



2.1 SCOPE

In order to provide all required services to the public, the Town has made material investments in its physical assets such as streets, buildings, parks and recreational facilities, sewer facilities, water facilities, vehicles and other equipment. These capital assets shall be properly planned for, maintained and replaced over time to adequately provide public services.

2.2 CAPITAL EXPENDITURE DEFINITION

Capital Expenditures means expenditures for:

1. Any physical betterment or improvement or any preliminary studies or surveys relative thereto;
2. The acquisition of real property or other property of a permanent nature;
3. The purchase or acquisition of equipment for any public betterment or improvement;
4. Major alterations and repairs to existing buildings, structures or equipment;
or
5. Any lease which commits the Town to more than one year of aggregate payments in an amount set by the Legislative Council, from time to time.

2.3 PURPOSE

This policy is to establish the principles related to the planning, maintenance and replacement of capital assets.

2.4 CAPITAL BUDGET POLICIES

Preparation of the Town's capital budget (Fund 003) is guided by the following policies:

- The Mayor shall annually provide a five-year program for infrastructure capital improvements is prepared annually. The plan shall identify all anticipated funding sources;



- In general, capital projects are financed through the issuance of bonds, grants, private contributions, philanthropy and appropriations from the General Fund, Capital Project Fund and State and federal revenues;
- The Town will coordinate the development of the Capital Improvement Fund budget with the development of the operating budget;
- The Town will preserve its assets at a level adequate to protect the capital investment and minimize future maintenance and replacement costs;

2.5 SOURCE OF FUNDING

The Town will establish the appropriate mix of debt and other financing sources in the funding of capital projects to the extent available. To the extent that grant funds are available, they shall take precedence over other sources of funding.

Whenever possible, capital costs should be financed by means other than borrowing and borrowings should be avoided for projects with a cost of less than \$100,000. In addition to soliciting outside grant funding, which shall take precedence, the Town should utilize pay-as-you-go methods.

2.6 UNSPENT BOND PROCEEDS

Tax rules allow the Town to do three things with unspent bond proceeds:

1. Transfer such proceeds to other approved projects,
2. Transfer such proceeds to the General Fund to be used to pay interest on any tax-exempt bonds, and
3. Transfer such proceeds to the General Fund to be used to pay principal on the bonds from which unspent proceeds came from.

Transfers of bond proceeds to the General Fund to pay principal or interest should be “unexpected” as of the date of issue of the bonds creating such proceeds in order to qualify for such uses. Debt obligations shall not be issued for capital projects that are tentative, may be cancelled or for which bond proceeds are not needed in the near future. Cancelling projects shortly after bonds or notes are issued to finance such projects shall be avoided.



In addition, under normal circumstances, long-term debt shall not be issued for any portion of projects expected to be financed by other sources, such as State grants for school construction. Short-term debt may be issued for the grant portion of such projects for cash flow purposes, and then repaid when the grant proceeds are received.

Transfers of unspent bond proceeds to the General Fund exceeding \$50,000 shall be discussed with Bond Counsel prior to such transfer.

In general, most of the Town's Bond Ordinances allow excess bond proceeds to be transferred to other project(s), with the approval of the Legislative Council, by resolution. However, some Bond Ordinances have restrictions on the use of excess bond proceeds. As such prior to any transfer of debt proceeds the Bond Ordinances shall be reviewed prior to such transfer.

2.7 CAPITAL IMPROVEMENT FUND BUDGET

The Finance Department will coordinate the development of the Capital Improvement Fund budget with the development of the operating budget.

