



Town of Mansfield
CAPITAL PLANNING AND FINANCING POLICY
October 23, 2017

The Capital Planning and Financing Policy establishes the methodology for including a program or project in the five-year Capital Improvement Program (CIP), Capital Budget, and Debt Management Plan (DMP). In accordance with the Town Charter, the Town Manager shall prepare and submit a list of proposed capital improvements to be undertaken during the ensuing fiscal year or later years, and the proposed methods of financing them. The Town Manager and Finance Director will prepare a DMP executive summary report for submission to the Town Council on an annual basis in conjunction with the CIP.

Policy Purpose

In order 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 and Non-recurring Fund (CNR).

As a matter of general policy, the goals of the Town's Capital Improvement Program are:

1. Consistently make decisions related to capital improvement aligned with the Town's overall goals and objectives regarding the physical and economic development of the community, asset management, and the provision of public services.
2. Promote financial stability and focus attention on the Town's long-term financial capacity to meet capital needs.
3. Effectively communicate the Town's priorities and plans for undertaking capital projects to internal and external stakeholders.

The policy is designed to capture the following elements of the Capital Improvement Program:

1. Capital Improvement Program Guidelines (Formulation)
2. Capital Planning Guidelines
3. Capital Project Financing Guidelines

Capital Improvement Program Guidelines

1. The Town's CIP is a comprehensive multi-year capital plan that identifies and prioritizes expected needs based on the Town's strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs.
2. Each year the Town Manager and Finance Director will develop a five-year CIP for capital improvements which will be reviewed and/or revised by the Town Council. The first year of the five-year CIP will be adopted annually by the Town Council as the Capital Budget. The CIP shall include those projects that will preserve and provide, in the most efficient manner, the infrastructure necessary to achieve the highest level of public services and quality of life possible within the available financial resources.
3. The Town will make all capital improvements in accordance with the Town Council's annually adopted Capital Budget.
4. The Town Manager and Finance Director will coordinate the development of the CIP with the development of the annual operating budget. Future operating costs associated with new capital projects will be projected and included in operating budget forecasts. The Town will not construct or acquire a public facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility.
5. The Town will maintain its assets at a level adequate to protect the Town's capital investment and minimize future maintenance and replacements costs.
6. The Town Manager and Finance Director will identify the estimated cost and potential funding source or financing method for each capital project proposal before it is submitted to the Town Council for approval.
7. The Finance Director will review and manage capital project expenditures with all department heads no less than on a quarterly basis for each project in the annual Capital Budget.
8. 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.

Capital Planning Guidelines

Objective - To develop a set of guidelines to be used by Town and Education administrators in evaluating and proposing projects for inclusion in the Town's Capital Budget. The Town Manager shall, whenever possible, adhere to these guidelines when preparing and submitting the Capital Budget for Town Council review.

1. *Definition of Capital Projects – Two types of projects will be considered for the Capital Projects Fund.*
 - i. **Capitalized Projects** 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 ten thousand dollars (\$10,000) for equipment purchases, twenty thousand dollars (\$20,000) for buildings and improvements, and one hundred thousand dollars (\$100,000) for infrastructure improvements and with an anticipated useful life equal to or exceeding five (5) years for equipment purchases, and ten (10) years for buildings, improvements and infrastructure. This definition includes but is not limited to capital projects undertaken to:
 1. Acquire new or expand existing physical facilities or infrastructure, including preliminary design and related professional services.
 2. Acquire large scale renewal, improvement, or replacement of physical facilities or infrastructure that is not routine maintenance. Renewal and improvement expenditures are those that improve an asset's productivity, significantly extend its useful life, or change the character of the asset.
 3. Acquire major pieces of equipment, vehicles, and other capital stock, including expenditures when aggregated or consolidated into a single project meet both criteria set forth above.
 4. Procure engineering or architectural studies and services related to public improvements
 5. Acquire land or make improvements to land, excluding the purchase of open space.
 - ii. **Non-capitalized Projects** – the CIP Management Team will classify capital project submittals that do not conform to the definition of a Capitalized Project as described in item #1i above as Non-capitalized projects. Examples of Non-capitalized projects include, but are not limited to, the following:
 1. Maintenance projects such as major painting projects, mechanical or building repairs, and other peripheral projects which are non-recurring in nature (occur less frequently than every 4 years)
 2. Infrastructure projects that occur on an ongoing basis where the town desires to carry funding balances over from one

