

## TOWN OF DEDHAM

### CAPITAL POLICY

#### Section I: Purpose and Scope

**Purpose:** The purpose of the Capital Policy is to document the capital process that is currently in use by the Town and explain how capital expenditures are presented to Town Meeting for approval.

**Definition:** The term 'capital improvement' refers to any non-recurring, capital expenditure for the acquisition, improvement, or replacement of any item(s) or associated project(s) meeting one of the following definitions:

- Item(s) requiring an expenditure of at least \$10,000 and having a useful life of more than 3 years; and/or,
- Project(s) consisting of real property acquisitions, construction, capital asset improvements, long-life capital equipment, or major maintenance/repair of an existing capital item, as distinguished from a normal operating expenditure.

**Scope:** This policy is intended to be comprehensive and cover all capital items including land acquisition, construction of buildings, building improvements, furniture, fixtures, equipment, roads, sewer and other infrastructure of the Town, including Schools.

#### Section II: Committees Involved in the Capital Process

The Building, Planning and Construction Committee (Chapter 26 of the Town Bylaws) is responsible for surveying the growth of the Town, the building needs of the community and the physical condition of all existing town buildings. There are seven members appointed by the Town Manager, one member of the Planning Board, a registered professional engineer or architect, an attorney, a person employed in the construction industry or a related trade, and three other persons. The BPCC supervises the implementation of approved projects for the addition to or renovation of existing Town buildings and the construction of new Town buildings. The BPCC does not have jurisdiction over roads, bridges, sewer, sidewalks, parks and buildings under the control of the School Department.

Capital Expenditure Committee (Sections 8 & 9 of Chapter Three of the Town Bylaws) is responsible for making recommendations to the Finance and Warrant Committee on all matters relating to expenditures for capital improvements in the Town. The Capital Expenditure Committee shall ascertain the annual expenditures for capital improvements and what will be required for the ensuing five years after conferring with the Finance and Warrant Committee, Director of Finance, any Town boards, commissions, committees, officers, employees, etc. There are 5 members, three appointed by the Moderator, one member appointed by the Finance and Warrant Committee and one member appointed by the Planning Board. The Finance and Warrant Committee (Sections 1-6 of Chapter 3 of the Town Bylaws) is responsible for hearing and making recommendations on all articles, which are to be considered by Town Meeting, including accepting a report of the Capital Expenditure Committee. There are nine members, all appointed by the Moderator, one from each district and two at large.

The Mitigation Funds Committee (Section 21 of Chapter 4 Financial Affairs of Town Bylaws) advises and makes recommendations to the Finance and Warrant Committee and Town Meeting as to the

expenditure of funds on deposit in the Mitigation Stabilization Fund. The recommendations may be, but are not required to be Capital in nature. The committee is made up of five members, three appointed by the Moderator, one appointed by the Board of Selectmen and one appointed by the Planning Board. The Mitigation

Stabilization Fund was established to accept funds received from parties pursuant to developments in town. Transfers into and out of this stabilization fund are subject to a vote of Town Meeting.

School Building Rehabilitation Committee, established by a vote of Town Meeting in December of 2000, to initiate and direct engineering/architectural studies to determine the current physical condition of school buildings and to make recommendations as to rehabilitation and/or expansion. There are ten members: Superintendent of Schools or designee, School Principal, two members of the School

Committee, one member of the Board of Selectmen, one member of the Finance and Warrant Committee, one member of the Capital Expenditures Committee and four citizens of the Town appointed by the

Moderator. The SBRC supervises the rehabilitation, expansion or construction of school buildings.

In addition to the above committees, depending on the nature of the project, a capital project may, prior to implementation, require permits from the Board of Appeals, Building Department, and Conservation Committee and Planning Board.

### Section III: Sources of Funding for Capital Expenditures

**General Obligation Bonds;** issued for purposes and payable over periods as specified by law, as authorized by a two-thirds vote of Town Meeting. They are required to be payable in equal or declining principal payments. State law permits a Town to authorize debt up to 5% of its equalized valuation.

Payments on the bonds are made within the Town's operating budget; debt payments for bonds issued on a Debt Exclusion are made from the additional taxes levied for that purpose.

**Debt Exclusion;** allows the town to raise additional taxes to pay for the debt incurred for a particular project. The amount of the payment is added to the tax levy for the life of the debt. Debt exclusion requires a two-thirds majority vote at town meeting and, once placed on the ballot by the Selectmen, a majority of the voters.

**Free Cash;** the net unrestricted balances of funds from operations of the previous year as a result of revenues collected in excess of estimates and unspent amounts from budgeted line items. The amount is certified by the Department of Revenue and is available for appropriation by Town Meeting.

**Stabilization Fund;** a fund designed to accumulate funds as a general reserve, for capital or for other future spending purposes, although it may be appropriated for any lawful purpose by a two-thirds vote of Town Meeting. The Town has a general stabilization fund (for a reserve), a mitigation stabilization fund (for payments from developers) and a major capital facilities stabilization.

**Robin Reyes Major Capital Facilities Stabilization Fund;** this fund is to be used solely for the major renovation of existing buildings, the construction of new buildings or purchasing an existing building that meets the town's needs.

