

TOWN OF Cape Charles  
CAPITAL Asset Management  
PROGRAM (CAMP)

October 15, 2020

# Table of Contents

INTRODUCTION .....	3
CAPITAL ASSET MANAGEMENT PROGRAM – FISCAL POLICY .....	3
DEBT LIMITS/POLICIES .....	4
DEFINITION OF A CAPITAL IMPROVEMENT PROJECT (CIP) .....	4
COMPONENTS OF A CAMP .....	4
LIMITATIONS OF A CAMP .....	5
CAPITAL ASSET MANAGEMENT PROGRAM PROCESS.....	5
MAINTENANCE OF TOWN ASSETS.....	6
VEHICLE REPLACEMENT.....	7
PRIORITIZATION SYSTEM MATRIX .....	7
PRIORITIES.....	7
CRITERIA CATEGORIES.....	8
LEVEL OF FUNDING .....	8
IMPACT ON OPERATING BUDGET .....	8
PROJECT DETAIL SHEET.....	8
TOWN MANAGER SUBMITTAL OF THE CAMP .....	9
TOWN COUNCIL APPROVAL OF THE CAMP.....	9
PERIODIC REVIEW OF CAPITAL PROJECT STATUS .....	9
Attachment A: Project Detail Sheet .....	10
Attachment B: Resolution of the Town Council (Sample).....	11

## **INTRODUCTION**

A Capital Asset Management Program (hereinafter referred to as a CAMP) is a tool to assist the governing body of a municipality in planning and managing major equipment and facilities required to maintain or improve services or respond to anticipated growth. A CAMP is intended to provide a complete picture of the town's major development needs (i.e., capital projects) over at least the next six years by showing when, and at what cost, the town expects to expand or provide services and facilities in that period. The reason for undertaking this overall approach to capital improvement planning is to balance the varying equipment and facilities needs of the Town of Cape Charles and to assess these in comparison to other Town needs.

A CAMP must be updated each year. Adopting a CAMP does not end with the first year. Changing needs and priorities, emergencies, cost changes, mandates and changes in technology all require the CAMP to be updated annually. The Town's public facilities, streets, parks, infrastructure, equipment, etc., are constantly in need of repair, replacement or expansion. A growing population will require additional or new facilities. These reasons require that the CAMP be updated to maintain the financial solidity of the Town. The CAMP achieves the following objectives as a component of the Town's budget and financial planning process:

- Reduces the need for ad hoc programs to finance the construction of Town facilities
- Focuses attention on community goals, needs and capabilities
- Achieves optimum use of taxpayer dollars
- Responds to future community growth and development
- Ensures that projects are well thought out in advance of construction
- Provides for the orderly replacement of capital items
- Encourages more efficient administration
- Maintains a sound and stable financial program

## **CAPITAL ASSET MANAGEMENT PROGRAM – FISCAL POLICY**

The Town of Cape Charles adopts the following fiscal policy regarding the CAMP:

- The Town will prioritize all capital improvements in accordance with an adopted Capital Asset Management Program (CAMP).
- The Town will develop a five-year plan for capital improvements and review and update annually.
- The Town will coordinate development of the capital asset management program with development of the operating budget.
- The Town will maintain all its assets at a level adequate to protect the Town's capital investment and to minimize future maintenance and replacement costs.
- The Town will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted for approval.
- The Town will attempt to determine the least costly alternative on a life cycle basis for all projects.
- The Town Council will review the status of capital improvement projects six months after adoption of the CAMP to determine what adjustments, if any, are required in project scheduling and funding. However, emergent urgent needs not previously identified can be reviewed at any time by Town Council and the CAMP can be adjusted accordingly.

- Operations of the town's Enterprise Funds are intended to be financed or recovered primarily through user charges.
- Enterprise Fund revenues are to support construction costs or debt service for capital facilities for the respective operations whenever possible. General Fund transfers may be used to support the development of Enterprise Fund capital facilities

#### **DEBT LIMITS/POLICIES**

Any debt limits associated with capital improvements will be captured under a separate fiscal policy established by Town Council.

