

TOWN OF FARMINGTON, CT CAPITAL IMPROVEMENT POLICY

I. PURPOSE

The purpose of the Capital Improvement Policy is to provide a framework for the planning, scheduling and financing of capital improvement projects in a manner that is consistent with the Town's Debt Management Policy

II. DEFINITIONS

Capital improvement projects are defined as infrastructure or equipment acquisitions or construction that results in a capitalized asset with a value of at least \$25,000 and a useful life of at least five years.

Pay-as-you-go financing is defined as financing that is derived from revenue sources other than debt issuance. Revenue sources could include: appropriations from the operating budget, grants, and fund balance appropriations.

III. POLICY STATEMENTS

1. The Town will strive to maintain a high reliance on pay-as-you-go financing for its capital improvements. The Town's objective will be to contribute to the Capital Improvement Program, at least 2.5% of the annual General Fund revenues allocated to the operating budget.
2. A minimum of 20% of all capital improvement project costs contain in the seven-year plan should be financed on a pay-as-you-go basis.
3. The Town will utilize debt obligations only for acquisition, construction or remodeling of capital improvement projects that cannot be funded from current revenue sources or in such cases wherein it is more equitable to the users of the project to finance the project over its useful life.
4. Any long-term debt that is issued for to finance a capital project shall have a maximum maturity of the earlier of: (1) the estimated useful life of the capital improvement being financed; or, (2) twenty years.

IV. RESPONSIBILITY FOR POLICY

1. Annually, a seven-year capital improvements program will be developed by the Town Manager that analyzes all anticipated capital expenditures by year and identifies associated funding sources.
2. The Town Manager will coordinate the development of the capital improvement program with the development of the annual operating budget.

3. The Town Manager will submit the seven-year capital improvements program to the Town Council for review and approval in accordance with the timeline established in the annual budget schedule.
4. A prior year capital project status report shall be presented to the Town Council for information purposes when the proposed capital improvement program is reviewed.
5. The Town Council will review, modify and adopt the seven-year capital improvements program as part of the annual budget review process. The first year of the adopted seven-year capital improvements program will be the Capital Budget for the next ensuing fiscal year and funds shall be included in the annual operating budget to finance these projects as indicated. The projects shown in years two through seven, although only for planning purposes, shall be scheduled to be consistent with the infrastructure needs of the Town and the Town's ability to pay.
6. Appropriations made in prior years for which expenditures have not been incurred nor projects started will be reevaluated and incorporated into appropriations for the new fiscal year.
7. The Town will maintain a capital project monitoring committee composed of town staff. The committee will meet monthly to review progress on all outstanding projects as well as to revise spending projections.
8. If new project appropriation needs are identified at any time during the fiscal year, the funding sources will be identified and a request for mid-year adjustments will be submitted to the Town Council for approval. The Town Council may increase the appropriation for a given capital project provided a corresponding appropriation decrease is made to another capital project, so as not to alter the overall appropriation to the Capital Projects fund.
9. Each year a closing resolution will be submitted to the Town Council to obtain formal authorization to close completed capital projects.
10. The Town will maintain a schedule of all fixed assets with values of at least \$25,000. In addition, the Town will maintain a listing of capital infrastructure that will be used to develop maintenance and replacement schedules for all assets through the capital improvement program.

This policy shall be reviewed on a biennial basis during the month of January in each even numbered year.

Approved by the Town Council:	December 13, 2005
Approved by the Town Council:	January 9, 2007
Approved by the Town Council:	January 12, 2010
Amended by the Town Council	January 11, 2011
To change from Odd to Even years / Per	Town Manager's Report
Approved by the Town Council:	January 10, 2012
Approved by the Town Council:	January 14, 2014
Approved by the Town Council:	January 12, 2016
Approved by the Town Council	January 9, 2018