**Overlay Reserve (Allowance for Abatements)/Overlay Surplus;** an account established annually to fund anticipated property tax abatements, exemptions and to offset the amount of uncollected taxes. Any balance in the account in excess of the amount remaining to be collected or abated can be transferred into an Overlay Surplus account by the Assessors and may be appropriated by Town Meeting for any lawful purpose.

**Operating Budget;** capital expenditures can be funded within the regular operating budget. To accomplish this, other budget items would have to be reduced or increases in revenues allocated to a capital budget funding source.

**Other Available Funds;** prior special article appropriation balances, receipts reserved for appropriation, FEMA/MEMA reimbursements, insurance proceeds and other items authorized by law to be specifically used to fund appropriations.

General Proposition 2 1/2 Override, residents can vote to increase the tax levy beyond the current limit and if approved, the increase is included in the budget for all future years.

**Capital Outlay Expenditure Exclusion;** a temporary increase in the tax levy to fund a capital item.

Exclusions require a two thirds vote of the Selectmen and a majority of the voters. The exclusion is added only during the year when the project is funded.

#### Section IV: Current Capital Approval Process

Each year, the Town Manager sends every Department, Board, Commission and Committee guidelines and forms for Capital Expenditure submissions for the current year and the four years following. Department Heads complete a capital equipment request, detail the need for the equipment, whether it is replacement or new, and the estimated useful life for the equipment given the historical use and method of replacement.

The Director of Facilities prepares an assessment of each facility and assigns a priority and recommended timeframe for completion. A consolidated 5 year capital plan is prepared by the Town Manager in conjunction with the Director of Facilities and department heads. If a Capital request involves a Town Building it is also provided to the Building, Planning and Construction Committee for a hearing and recommendation.

The Mitigation Committee, using similar guidelines and forms, solicits requests for the current year if mitigation funds are available. The Mitigation Committee will hold a public hearing and make recommendations to the Town Manager.

The Director of Finance will prepare a five-year financial plan including grants, current revenues, mitigation, free cash, and available funds and bonding capacity. Bonding capacity is defined as that amount of principal finally maturing and whether the capacity is from the operating budget or excluded debt.

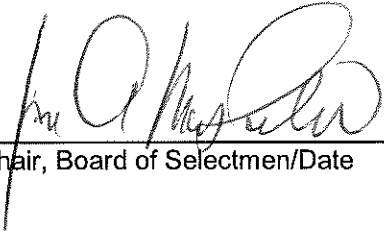
The Treasurer/Collector shall estimate the cost of issuing debt including the maturity schedule, interest rate and timeframe of bond offering.

The requests are summarized by the Finance Department, and a detailed capital expenditure request book by department is assembled and distributed to the Capital Expenditures Committee (CEC) for hearings. Once the hearings are complete, the Town Manager, after consultation with the Finance

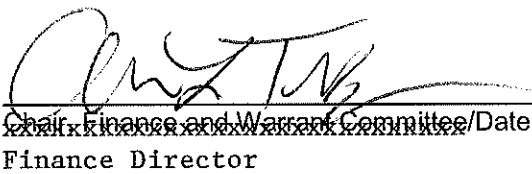
Director on the amount of funds available for Capital purposes proposes an overall capital budget to the CEC. The CEC deliberates, approves/alters the proposal and makes a recommendation to the Finance and Warrant Committee. The Finance and Warrant Committee holds a hearing on the recommendation of the CEC and then votes its recommendation to Town Meeting.

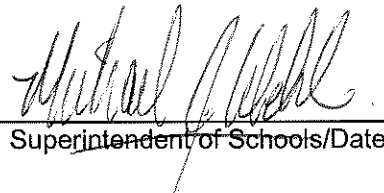
All of the above applies to the School Department capital projects, unless they relate to building rehabilitation or the construction of a new school. The School Building Rehabilitation Committee (SBRC) develops the plan for the renovation or expansion of school buildings and only when they have approved a project does it become part of the School Department's annual capital expenditure request.

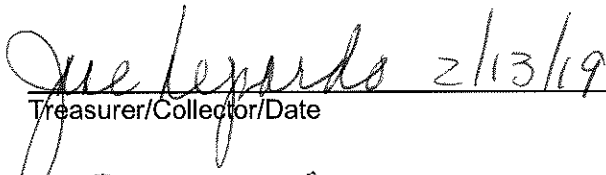
Policy Endorsement

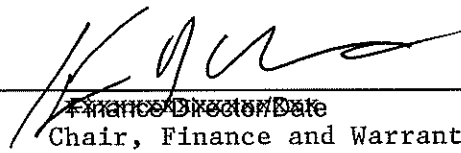
  
Chair, Board of Selectmen/Date  
2/13/19

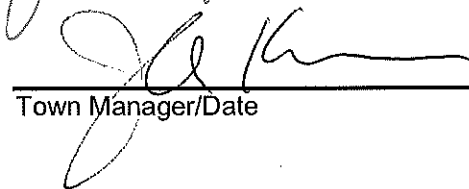
  
Chair, School Committee/Date  
2/13/19

  
Chair, Finance and Warrant Committee/Date  
Finance Director

  
Superintendent of Schools/Date  
2/12/2019

  
Treasurer/Collector/Date  
2/13/19

  
Chair, Finance and Warrant Committee/Date  
2/7/19

  
Town Manager/Date  
2-13-19