

TOWN OF SOMERS  
BOARD OF FINANCE  
CAPITAL ACQUISITION PROCEEDURES  
March 28, 2011  
Ratified April 23, 2012

To facilitate the acquisition of capital assets by all Boards and Departments within the Town of Somers:

1. General Description

1.1 Each Department of the Town of Somers interested in making capital acquisitions now or in the future shall submit by January 31 of each year a schedule of those acquisitions. Type A and Type B Capital Acquisitions (see definitions) should be presented on a 5 year schedule whereas Type C Capital Acquisitions should be projected to the date of commitment. Type D acquisitions shall be effected in accordance with Section 2.4 below.

1.2 The purpose of the schedule of proposed capital acquisitions is to inform the Board of Finance ("BOF") as to both the recurring and "non-recurring" capital requirements of each Department within the Town with as much advance notice as may be reasonable in the circumstances. By providing information as to proposed acquisition date and projected cost, the BOF may be able to better assess the impact of the expenditure on the budget for any given year. In addition, the information will enable the BOF to find the better methods of financing or funding the acquisition.

1.3 Capital Acquisition Schedules must be approved by the Board of Selectmen ("BOS")/Board of Education ("BOE") prior to submission to the BOF. BOS approval of a Capital Acquisition Schedule does not bind the Town to complete any purchase or initiate any development set forth on such Capital Acquisition Schedule.

1.4 The fact that an item is listed on a Schedule of Proposed Capital Acquisitions does not mean that the Board of Finance will approve such acquisition at the date and time specified or at all.

2. Criteria for Consideration.

All proposed Capital Acquisitions shall be identified as a Type A, Type B or Type C Capital Acquisition. No proposal for a Type D Capital Acquisition shall be required.

2.1 Type A Capital Acquisitions. A capital acquisition determined by a Department to be recurring in nature shall be a Type A Capital Acquisition. A "recurring" event contemplates the repeated replacement of a capital asset as that item reaches the end of its useful life. To be a Type A acquisition the capital asset must be currently owned and

used by a Department in the ordinary course of its operations and be necessary to the successful operations of that Department.<sup>1</sup> An example of a Type A Capital Acquisition in the Highway Department might be a general utility dump truck. The truck might be used for general highway maintenance projects, street cleaning and snow plowing. Based on experience, repair frequency and trade-in value, the Highway Department might have determined that a general utility dump truck has a useful life of six (6) years. Examples of other Type A capital acquisitions might also include HVAC equipment replacement, communications systems, computer systems and the like.

2.2 Type B Acquisitions. An acquisition intended to perform a function not previously performed by the Department or to provide a service not heretofore provided shall be a Type B acquisition. For example, the BOE might determine that its woodworking shop no longer meets the needs of technically oriented, non-college bound students. The BOE may have found that computer repair technical training offers students more post-high school employment opportunity. The laboratory space, testing and repair equipment, computers, software and other materials necessary for the implementation of the new program would be a Type B Acquisition. Another example might be where the Fire Department does not currently have a hydraulic aerial ladder truck. The acquisition of this type of vehicle would be a Type B Acquisition.

2.3 Type C Acquisitions. A capital acquisition that might be expected to be a significant addition to the Town asset base and one that is not likely to recur on a regular basis would be a Type C acquisition. This category consists of major capital acquisitions intended to have lasting effect. Examples of a Type C capital acquisition might be the major renovation of the several school buildings, the most recent renovation of the Town Library and proposals to add a fire or police station. Type C Capital Acquisitions are those which call for the development of significant facilities within the Town and which contemplate major expenditures. They are acquisitions that might be expected to last 20 years or more. They need not be buildings. Other examples of Type C Capital Acquisitions might include water or sewer projects or land acquisition for park or recreation purposes.

2.4 Type D Capital Acquisitions. The BOF may from time to time appropriate certain amounts to a specific line item identified as the Capital Expenditure Discretionary Fund for either the Town or the School Department. Type D Acquisitions are those of an unforeseen, unplanned or emergency nature and, with one limitation, are solely within the discretion of the BOS or the BOE, as the case may be. The sole limitation on the exercise of BOS or BOE discretion is that no more than 50% of the available line item balance may be used in the first 6 months of the budget period absent BOF approval. Any amounts not expended may be carried over to a subsequent budget period.

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<sup>1</sup> Where a Department currently owns a surplus vehicle, the replacement of the surplus vehicle would not be a Type A acquisition as, by definition, the surplus vehicle is not necessary to the successful operation of the subject Department.