#### **DEFINITION OF A CAPITAL IMPROVEMENT PROJECT (CIP)**

The Town of Cape Charles' definition of a capital improvement project uses one or more of these criteria:

- An estimated total cost of \$10,000 or more (Capital items under \$10,000 are generally included in the various operating budgets.)
- Studies pertaining to capital improvements that require the employment of outside professional consultants at a cost of \$10,000 or more
- Construction of buildings or facilities, including design, engineering, and other pre-construction costs with an estimated cost of \$10,000 or more
- Purchase of major equipment and vehicles with an estimated cost of \$10,000 or more and with a life expectancy of five years or more [Note: if a vehicle purchase is recurring each year, this will be captured under the department's operating budget]
- An extended useful life at least 5 years of the facility or equipment
- An infrequent recurrence of the expenditure
- Bonded debt maybe required for its financing
- It involves acquisition or development of real property
- It creates or expands utility systems, a public building, or other public infrastructure

There is an important fiscal principle underlying the distinction between capital and non-capital expenditures. The distinguishing feature of non-capital or operating expenses are recurring costs for on-going functions of government, such as personnel, supplies and the like, which are not typically depreciated over time.

#### **COMPONENTS OF A CAMP**

A CAMP must have the following components or characteristics:

1. Addresses capital improvements over a period of at least six years.
2. Classifies projects according to urgency and need for realization.
3. Includes a timetable for implementation of projects.
4. Takes into account needs that are indicated in the Comprehensive Plan or which are permitted under the local zoning ordinances and regulations
5. The estimated cost of each project

6. Probable operation and maintenance costs
7. Probable revenues from individual projects
8. Suggested funding sources

For large projects, the project will be broken into components such as land purchase, design/engineering services, and construction into appropriate years. The project will not front load the entire cost in the first year.

