

SOUTH WINDSOR CAPITAL IMPROVEMENT PROGRAM
New 07/02/2012 – SW Town Council Approved 07/30/12

a. Submission: the Town Manager and Superintendent of schools shall prepare and submit to the Capital Projects Committee a five (5) year Capital Improvement Program at least six (6) months prior to receipt of the next fiscal year's operating budget.

b. Contents: The Capital Improvement Program shall include 1) a clear summary of its contents; 2) a list of all capital improvements proposed to be undertaken during the next five fiscal years with supporting data; 3) cost estimates, method of financing, and recommended time schedules; and 4) the estimated annual cost of operating and maintaining the facilities included. The above information shall be revised and extended each year.

I. Capital Improvement Program Goals

- a. The Capital Improvement Program (CIP) shall be updated annually based upon changes in the Town's capital needs and financing available in order to: identify needed improvements and/or additions to the Town's equipment and infrastructure; schedule projects in priority order over the ensuing five (5) year period; and ensure adherence to Town financial policy and Town Charter requirements.

II. Definition of Capital Projects

- a. A Capital Project is a physical public betterment of improvement involving facilities, land, or equipment, with a substantial useful life and a cost of \$100,000 or more. Items classified as capital projects include:
 - 1. New public buildings (including equipment needed to furnish such buildings);
 - 2. Significant alterations, additions or improvements to existing public buildings;
 - 3. Land improvements, acquisition, and development;
 - 4. Equipment replacement and/or refurbishing;
 - 5. Street reconstruction and major resurfacing;
 - 6. Pedestrian walkway construction and major rehabilitation;
 - 7. Sewer main construction and rehabilitation;
 - 8. Sanitary sewer and storm drain construction and rehabilitation, and;
 - 9. Long range planning studies

III. Capital Improvement Plan Policies

- a. Capital projects shall be undertaken in order to satisfy documented needs and demands of the Town of South Windsor. The Capital Improvement Program shall be a realistic multi-year plan of capital spending, based upon revenues and other financial resources that may reasonably be anticipated over the term of the plan. All capital project proposals shall be thoroughly evaluated in terms of their estimated impact upon the annual operating budget of the Town of South Windsor. Capital improvements shall meet one of the following criteria:
 - 1. Enhance protection of public health and/or safety;
 - 2. Ensure compliance with state and/or federal law or administrative regulations;
 - 3. Reduce and/or stabilize operating budget costs.
 - 4. Prolong the functional life of a capital asset of the Town by 10 years or more;
 - 5. Encourage further expansion of the Town's real estate tax base, employment or housing;
 - 6. Improve the ability of the Town to deliver services.

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IV. Capital Project Accounting and Capital Stabilization Fund

- a. All capital appropriations are to be made for project purposes and be presented in specific line item format (i.e. design, project management, construction, equipment, etc.). An estimated project completion schedule shall also be included with each capital appropriation request.
- b. Appropriations for the acquisition, construction, or reconstruction of "major capital facilities" are to be made to a Capital Improvement Fund instead of General Fund, regardless of the financing source for the capital appropriation. "Major Capital Facilities" will be defined as any acquisition, construction or reconstruction project which has an estimated cost of \$200,000 or more and is expected to take more than a single fiscal year to complete. Capital appropriations of less than \$200,000 and those which are expected to be completed within a single year will continue to be appropriated to the General Fund.
- c. As capital projects are completed during the course of a fiscal year, the responsible department head shall notify the Finance Director, who shall close unobligated appropriation balances to the Capital Stabilization Fund. All year-end encumbered capital appropriation balances shall be brought forward from one year to the next, without any action of the responsible department head.
 - i. Not later than July 15 of each fiscal year, each department head having a capital appropriation in either the Capital Improvement or General Fund, for which there is an unexpended and unencumbered balance at June 30, shall provide the Finance Director with a detailed request to carry the balance forward into the new fiscal year. This request shall contain a detailed description of the work to be performed, including any variations from the original plan, and a projected schedule for completion of the project.
- d. A Capital Stabilization Fund shall be established within the Capital Improvement Fund section of the Town's books. The Finance Director is hereby authorized to close all completed general revenue and free cash financed capital appropriation balances in both the General and Capital Improvement Funds to this fund.
 - i. No expenditures shall be made from the Capital Stabilization Fund. The fund shall serve solely as a source for financing future capital needs.
 - ii. Unobligated balances in bonded capital project accounts shall be transferred to the Capital Stabilization fund at the completion of each such capital project. These balances shall be reserved for future appropriation in accordance with the municipal finance laws.
 - iii. To the extent that the Town Council has not voted to designate Capital Stabilization funds for a specific future project, the Unreserved Fund Balance in the Capital Stabilization fund shall be available for appropriation for additional capital needs.
- e. To the extent that the undesignated and unreserved funds are available in the Capital Stabilization Fund at the time that the Capital Budget is submitted to the Capital Projects Committee, this fund shall be used as the priority source for capital appropriations. Free Cash shall not be used as a financing source for a capital appropriation while equal funding is available in the Capital Stabilization Fund.
- f. The Finance Director shall provide the Capital Projects Committee with a quarterly and annual detailed report on the status of all capital appropriations, including a summary of all activity into and out of the Capital Stabilization Fund.

