



**GRAND RAPIDS
PUBLIC UTILITIES**

Service is Our Nature

Capital Improvement Plan Policy

GRAND RAPIDS PUBLIC UTILITIES
COMMISSION

August 2023

Grand Rapids Public Utilities Commission (GRPUC) Capital Improvement Plan (CIP) Policy

A. Introduction

This Capital Improvement Plan Policy guides the creation and annual update of the GRPUC's Capital Improvement Plan to protect and grow the GRPUC's significant financial investment in infrastructure, public facilities, technology infrastructure, and other capital assets and improvement.

This Capital Improvement Plan Policy applies to the electric, water, wastewater (sanitary sewer).

This policy is intended to assist management in complying with capital asset financial reporting required by GAAP.

B. Policy Statement

This Capital Improvement Plan Policy helps to ensure the effective allocation of financial resources to promote a long-term strategic view of asset management which is based on an understanding of operational maintenance requirements, functional considerations, the renewal/replacement and decommissioning of assets, and which forms the basis of annual budget estimates.

Planning for capital maintenance and improvements is prudent financial management and an important complement of the GRPUC's Strategic Plan, adopted cost of services studies, feasibility reports, and Economic Development Program.

Capital assets and infrastructure are important legacies that serve current and future generations. A sound multi-year Capital Improvement Plan that clearly identifies capital needs, funding options, and operating budget impacts is necessary to adequately address current and short and long-term needs.

The Capital Improvement Plan should be developed to ensure its financial feasibility and proper stewardship of these capital investments, and comply with all adopted financial related policies.

The Capital Improvement Plan will be part of the annual budget process and a final annual CIP will be presented to and approved by GRPUC.

Each individual capital asset should be classified, have a cost value of the capitalization threshold at the time of purchased or placed into service, follow the established predetermined useful life, and be depreciated using an approved depreciation method.

Utility rates shall be set at levels sufficient to recover operating expenses, meet debt

obligations, provide funding for capital improvements, provide adequate levels of working capital and operations reserves, and deposit money in a capital replacement sub-account.

C. Authorization

The General Manager (GM) is responsible for the preparation, monitoring, and oversight of the Capital Improvement Plan. The GM can delegate the detail preparation and monitoring to utility managers.

D. Definitions

Capital Assets – Assets of at least \$5,000 value and having a useful life beyond one year.

Capital Improvement Plan – A multi-year financial plan containing proposed construction of physical assets such as infrastructure, building, vehicles, equipment, as well as Capital Assets such as information technology systems.

President

Date

Secretary

Date

Adopted Date:

Revised Date: