

Select Board

Policy Number:	SB-FIN-002
Policy:	Capital Improvement Policies
Date Approved: Date Revised:	May, 1991 December 20, 2005 May 11, 2010 October 8, 2013 December 20, 2022 January 9, 2024 December 17, 2024
Approved:	

A. General Provisions

1. Capital items for the purpose of this Capital Improvement Plan (CIP) shall be defined as follows:
 - Items requiring an expenditure of at least \$25,000 and having a useful life of more than five years.
 - Projects consisting of real property acquisitions, construction, capital asset improvements, long-life capital equipment, or major maintenance/repair of and existing capital item, as distinguished from a normal operating expenditure.
 - Items obtained under a long-term lease.
2. Town departments will submit spending requests that provide sufficient funding for adequate maintenance and orderly replacement of capital plant and equipment.
3. All assets will be maintained at a level that protects capital investment and minimizes maintenance and replacement costs.
4. All equipment replacement needs for the coming five years will be projected, and the projection will be updated each year.
5. Future operating and maintenance costs for all new capital facilities will be fully costed out.

B. Capital Equipment Fund (CEF)

1. In accordance with the provisions of Massachusetts General Laws Chapter 40 Section 5B, as amended by Section 14 of Chapter 46 of the Acts of 2003 and Section 19 of Chapter 140 of the Acts of 2003, the Town of Needham established the Capital Improvement Fund or CIF under Article 58 of the 2004 Annual Town Meeting. This fund was repurposed and redesigned as the Capital Equipment Fund (CEF) under Article 14 of the October 21, 2024 Special Town Meeting. The purpose of the CEF is to allow the Town to reserve funds to use for capital equipment when ordinary funding sources are unavailable, but when

purchases should not be delayed. Use of the monies in the Fund may only be approved by Town Meeting appropriation.

2. Appropriations from the CEF are restricted to the acquisition of new capital equipment and the replacement of existing capital equipment.
3. Only General Fund capital items that have been recommended in the Capital Improvement Plan for the current year, are eligible for funding from the CEF.
4. The primary funding source for the CEF will be the proceeds from the Sale of Surplus Equipment. In accordance with the provisions of the fourth paragraph of Massachusetts General Laws Chapter 40 Section 5B, which allows the dedication without further appropriation 100% of the Sale of Surplus Equipment.
5. The funding target for the CEF will be the estimated cost of one (1) fire engine and one (1) fire ladder truck.
6. Appropriations into the CEF and interest earnings on the Fund become part of the Fund.

C. Capital Facility Fund (CFF)

1. In accordance with the provisions of Massachusetts General Laws Chapter 40 Section 5B, as amended by Section 14 of Chapter 46 of the Acts of 2003, and as further amended by Section 19 of Chapter 140 of the Acts of 2003, the Town of Needham established a Capital Facility Fund under Article 10 of the 2007 Annual Town Meeting. The purpose of this Fund is to allow the Town, from time to time, by appropriation, to reserve funds for the design, maintenance, renovation, or reconstruction relating to the structural integrity, building envelope, or MEP (mechanical, electrical, plumbing) systems of then existing capital facilities. Use of the monies in the Fund may only be approved by Town Meeting appropriation.
 2. For the purpose of the Fund, the term “capital facility” shall refer to any building or structure which is located on Town property and is under the jurisdiction of the Town Manager.
 3. The term “building or structure” shall include, but not be limited to, any Town-owned building, structure, room, or space within a building, facility, park or plaza, open space, driveway, landscaped area, or other physical improvements under the administrative control of the Town.
 4. The primary funding source for the CFF will be no less than 2% of the Free Cash certified by the Department of Revenue (DOR) during the fiscal year. The funds may be appropriated to the Fund at any town meeting prior to the end of the fiscal year.
 5. The funding target for the CFF should be 1.5% of the insured value of Town owned buildings (exclusive of land, building contents, and enterprise fund assets) as of the prior year.
 6. Appropriations into the CFF and interest earnings on the Fund become part of the Fund.
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D. Athletic Facility Improvement Fund (AFIF)

1. In accordance with the provisions of Massachusetts General Laws Chapter 40 Section 5B, as amended by Section 14 of Chapter 46 of the Acts of 2003, and as further amended by Section 19 of Chapter 140 of the Acts of 2003, the Town of Needham established an Athletic Facility Improvement Fund under Article 39 of the 2012 Annual Town Meeting. The purpose of this fund is to allow the Town, from time to time, by appropriation, to reserve funds for the design, maintenance, renovation, reconstruction, or construction of athletic facilities. Use of the monies in the Fund may only be approved by Town Meeting appropriation.
2. For the purpose of the fund, the term “athletic facility” shall refer to any Town-owned building, structure, pool, synthetic and natural grass turf playing field or ball diamond, and associated grounds and parking areas whose primary purpose is for organized athletic events for Needham children, adults, and public school teams.
3. Appropriations into the AFIF and interest earnings on the Fund become part of the Fund.

E. Debt Service Stabilization Fund

1. In accordance with the provisions of Massachusetts General Laws Chapter 40 Section 5B, as amended by Section 14 of Chapter 46 of the Acts of 2003, and as further amended by Section 19 of Chapter 140 of the Acts of 2003, the Town of Needham established a Debt Service Stabilization Fund (DSSF) under Article 14 of the November 2015 Special Town Meeting. The purpose of the fund is to allow the Town to plan for long-term capital expenses and, from time to time, by appropriation, reserve funds to pay the debt service for engineering and design, renovation, reconstruction or construction of Town facilities. Use of the monies in the Fund may only be approved by Town Meeting appropriation.
2. The primary funding source for the DSSF will be the amount of Free Cash certified by DOR which is over the amount certified in the prior fiscal year. The certified Free Cash comparison should be adjusted by backing out of the new year Free Cash certification the amount of Free Cash not appropriated in the prior year that was closed out to the General Fund balance and became part of the new year certified Free Cash.
3. A secondary funding source for the DSSF will be certain new growth revenue, such as from large commercial developments.
4. The funding target for this fund should be an amount not less than two years’ of General Fund Debt Service within the Levy Limit or 5% of total General Fund Revenues, whichever is higher.

Appropriations into the Debt Service Stabilization Fund and interest earnings on the Fund become part of the Fund.

F. Stormwater Stabilization Fund

1. In accordance with the provisions of the fourth paragraph of Massachusetts General Laws Chapter 40 Section 5B, which allows the dedication without further appropriation 100% of the Community Stormwater Mitigation Assessments collected, the Town of Needham
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established a Stormwater Stabilization Fund under Article 35 of the 2023 Annual Town Meeting. The purpose of this fund is to allow the Town to reserve funds for future capital costs associated with compliance with the National Pollutant Discharge Elimination System (NPDES) program. Use of the monies in the Fund may only be approved by Town Meeting appropriation.

2. Receipts credited to the Stormwater Stabilization Fund and interest earnings on the Fund become part of the Fund.