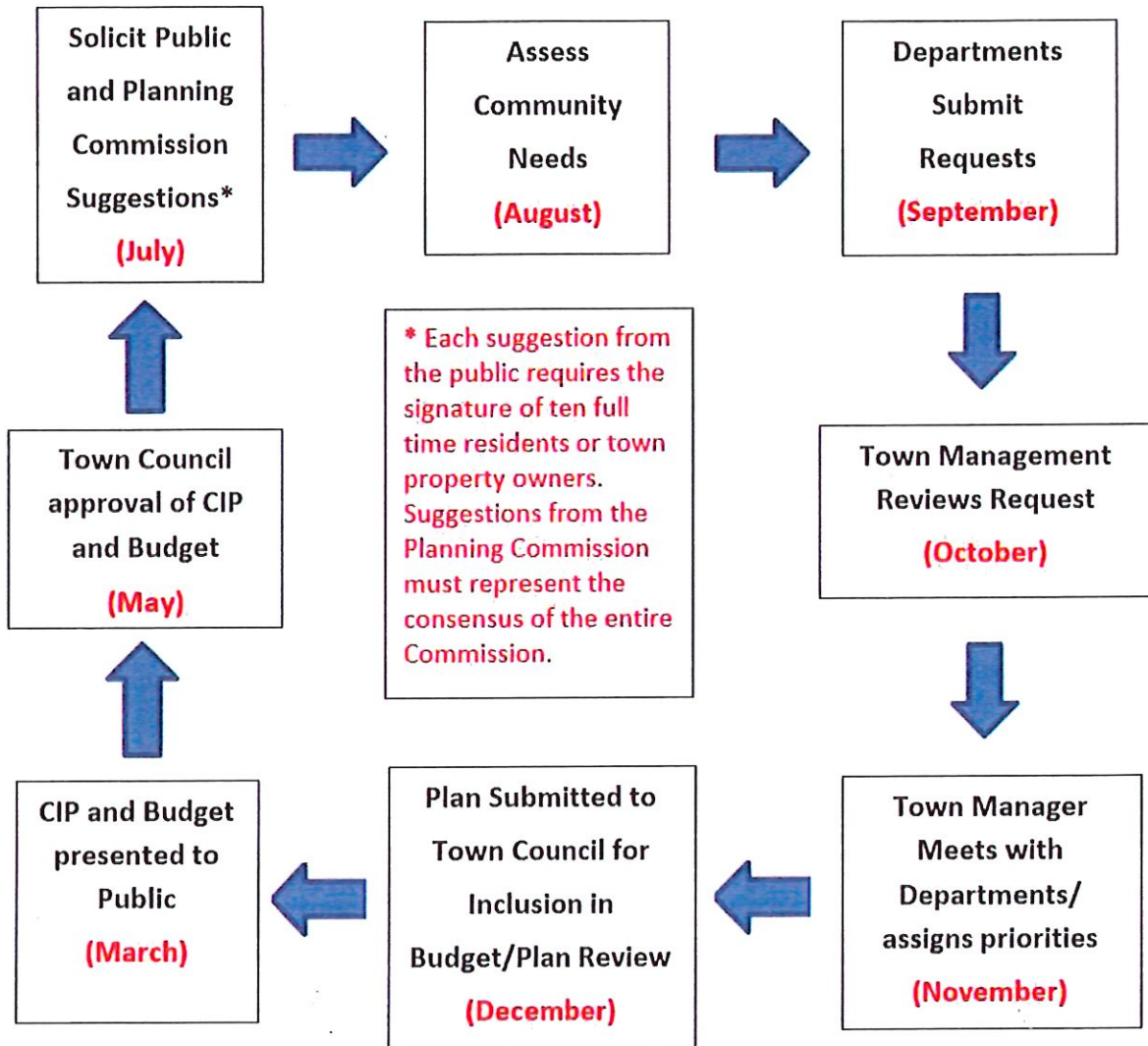
#### **LIMITATIONS OF A CAMP**

It is also important to understand the limitations of a capital asset management program (i.e., what it is not).

1. Neither the CAMP nor the process of developing it is a means to micro-manage the process of developing the budget. Preparation of annual budgets for the town is the responsibility of elected officials and professional administrators. The CAMP is a tool to aid these groups in evaluating and prioritizing items for inclusion in the budget for a given year.
2. The CAMP is not a vehicle for the promotion of "wish list" projects that are either unnecessary or are unlikely to receive public funding or support within the time horizon of the plan.
3. Although a CAMP is intended to provide a framework to guide activity, it should not be rigid and inflexible. The CAMP process cannot anticipate unusual changes in growth, economic conditions, or political consideration. Similarly, the CAMP process must allow changes for emergencies, opportunities, or other unpredictable events.
4. Town Council's approval of the CAMP does not authorize money for any of the projects in the program, but will provide the Town Manager direction to proceed with inclusion of first year CAMP items in the Town Manager's recommended town budget.

#### **CAPITAL ASSET MANAGEMENT PROGRAM PROCESS**

Capital project planning is an ongoing process. Each year the CAMP document is updated. The need or idea for capital improvements can originate from the Mayor, Council members, Boards, citizens, or Town staff. Ultimately, Departments are responsible for identifying, documenting, and justifying CAMP requests. Departments are also responsible for obtaining project cost estimates and identifying appropriate revenue sources for the project (the Finance Dept. shall assist in identifying costs and appropriate revenue sources). These items are compiled into this document and presented to the Town Council on an annual basis. The Town Manager, in conjunction with the Finance staff, shall be responsible for coordinating the CAMP process and submission of the CAMP to the Mayor and Town Council. Through the annual planning retreat, Town Council meetings and/or work session(s), the Council focuses on prioritizing the projects. Once the CAMP is approved, it outlines the Town's official intent to fund these expenditures in the appropriate budget year. During the annual budget process in the spring, the first-year projects are refined, and a financing plan is recommended within the budget to fund those expenditures.



