



## TOWN OF COHASSET Capital Budget Committee

### OVERVIEW

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**\*\*Approved by the Capital Budget Committee on 22 May 2017\*\***

### **Introduction**

The Capital Budget Committee (CBC), working with the Selectmen, the Town Manager, managers of each Town department and private citizens, provides the means and support for planning, evaluating and recommending capital expenditures to Town Meeting, both Annual and Special. The CBC cannot fund capital expenditures; they can only recommend them for approval to the Selectmen and the Advisory Committee, and eventually Town Meeting.

Under the Town Bylaws, all purchases that have a useful life of greater than 18 months and cost more than \$10,000 are considered capital purchases. All capital purchases are subject to an evaluation and review by the Capital Budget Committee before the assets are acquired.

The maintenance of the infrastructure and the capital assets of the Town are of vital importance to the delivery of quality services to the citizens of Cohasset. To this end, the committee is dedicated to accomplishing the following activities:

- Review, plan, and coordinate capital improvements to promote a systematic, organized replacement, acquisition and disposition schedule
- Promote the effective coordination and administration of capital investment programs
- Ensure the capital needs of the community are met within the constraints of a limited budget
- Evaluate and recommend the most economical method for procuring and financing capital projects
- Ensure that the financing of planned capital expenditures are consistent with prudent management of the Town's debt obligations
- Ensure wider community participation in the planning and evaluation of capital projects
- Establish a 10 year capital expenditure forecast
- Minimize and manage the risk of a capital project being over budget and under valued
- Audit capital expenditures funded by Town Meeting to ensure benefits are realized

The Capital Budget Committee evaluates funding requests from the following groups:

- **Departmental Requests** – Ongoing scheduled expenditures and special projects
- **Selectmen Projects** – Usually large public works projects such as town buildings
- **Citizen Petitions** – Projects requested by town citizens

### **Funding Capital Projects**

At the beginning of each budget cycle, the CBC and Town Manager review the Town's overall financial situation and determine the funds available for capital projects. The Town Manager and the CBC uses these guidelines as a framework for considering the capital requests. The funding for capital expenditures comes from four primary sources:

- Capital Stabilization Fund – governed by reserve and financial management policies
- Undesignated Fund Balance (Free Cash) - governed by reserve policy
- Excluded Debt - temporary increase in the tax levy
  - Capital Outlay Expenditure (Ch. 59, Sec 21C (i1/2)) – limited to one-year
  - Debt Exclusion (Ch. 59 Sec 21C(j)) – effective until the debt is fully paid
- Non-excluded Debt – financed projects through bonding and paid through the Capital Stabilization Fund

The Capital Stabilization Fund is the primary source of funding for capital projects; it is funded by:

- Non-excluded Debt Roll-Off
- Transfers from Undesignated Fund Balance (Free Cash)
- Sale of assets
- Re-appropriation of unused funds from previously approved capital expenditures

Any transfers to or from the Stabilization Fund are subject to vote at Town Meeting and must be approved by a two-thirds vote.

Debt is also used to fund projects. The Capital Budget Committee evaluates and recommends a blend of cash and debt funding that most efficiently finances the proposed capital purchases. All debt financing must also be submitted to the Town Meeting for approval.

## **How the Capital Budget Committee Works**

The bulk of the projects reviewed by the CBC are submitted by the Town Departments who have ongoing capital needs. Individual CBC members are assigned as the liaison to individual departments. In the case of a citizen sponsored project or a Selectmen sponsored project, the CBC will assign a contact person to the project.

The contact person is responsible for meeting with the department/sponsors to review the project and answer any questions regarding the CBC review. The purpose of the meetings is to enable the CBC to get a thorough understanding of the current and long-term needs of the requesting department and the process used to determine these needs. In addition, the Capital Budget Committee liaison is available to provide guidance and answer any questions. The CBC liaison reports back to the whole CBC and acts as the “content expert” on issues related to their sponsors.

### **EVALUATION CRITERIA**

In every financing cycle the Capital Budget Committee receives significantly more requests for funding than there are funds available. The Committee has to make decisions as to which projects will be recommended for funding.

The Committee receives a wide variety of projects to evaluate. As a result, the projects do not lend themselves to a formulaic evaluation. Requests are reviewed with the criteria in mind, but, other issues such as overall economic conditions or the ability of the Town to fund the request may prevent the project from being approved.

Each department's request is evaluated against the historical requests for capital, actual approved capital expenditures and any ongoing capital planning projects. The CBC also reviews the five year capital plan for the department to determine how the current request impacts the forecast. The CBC then reviews each request by using the evaluation criteria as a guideline for assessing the impact of the expenditures on the Town's overall mission.

**CBC puts a very high value on requests that reflect:**

- A well prepared, complete funding request that thoroughly explains the need, identifies the benefits, and reduces the risk of the project
- A documented, strong effort to explore other sources of funding
- A thorough cost/benefit analysis backed up with well documented facts
- The department manager's effort in managing and maintaining long term planning processes for the department's needs. Priorities that emerge suddenly in one year with no reference in prior year requests or capital plans tend to be more heavily scrutinized.
- A documented process for planning and tracking ongoing expenses
- Evidence of interdepartmental cooperation and planning for expenditure requests, such as computer purchases, that may result in significant savings from a group purchase.

The capital budget recommendations are prepared from a Town wide perspective. **There is no assumption of a budget quota for individual departments.** The CBC is strongly influenced by clear, well documented and well prepared requests that reflects the reality of the Town's and the department's needs.

For guidance on submitting a funding request, please review the Funding Request Process document or contact the Town Manager or CBC Chairperson.

**EVALUATING SELECTMEN PROJECTS**

As previously explained, the Selectmen's requests tend to be large public works projects. The request is often scheduled as an article in the Warrant separate from the article submitted by the CBC. The process for evaluating the request is similar to the departmental approval process but the Town Manager or a Selectman take the role of the department head as the promoter of the project.

The Town Manager or the Selectman presents the project to the CBC in an open meeting in order to review the financial impact of the project on the Capital Stabilization Fund and to review alternative sources of financing for the project. The CBC then votes to recommend or not recommend the request.

**EVALUATING CITIZEN PETITIONS**

Cohasset citizens may submit a petition for funding to the Town. Citizens intending to present a request for funding are encouraged to follow the guidelines including the submission of a completed **Funding Request Form** and a **Ten Year Capital Plan** to the CBC. Citizens Petitions are evaluated using the same criteria. The CBC then votes yes/no to recommend the funding of the project.