City of WHITEWATER	Policy 501.04.02 Capital Improvements Program				
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PURPOSE

The purpose of the Capital Improvement Plan (CIP) Policy is to establish a clear, consistent framework for planning, prioritizing, financing, and managing the City's capital assets in a manner that supports long-term service delivery, financial sustainability, and responsible stewardship of public resources. This policy ensures that capital investment decisions are aligned with the City's strategic goals, informed by reliable data, and developed through a transparent and collaborative process. The CIP Policy provides guidance for evaluating capital needs, determining funding strategies, and maintaining the City's infrastructure in accordance with Government Finance Officers Association (GFOA) best practices.

A capital project is a major, non-recurring investment in a physical asset that supports the delivery of public services and has a useful life of ***at least five years***. Capital projects typically involve the acquisition, construction, expansion, renovation, or major repair of City infrastructure, buildings, equipment, technology systems, or other long-term assets.

To qualify as a capital project under this policy, an expenditure should generally:

- Exceed the City's established capital cost threshold (commonly $5,000–$25,000 depending on local policy)
- Create a new asset, extend the useful life of an existing asset, or significantly enhance its capacity or functionality
- Require planning, design, or engineering, or involve multiple phases or funding years
- Be included in the City's multi-year Capital Improvement Plan (CIP)

Examples include street reconstruction, facility construction or renovation, major park improvements, fleet replacement cycles, utility system upgrades, and large-scale technology replacements.

Funding Philosophy

The City will use a balanced and strategic approach to financing capital projects that supports long-term financial sustainability, maintains stable tax and utility rates, and aligns with Government

Finance Officers Association (GFOA) best practices. Funding decisions will consider project type, useful life, cost, urgency, and the City's overall financial capacity.

Use of Sinking Funds (Pay-As-You-Go Financing)

Sinking funds will be used to finance capital projects that are lower in cost, recurring in nature, or have a shorter useful life. Pay-as-you-go funding reduces reliance on debt, minimizes interest costs, and promotes long-term financial discipline. Projects are generally appropriate for sinking fund financing when they meet one or more of the following criteria:

- The project has a useful life of less than the term of typical debt (generally under 10 years).
- The project is recurring or ongoing, such as equipment replacement cycles, technology upgrades, or routine infrastructure maintenance.
- The project cost is modest and can be reasonably absorbed within annual budget capacity or planned reserve contributions.
- The City seeks to avoid interest costs or maintain flexibility in future debt capacity.
- The project can be anticipated and saved for in advance through annual sinking fund contributions.

This approach aligns with GFOA's recommendation to use pay-as-you-go financing for shorter-lived assets and to maintain reserves for predictable capital needs.

Use of Bonding (Debt Financing)

Bonding will be used for major capital projects that provide long-term community benefit and have a useful life that extends well beyond the term of the debt. Debt financing spreads the cost of large investments over the generations of taxpayers who will benefit from the asset. Projects are generally appropriate for bonding when they meet one or more of the following criteria:

- The project has a long useful life (typically 10–30 years).
- The project represents a significant, non-recurring investment, such as new facilities, major infrastructure reconstruction, or system expansions.
- The project cost exceeds the City's ability to fund through annual revenues or reserves without causing rate or tax instability.
- The project is urgent or time-sensitive, and delaying it to accumulate sinking funds would increase costs or create service risks.
- The project supports intergenerational equity, ensuring that future users share in the cost of long-term assets.

This approach aligns with GFOA's guidance to match the financing term to the asset's useful life and to use debt strategically for large, long-lived capital investments.

Balancing Pay-As-You-Go and Debt Financing

The City will maintain a balanced capital financing strategy that:

- Preserves debt capacity for major infrastructure needs

- Uses sinking funds to reduce long-term borrowing costs
- Avoids deferring maintenance that leads to higher future expenses
- Promotes predictable and stable tax and utility rates
- Ensures that capital planning supports long-term financial sustainability

The City will regularly evaluate its mix of pay-as-you-go and debt financing as part of the annual CIP and budget process, consistent with GFOA best practices.