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V. Capital Improvement Project Financing Sources

- a. In order to be a meaningful and useful management tool, the Capital Improvement Program must be based upon a realistic financing plan. The financing plan for the Capital Improvement Plan continues the Town of South Windsor's established policy of pay-as-you-go financing, combined with prudent use of available debt financing capacity. This policy has allowed the Town to obtain and maintain AA credit rating.
- b. Financing sources included in the Capital Improvement Plan are divided into three (3) categories: Tax Supported; Non-Tax Supported and Lease-Supported.
- c. TAX SUPPORTED FUNDING SOURCES:
 - i. General Obligation Bonds – The Town can sell tax exempt bonds, usually in February each year. The annual debt service is included in the Operating Budget.
 - ii. Operating Budget (General Fund) – Annual departmental budgets, supported primarily by property taxes, local revenue, and state aid.
 - iii. Other – Funds such as Capital Surplus, Capital Stabilization, and Sale of Municipal Buildings.
- d. NON-TAX SUPPORTED FUNDING SOURCES:
 - i. State and Federal Grants – Project specific or block grants from federal, state, or other governmental agencies.
 - ii. Recreation and Sewer Revenue – Fee charges paid by sewer customers and Recreation customers, which are used to support the Operating Budget (Special Revenue Fund) and generate a Sewer Fund Balance (surplus available for sewer purposes or Recreation Fund Balance).
 - iii. Other – Town trust or other funds designated for specific purposes by law, charter or ordinance. Includes donations and gifts.
- e. LEASE-SUPPORTED FUNDING SOURCES:
 - i. 6320 Corporation – Create a 6320 Corporation as allowed under federal I.R.S. Regulations for municipal projects.
 - ii. Public/Private Partnership – Public/Private development and tax-exempt financing programs.

VI. OTHER FINANCIAL POLICIES

- a. The mere availability of state and/or federal funds shall not necessarily result in the initiation of a capital project. The Town will utilize free cash only for capital projects, reserves and obligations of prior fiscal years. Special Revenue Funds will be reviewed annually in the context of the Capital Improvement Program. Unreserved fund balances will be utilized for capital projects in conformity with General Laws.
- b. Long Term debt will be consistent with the following guidelines:
 - i. The Town will maintain a debt schedule with 50% of outstanding principal maturing with ten years;

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- ii. The Town will limit long-term debt to those capital improvements which cannot be financed from existing fund balances or current revenues;
- iii. The maturity of long-term debt will be consistent with, or less than, the expected lifetime of the project;
- iv. The Town will use special assessments, revenue bonds, and other available self-liquidating debt measures in lieu of general obligation bonds whenever possible. Sewer revenue will offset sew-related debt service.
- v. General Fund Debt Service will not exceed 8% of the General Fund Budget. Total capital expenditures including Debt Service, Capital Leases and Current Capital Project Budget will not exceed 10% of the General Fund Budget.
- vi. Good communication with rating agencies will be maintained, and a policy of full disclosure on every financial report and bond prospectus will be followed at all times.