given scarce resources for acquisition/construction as well as ongoing operation and maintenance.
- ◉ *Weight project costs and benefits.* To determine total project costs and community benefits and to weight the balance, with the results publicly disclosed.
- ◉ *Prioritize capital projects.* To schedule projects according to community priorities.
- ◉ *Determine the fiscal capacity.* To assess the community's fiscal ability to support operating and capital plans.

In the event the Town Council is not in agreement with the dollar amount of funding or the capital projects selected, the Committee will reconvene to review the suggestion of the Town Council and resubmit the Capital Budget to reflect such input.