

TOWN OF LEXINGTON
AD HOC FINANCIAL POLICY COMMITTEE
EXHIBIT D: CAPITAL FINANCING SOURCES AND ISSUES

ISSUE	CASH	ASSET RESERVES	VOTER-APPROVED DEBT
GENERATIONAL EQUITY: WHO PAYS AND WHEN?	<ul style="list-style-type: none"> • Current users and taxpayers pay for entire asset when purchased 	<ul style="list-style-type: none"> • Users and taxpayers pay while using asset, thus providing for future replacement 	<ul style="list-style-type: none"> • Future users and taxpayers pay financing costs while using the asset without providing for replacement
ASSET CHARACTERISTICS/CRITERIA			
<ul style="list-style-type: none"> - Types of Assets 	<ul style="list-style-type: none"> • Computers and peripheral equipment • Energy conservation investments • Emergency building repairs • Investments in new rather than replacement vehicles, equipment, or other small-ticket items to enhance or expand programs 	<ul style="list-style-type: none"> • Assets that provide direct, essential services: e.g., snow plow, fire truck • Vehicles and equipment: fire apparatus, DPW equipment, police and other vehicles • Operating and maintenance equipment • Building components that extend useful life and sustain functionality 	<ul style="list-style-type: none"> • New construction, major building renovations, land purchase: e.g., the DPW barn, a town street • Building replacements • Road and street reconstruction and resurfacing • Parks and playgrounds not covered by Recreation Enterprise Fund
<ul style="list-style-type: none"> - Useful Life 	<ul style="list-style-type: none"> • Up to 5 years 	<ul style="list-style-type: none"> • Up to 15 years 	<ul style="list-style-type: none"> • Greater than 15 years
<ul style="list-style-type: none"> - Size of Investment 	<ul style="list-style-type: none"> • Up to \$250,000, with exceptions 	<ul style="list-style-type: none"> • Up to \$500,000, with exceptions (Fire apparatus, for one) 	<ul style="list-style-type: none"> • Greater than \$500,000
<ul style="list-style-type: none"> - Predictability of Future Replacement Costs 	<ul style="list-style-type: none"> • Difficult to predict: purchase may not replace an item, technology may change, purchase may respond to an emergency 	<ul style="list-style-type: none"> • Replacement costs generally reflect original cost, plus inflation 	<ul style="list-style-type: none"> • Replacement, major renovation, or reconstruction costs vary widely from original costs for long-lived assets
<ul style="list-style-type: none"> - Predictability of Replacement Cycle 	<ul style="list-style-type: none"> • Item may not be “replaceable,” such as an emergency repair; changing technology may alter replacement cycle 	<ul style="list-style-type: none"> • Replacement cycle generally predictable when asset is placed in service 	<ul style="list-style-type: none"> • Replacement cycle varies with type of construction, intensity of use, repairs to extend useful life, etc.
<ul style="list-style-type: none"> - Ease of Deferring Purchase 	<ul style="list-style-type: none"> • Impact of deferral on Town service may not be clear 	<ul style="list-style-type: none"> • Deferral may threaten service delivery, health and safety of Town employees 	<ul style="list-style-type: none"> • Impact on Town services of deferral less immediate, less direct
ANNUAL FUNDING ALLOCATION MECHANISM			
	<ul style="list-style-type: none"> • Appropriation from General Fund revenues or “Free Cash” competes with other operating and capital needs 	<ul style="list-style-type: none"> • Appropriation from “Continuing Balance Accounts” reserved for asset replacement 	<ul style="list-style-type: none"> • Voter-approved debt exclusion override