**MAINTENANCE OF TOWN ASSETS**

Capital assets include government facilities, infrastructure, major equipment and networks that enable the delivery of public sector services. The performance and continued use of these capital assets are essential to the health, safety, economic development and quality of life of those receiving services. Budgetary pressures often impede capital program investments or expenditures for maintenance and repair, making it increasingly difficult to sustain the asset in a condition necessary to provide expected service levels. Ultimately, deferring essential maintenance or asset replacement could reduce the organizations ability to provide services and could threaten public health, safety and overall quality of life. In addition, as the physical condition of the asset declines, deferring maintenance and/or replacement could increase long-term costs and liabilities. It is with this in mind that the Town staff includes planned maintenance projects that bear significant financial implications in the operating budget. This will allow management to better plan for the Town’s future needs. While the CAMP is utilized to plan future capital projects, the need to properly maintain our existing aging assets remains.

**VEHICLE REPLACEMENT**

In addition to the other capital improvement projects included in the CAMP, there are other major types of vehicles and equipment which are a substantial financial investment and need to be handled in the most economic manner. Therefore, the Town chooses to incorporate these items into the CAMP. Vehicles and/or equipment are evaluated primarily based on age, mileage, operation & maintenance cost. There are, however, several additional factors which must be considered in determining these replacements: fuel costs, condition, safety, life of equipment, etc.

**PRIORITIZATION SYSTEM MATRIX**

The priority system includes a matrix shown below. This system was developed to assist in the setting of priorities for capital expenditures because not all requests can be funded in any given year due to budgetary constraints.

CRITERIA/PRIORITY	HIGH	MEDIUM	LOW
I	LEVEL A		
II		LEVEL B	
III			LEVEL C
IV			

The matrix contains a measure of priority on the horizontal axis and a determination of criteria category on the vertical axis.

**PRIORITIES** of the capital projects are measured as high, medium, or low as follows:

**HIGH:** Project mandated by local, state, or federal regulations, or Project is a high priority of the Town Council\*, or  
Project substantially reduces losses or increases revenues

**MEDIUM:** Project maintains existing service levels, or  
Project results in better efficiency or service delivery of existing services, or  
Project reduces operational costs, or Project improves work force morale

**LOW:** Project is not mandated, or  
Project improves service levels, or  
Project improves quality of life

\* Projects designated as a High Council Priority must directly contribute to priorities already established in previously adopted formal actions

## CRITERIA CATEGORIES

- I. **Health/Safety/Welfare** - projects that protect the health, safety and welfare of the community and the employees serving it
- II. **Maintenance/Replacement** - projects that provide for the maintenance of existing systems and equipment.
- III. **Expansion of Existing Programs** - projects which enhance the existing systems and programs allowing for expansion of existing services
- IV. **Expansion of New Programs** - projects that allow for expansion into new programs and services

**LEVEL OF FUNDING:** The grid is further divided into levels: Level A - highest consideration for funding, Level B - moderate consideration, Level C - least consideration for funding resources.

Note: Up to ten percent (10%) of the total annual capital budget (not to exceed \$25,000) may be designated for general quality of life enhancements; projects competing for this funding are not subject to the evaluation criteria of this program. Such projects will be funded at the complete discretion of the Town Council as they deem appropriate.

## IMPACT ON OPERATING BUDGET

Capital funding requires planning as careful and as deliberate as the planning that goes into the CAMP itself. It is important to note that as the plan is implemented, the Town should be aware of additional budgetary costs, if any, that may arise from the project such as future payments of debt service on general obligation bonds (i.e. interest payments), lease payments on certain capital improvements, and increased operating costs (for example, if a new facility requires more staffing). On the other hand, there could be savings that may result from decreased operating costs (for example, a new facility that requires less maintenance and less staffing).