### 3. Type A Support.

The following information will aid the BOF in a decision to fund the acquisition of a proposed Type A Capital Asset. A more specific description of the required supporting information is set forth on the Type A acquisition form, incorporated herein by reference.

3.1 Historical Usage. The Department provides supporting data showing the frequency of use of the particular capital asset over time and the life expectancy of the capital asset based on the usage factor. Historical replacement data is also helpful, that is, records showing the particular item has been replaced every 5-7 years. The ability of the Department to predict with accuracy its recurring capital asset needs will enhance its chances of approval.

3.2 Useful Life. The Department may have supporting data that the repair costs on a particular item of equipment start to escalate significantly at (for example) the 4 year mark. Other evidence may suggest that trade-in value at the 4 year mark might be at 33% of purchase price, but that it drops to a non-existent or nominal amount by year 6.

3.3 Usage Factor. The daily usage factor is an important parameter. A high daily usage factor supports municipal ownership. A low daily usage factor suggests rental or hired services.

### 4. Type B Support.

The following information will aid the BOF in a decision to fund the acquisition of a proposed Type B Capital Asset. A more specific description of the required supporting information is set forth on the Type B acquisition form, incorporated herein by reference.

4.1 Expert Opinion. Studies by experts in the particular field related to the proposed capital acquisition confirm that the acquisition is necessary to provide services the citizens expect or demand. The opinion should support the notion that the proposed capital acquisition is the most reasonable and cost effect method of providing the overall service.

4.2 Funding Sources. Will state or federal funding be available, in whole or in part, to support the acquisition. Are there alternative sources of funding such as user fees, donations or grants.

4.3 Replacement. Will the particular capital acquisition replace existing capital assets which may then become surplus.

5. Type C Support. It is expected that an ad hoc planning and development committee would be established to manage the kind of major capital acquisition

denominated as a Type C acquisition. Specific proposals, guidelines for planning and development of the project, scope of the work, scheduling to completion and bid processes are all left to the discretion of the committee and the respective Board. Type C acquisitions are likely to be so varied in description and scope that a pre-determined request format would be inefficient.

## 6. Review Process

6.1.1 Type A. The BOF shall review the schedules of proposed capital acquisitions in conjunction with the adoption of the budget for the following fiscal year. The BOF may accept any of the Type A items on any schedule as presented or request further information or supporting materials with respect to any such item. Where the BOF concurs in the determination that a Type A item is necessary for the proper operation of a department, its projected replacement date is accurate based on useful life, and its estimated cost is reasonable, the item will be marked as "APPROVED – BOF" on the master schedule.

6.1.2 Type B. The BOF may take special measures to review or consider any Type B item on any schedule presented, which measures may include hearings and reviews by the BOF, a designee of the BOF or a sub-committee of the BOF (which sub-committee may include representatives of other departments, residents or persons with expertise in the subject matter.) Where the BOF shall approve a Type B acquisition it shall be marked "APPROVED – BOF" on the master schedule.

6.1.3 Type C. It is expected that Type C acquisitions would be under the control of a special committee or planning group appointed by the BOS or BOE for the purpose. Because of the wide variation that might be expected in project type and cost, Type C acquisitions shall be considered on an ad hoc basis.

6.2.1 In preparing the annual budget, the BOF or BOE shall establish a separate line item for Type A and Type B purchases. The BOS or the BOE shall, in their respective areas of responsibility, have the authority to give final approval to any purchase.

6.2.2 The authority may elect to defer the purchase of any Type A item, substitute the purchase of another "BOF – Approved" Type A item or "bank" all or part of the cost of a deferred Type A item to a subsequent budget year.

6.2.3 Any purchase of a Capital Acquisition, regardless of the Type, which is not to be completed in a budget year (for example, due to installment purchase or lease) must be referred to the BOF for approval of the financing terms and conditions. The annual cost of financing for the item plus the annual portion of principal reduction shall be attributed to the respective department.

6.2.4 Any portion of the capital account for Type A or Type D items which has been "banked" or deferred to a subsequent budget year shall be held as a part of the reserves of the general fund, but the sum shall be designated as solely for capital acquisition of Type A or Type D items, as the case may be.

6.2.5 At the close of each budget year, the BOS and BOE shall report to the BOF in writing, describing each item of capital acquisition, the date thereof, the type and the cost. The report shall also include amounts banked or deferred with a brief explanation of the reasons therefor.

End of Capital Acquisition Procedures