year to the next. Example: Road Resurfacing, Bridge Improvements

3. Non-tangible projects including special consulting services, which as an end-product, may recommend the development and implementation of certain capital projects but in themselves are not a capitalized project. Examples: space utilization reports, planning studies, engineering services, etc)
2. Quantifying and Ranking of Capital Projects – A CIP Management Team will be a standing committee comprised of the Town Manager, Superintendent of Schools, Director of Finance, Director of Public Works, Director of Facilities Management, Director of Parks and Recreation, the Fire Chief, and any other individuals appointed by the Town Manager. This committee shall review all capital project submittals and weigh them according to the criteria below:
 - a. Is this project a legal mandate or support an adopted plan(s)?
 - b. Does this project support public health or safety?
 - c. Does this project maintain a public asset?
 - d. Does this project support economic and community development?
 - e. Would this project be considered a service improvement?
 - f. Will this project have an operating budget impact?
 - g. Will this project meet a local/citizen request for service?

Capital Project Financing Guidelines

Objective –To develop a set of guidelines to be used by the Town Manager and Finance Director in evaluating and proposing the source of funding for capital projects. The Town recognizes that an effective capital funding strategy requires consideration of a broad mix of funding mechanisms, including but not limited to pay-as-you-go, grants, and debt. The Town shall, whenever possible, adhere to these guidelines when preparing and submitting the Capital Budget for Town Council review.

1. *Definition of pay-as-you-go financing* – Refers to the use of current financial resources to fund capital projects, including current revenues, fund balances, grants and donations.
2. *Definition of pay-as-you-use financing* – Refers to the issuance of various debt instruments to fund capital projects. In considering which funding method to utilize for particular projects, the Town shall strive to match benefit streams to cost streams as closely as possible over the anticipated useful life of the project.

3. *Minimize the reliance on long-term debt* – Whenever possible, capital costs should be financed by a 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 a cost of at least \$250,000. In addition to soliciting outside grant funding, the Town should utilize pay-as-you-go methods such as regular contributions from the General Fund, funds in the Capital and Non-recurring Fund (CNR), and down-payments from operating funds.
4. *Capital financing strategy* – the Town Manager and Director of Finance will project the future impact of financing capital projects in accordance with the Town’s Charter (Section C407).
5. *Maintenance scheduling* – the Town intends to set aside sufficient current revenues to finance ongoing maintenance needs and to provide periodic replacement and renewal consistent with its philosophy of keeping its capital facilities and infrastructure systems in good repair, to maximize a capital asset’s useful life and to avoid unnecessary borrowing. It is the Town’s policy to develop master plans for scheduling this maintenance.
6. *Credit ratings* – the Town will, at all times, manage its debt and sustain its financial position in order to seek and maintain the highest credit rating possible.
7. *Capital Non-recurring* – The CNR Fund was established to allow more flexibility and to serve as a future source of pay-as-you-go financing of capital projects. The CNR Fund is an integral part of the Town’s capital financing strategy. The Town seeks to grow the fund to a level deemed sufficient to fully fund recurring expenditures for replacing capital equipment and maintaining public facilities that do not meet the Town’s general obligation bond issuance guidelines. The target 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 CNR Fund for unanticipated needs or emergencies.

The 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 Fund, and interest from investments. The actual CNR capital financing contributions will be determined through the annual Capital Budget process.

Completed capital projects with a remaining balance may, by Town Council authorization, be transferred to the CNR Fund and added to the reserve fund as a future source of financing for projects.

Fund balances at the end of the fiscal year for the Board of Education budget may, by Town Council authorization, be transferred to the CNR Fund and added to the reserve fund as a future source of financing for Board of Education capital projects. Board of Education reserve funds may be appropriated in full, both principal and interest, as needed.

8. *Capital Projects Fund* –the Capital Projects Fund is used to account for the financial resources used for the acquisition of major pieces of equipment, acquisition or construction of major capital facilities, and capital infrastructure improvements. Revenues to the Capital Projects fund will include proceeds from long- and short-term debt, grants, and transfers from other operating funds and the CNR Fund.
9. A portion of the CNR unassigned fund balance shall be used as a financing source to the Capital Budget, as is appropriate each budget cycle.
10. In the event of an unanticipated capital or non-recurring need or emergency, the Town Council may authorize the appropriation of all or a portion of the balance in the CNR Fund.