



I. PURPOSE

Good infrastructure is vital for our community to thrive. This policy supports our infrastructure by:

- Promoting wise investment in new infrastructure; and
- Protecting the historical investments the Town of Warrenton has made in its infrastructure.

II. SCOPE

Each year, the Town of Warrenton staff will create a long-range capital improvement plan (CIP). The CIP will define and prioritize the capital projects that the Town plans to take on in the next five years.

A. Definition of a Capital Project

A capital improvement project should have a cost greater than \$100,000 and a useful life of at least 10 years. Projects that do not meet the \$100,000 and 10-year useful life criteria are maintenance capital projects. Capital projects generally require significant engineering design and construction, whereas maintenance capital projects (like road paving and sidewalk replacement) require routine upkeep every few years. These projects are not considered to be part of the Five-Year Capital Improvement Program.

B. Link to Needs Assessments

The capital improvement program is the result of a detailed planning process. The purpose is to address the Town's immediate and long-term capital needs in a conscious effort to best provide services and facilities to the citizens of Warrenton. To that end, projects are considered in alignment with Plan Warrenton 2040, the Town's Comprehensive Plan and strategic priorities identified by the Town Council. All projects in the CIP, with minor and few exceptions, should be based on needs assessments performed to determine the benefit of the asset compared to its cost.

III. POLICY

A. CIP Project Identification

Each year, Town of Warrenton staff will suggest potential projects for the CIP. At a minimum, this process will provide for the following:

- Long-term operating and maintenance costs. A plan will identify the cost to operate and maintain the asset over the next five years.
- Funding source. A plan will describe where the funding is expected to come from to acquire, operate, and maintain the asset.

- Project timing. A plan will identify the proposed schedule for engineering, construction, and other milestones in acquiring the asset.

B. CIP Project Selection

Town of Warrenton will create a process to assess capital projects. The selection process will include considerations such as long-term financial forecasts, project impact, operating and maintenance costs, legal mandates, impacts on public health and safety, and the extent to which the project aligns with the Town's strategic goals.

C. Balanced CIP

The CIP is a balanced, long-term plan. For the entire period of the CIP, revenues will be equal to the projected costs. It is possible that the plan will have more costs than revenues in any single year of the plan (with the exception of the first year, which is intended to become an appropriation plan for [name of your community]). However, over the life of the five-year plan, all expenses will be covered with revenues. Staff may record, on a separate document, projects that are deemed important but cannot fit into a balanced CIP. Town Council may choose to look at unfunded projects and defund an existing project in favor of another.

D. CIP Funding Strategy

Town of Warrenton may elect to use debt financing to acquire an asset or pay-as-you-go financing (i.e., cash financing). Below are guidelines used to help determine the best choice between debt and pay-as-you-go financing.

Factors that favor pay-as-you-go financing include situations where:

- The project can be funded from current revenues and fund balances (reserves);
- The project can be finished within an acceptable time frame given the available revenues;
- Additional debt levels could have a harmful effect on the Town's potential credit rating or repayment sources; or,
- Market conditions are unstable or suggest difficulties in marketing a debt.

Factors that favor long-term debt financing include situations where:

- Revenues that will be used to pay back debt are believed to be sufficient and reliable. This makes it more likely that long-term financing can be marketed with a suitable credit rating;

- Market conditions present favorable interest rates and demand for government debt financing;
- A project is immediately required to meet or relieve capacity needs and existing cash reserves are insufficient to pay project costs; or,
- The useful life of the asset is five years or longer.

E. Capital Budget

Each year, the Town of Warrenton will develop a capital budget that will be the spending plan for capital. The first year of the capital improvement plan determine the capital budget for the fiscal year.

F. Asset Inventory

The Town of Warrenton will develop a full asset inventory that projects equipment replacement and maintenance needs for a multiyear period and will update this projection each year. The asset inventory will describe the current condition of the Town's assets. It will compare this condition to a standard for asset condition. It will account for the full cost to maintain assets up to standard condition over their life cycle and account for risks associated with assets that are below standard condition. Departments will inventory and assess the assets for which they are responsible and ensure that their records are consistent with the Department of Finance's capital asset records.

G. Priority of Asset Maintenance and Replacement

It is the policy of the Town of Warrenton to maintain its assets at a level that protects capital investment and reduces future maintenance and replacement costs. Each year, Town staff will develop and recommend to Town Council a prioritized asset maintenance spending plan.

H. Funding of Asset Maintenance

It is the Town of Warrenton's policy to assign enough resources to preserve the Town's existing assets to the best of its ability before assigning resources to build or acquire new assets that also have operating and maintenance needs. This policy protects our historical investment in capital assets. It also helps us maintain sufficient community resources that meet current and anticipated demands.

I. Capital Improvement Plan Carry-Forward

Capital project appropriations, unlike operating budget appropriations, are typically one-time in nature and the projects may take multiple fiscal years to complete and use the appropriations. To avoid negatively affecting the progress of capital projects, the available balances of Town Council approved capital project funds are administratively rolled over the from one fiscal year

to the next fiscal year. Taking into consideration the timing of the prior fiscal year close-out transactions and the new fiscal year, the Finance Department may carry forward up to 100% of the available balance from the prior fiscal year to the new fiscal year. Exceptions may apply to projects expected to be completed or closed by the prior fiscal year-end and projects that have no known pending payments to be made in the prior fiscal year.

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