PURPOSE:

To memorialize current practice and implement new requirements relative to identifying and prioritizing new capital projects, and preparing the Capital Improvement Program (“CIP”) budget.

BACKGROUND:

Historically, the City has utilized the excess of General Fund operating revenues over operating expenditures to fund its CIP program. However, there has not been a systematic or consistent method of determining how much of the excess amount was to be transferred each year. By implementing this policy, the amount of CIP funding can be calculated in a consistent manner each year.

POLICY:

Annual Funding to be Transferred into the Capital Improvements Projects (“CIP”) Fund

Each fiscal year an amount will be transferred from the General Fund to the CIP Fund equal to the projected General Fund operating surplus, if any, for that fiscal year plus the excess (if any) of any General Fund operating surplus from the preceding year.

The operating surplus is defined as the excess of General Fund revenues and operating transfers-in over expenditures and operating transfers-out, as increased or decreased by any amounts necessary to fully fund or replenish all General Fund reserves and designations.

Annual Listing of Proposed Capital Infrastructure Projects

For each fiscal year the City Manager and Public Works Director shall prepare and provide the City Council with a prioritized list of capital infrastructure projects and their estimated costs.

New capital infrastructure projects for Council consideration shall be prioritized for budgeting in the CIP Fund as follows:

a) Priority 1 – recommended new capital infrastructure projects (if funding levels allow within budget)
b) Priority 2 – potential future capital infrastructure projects (unfunded)
Note: Projects classified as “repairs, replacements and mandates” to existing infrastructure shall be included in the General Fund operating budget.

In connection with the bi-annual budget process the City Council will consider the City Manager and Public Works Director’s recommendations for the purpose of reaching consensus on the proposed new capital infrastructure projects, their funding level and their prioritization (1 or 2), with consideration given to associated future costs as identified in section III of this policy.

Funding Priorities for Capital Infrastructure Projects

Funding priorities shall be based upon the level of available General Funds (as determined in section I.), combined with any outside funding available from other sources such as the Federal government, State government, County government, the private sector, etc.:

a) All new capital infrastructure projects identified as Priority 1 shall receive the first allocation of available funding equal to 100% of the estimated capital infrastructure project cost.

b) Each fiscal year a CIP budget reserve equal to 10% of the required funding for Priority 1 new capital infrastructure projects shall be created. Unless otherwise directed by the City Council this reserve may only be used to fund changes in cost estimates, quantities or project scope of Priority 1 capital infrastructure projects.

c) When sufficient funds are not available to fully fund a designated Priority 1 capital infrastructure project, then a multi-year funding plan will be presented and a portion of the total required funding shall be allocated in each fiscal year so that adequate funds will be accumulated over time to construct the capital infrastructure project as scheduled.

Priority 2 capital infrastructure projects are new capital infrastructure projects which are listed for the purpose of consideration of future construction funding and are incorporated into the backlog of unfunded capital infrastructure projects. They shall not receive any funding allocations until such time as they are classified as Priority 1 capital infrastructure projects.

Supplemental Information to be Provided on Agenda Reports

When capital infrastructure projects are presented to the City Council for approval the fiscal impact section shall include the following information:

a) The full program cost to develop and build the project

b) The future annual ongoing operation and maintenance costs (if applicable)

c) The estimated useful life of the project

d) The estimated annual funding required to accumulate monies for the future replacement of the project (if applicable)