

**TOWN OF NORWICH, VERMONT**  
**CAPITAL BUDGET POLICY**

## 1.0 INTRODUCTION AND PURPOSE

The purpose of this Policy, in conjunction with the Debt Management Policy, is to establish an effective system for implementing a capital expenditure program for the Town of Norwich. The capital assets of a municipality and their condition are critical to the quality of services provided to the community.

Capital budgeting is a very important planning tool for municipalities as it allows them to provide for the necessary infrastructure to maintain or enhance future service levels. Through capital budgeting, municipalities can plan future operating budget expenditures, debt repayment requirements, and potential reserve fund needs in order to manage the financial position of the Town over an extended period.

## 2.0 CAPITAL BUDGET

A capital budget is a multi-year financial plan for the construction or acquisition of capital assets. The plan should provide for the planning of future financial resources required to finance the project (including allocations from current operating budgets, funding of capital reserves, or the use of capital debt), as well as identify the future financial resources required to operate and maintain the capital asset once it has been acquired.

The capital improvement program for the Town of Norwich shall be developed for a period of five years. As resources are available, the most current year of the capital improvement program will be incorporated into the current year operating budget. The Selectboard and Town Manager shall review and update the capital improvement program annually during the budget preparation process.

## 3.0 CAPITAL EXPENDITURES

According to the Norwich Capital Assets Accounting Policy, dated April 13, 2005, Capital Assets means property owned by the Town, including, but not limited to: computers, computer equipment, software, and peripherals; vehicles and machinery; copiers and office equipment; works of art, historical treasures, land and structures; and infrastructure such as roads, bridges, rights-of-way, culverts.

For purposes of the capital improvement program, a capital expenditure is defined as any expenditure for land, land improvements, buildings, building improvements, vehicles, or equipment costing more than \$10,000, and any expenditure for infrastructure (roads, bridges, water and wastewater distribution and collection systems) costing more than \$50,000.

## 4.0 FUNDING MECHANISMS

In conjunction with the Town's debt management policy the Town shall annually fund capital reserve accounts to accumulate resources to pay for items included in the capital improvement program. The use of such reserve accounts will minimize any large fluctuations in the tax rate and will reduce the need for incurring additional debt.

Other capital improvements will be funded by bond issue or through the operating budget.

## 5.0 PRIORITY CRITERIA

Capital projects or acquisitions to be funded by long-term debt will receive a higher priority if they meet some or most of the following criteria:

The project or acquisition

- Corrects noncompliance with local, state or federal laws, regulations or codes
- Mitigates existing safety hazards

- Achieves the best life cycle cost of all options, including the status quo.
- Meets policy goals, Town Plan or strategic plan that may be set by the Selectboard.
- Is eligible to receive matching state or federal grant funds.
- Reduces public costs as a result of a public/private partnership.
- Addresses public demand for new or improved capabilities that benefit a majority of the population.
- Mitigates or reduces the potential of both natural and man-made disasters, according to established risk-assessment calculations.
- Achieves recognized sustainability standards like LEED™ or Energy Star™.
- Provides capacity to serve future growth, resulting from known or highly probable changes in Town needs.

The Selectboard approved the adoption of this Capital Budget Policy at their meeting held on the 27th day of June, 2007.

Revised 06/22/2011

---

Ed Childs, Chair

---

Alison May

---

Gerard Chapdelaine

---

Jack Candon

---

Suzanne Lupien