## PROJECT DETAIL SHEET

The Project Detail Sheet (Attachment A) is used to summarize the project that is requested for consideration. If the Town Manager ultimately recommends a project to the Town Council for consideration, this form is used for presenting information on the project to Council and the public.

Project Title: Brief title of the proposed project.

Project Status: Each project should have a status – Pending, In-Progress, Substantially Complete, or Finished.

Description and Justification: This information should include a brief description of the project including such things as the size of the facility (e.g., square feet) or infrastructure improvement (e.g., linear feet), the kind of vehicle to be purchased, the number of facilities to be improved, the names of the facilities to be improved, and the constituency to be served by the project. A brief justification of the project should also be included, including alternatives which were considered as applicable, explain the tie of the project to established Council Strategic Goals. The priority of the project will be identified using guidelines above.

Planned Financing of Project: The Source of Funds should be identified. The sum of Prior Allocation (expenditures), and Future Years must add to the Total Project Estimate.

#### **TOWN MANAGER SUBMITTAL OF THE CAMP**

By December 1<sup>st</sup> of each year, prior to the proposed budget submittal by March 1st, the Town Manager will submit an updated proposed CAMP to the Town Council for review and comments. The submittal will contain the following, as a minimum:

- Cover transmittal memorandum that includes a tabulation of next year's budgeted project titles grouped by Town Council Strategic Goals.
- Financial summary table of all capital projects that includes;
  - Project Title
  - Project Priority
  - Strategic Goal being addressed
  - Status of Project (New, Continuing, In Progress or Previously Requested)
  - Source of Funding by Town and amount
  - Source of Funding by other (e.g., grant) and amount
  - Prior Year Expenditures (cumulative through end of current budget year, actual expenditures plus estimated expenditures for remaining months in current budget year)
  - Next Budget Year Projected Expenditure (Year 1)
  - Each of the Years (2-6) and consolidated future years > 6 years Projected Expenditures
  - Total Capital Expenditure for the Project
  - Yearly Operating Expense as a result of the Capital Project once implemented
- Individual Project Detail Sheets (Attachment A)

#### **TOWN COUNCIL APPROVAL OF THE CAMP**

Once the Town Manager has delivered the proposed CAMP and the Town Council and public have reviewed the material submitted, the Town Council will ultimately adopt a final CAMP for that year. A resolution will be used for adoption, as depicted in Attachment B (sample resolution).

#### **PERIODIC REVIEW OF CAPITAL PROJECT STATUS**

Capital projects that have been authorized for the budget year will be reviewed by Town Council on a semi-annual basis. The Town Manager will prepare a document summarizing project status that will include, as a minimum:

- Expenditures
- Schedule adherence
- Issues that the Town Council needs to be aware of



**The Town of Cape Charles  
Resolution of the Town Council to Amend and Adopt the  
Capital Asset Management Program as presented.**

**WHEREAS**, a Capital Asset Management Program (CAMP) involves the scheduling of the cost of public equipment and infrastructure over several years,

**WHEREAS**, a well thought out and comprehensive CAMP serves as a valuable municipal tool designed to anticipate and meet the needs of the community, while at the same time scheduling the costs in a deliberate approach,

**WHEREAS**, on xx, xx, 2020, the first official Capital Asset Management Plan was adopted by the Town Council,

**WHEREAS**, on xx, xx, xxxx, the Cape Charles Town Council conducted a public hearing to consider the Six- Year Capital Asset Management Program for the years xxxx through xxxx;

**WHEREAS**, the Town Council has considered the input of the public and the recommendations of its staff and has determined it to be in the public interest to adopt the Six-Year CAMP for years xxxx through xxxx;

**WHEREAS**, the proposed updated CAMP represents municipal projects to be addressed over the next six year implementation period.

**THEREFORE, BE IT RESOLVED** that the Town Council of the Town of Cape Charles hereby amends and adopts the Town of Cape Charles' CAMP as presented.

Submitted by: XXX –Town Manager

Submitted: xx, xx, 20xx

[This is only a sample resolution]