

		<b>Policy 501.04.02</b> <b>Capital Improvements Program</b>			
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Special Instructions:					

**I. PURPOSE**

Effective financial management of the City’s resources requires that the budgetary plans for any one fiscal year be consistent with intermediate and long-range plans. As capital acquisitions and programs usually require a consistent application of effort and funds over a span of years, a capital improvements program and budget, as well as annual revenue and expenditure operating budgets, should be developed and presented to the City Council for approval and adoption.

Capital expenditures may generally be defined as those used to purchase land or equipment and/or to construct facilities or other improvements that are expected to provide services over a considerable period of time. In contrast, current or operating expenditures are generally those for an item or service that is used for a short time. Moreover, capital expenditures are usually relatively large when compared with items in the annual operating budget. Capital budgeting, therefore, is based upon distinctions between expenditures that have only short-term or current benefits and those that have long-term benefits (capital).

**II. GUIDELINES**

**A. Capital Improvement Program**

1. The City’s Capital Improvement Program is a ten-year plan, which identifies projected capital expenditures necessary to accomplish the City’s long-range objectives.
2. The ten year C.I.P will be used for financial planning and for prioritization of capital needs.

**B. Three-year Capital Improvement Plan**

1. The first year of the City’s three-year Capital Improvement Plan is a plan of proposed capital outlays or expenditures, and the means of financing same, for the current fiscal year. As such, it is included in the operating budget of the current fiscal year and represents the first year of the Capital Improvements Plan.
2. The City’s Three-Year Capital Improvement Plan is also categorized by types of capital improvements as follows:

## Capital Improvements Program

- a. Plant: includes recurrent expenditures for the replacement, expansion and/or acquisition of facilities, structures, land and improvements thereon.
- b. Public Improvements Requiring Bonded Debt: includes non-recurrent expenditures for the replacement, expansion and/or acquisition of public improvements which, due to their relatively large cost and longer useful life, require additional funds over and beyond the City's annual operating budget and must be financed through the issuance of long-term debt.

### III. PROCEDURE

- A. The City will prepare annually and update a three and ten-year Capital Improvement Plan (C.I.P.) which will provide for the orderly maintenance, replacement, and expansion of capital needs.
- B. The City through the C.I.P. will identify long-range capital projects and capital improvements of all types, which will be coordinated with the annual operating budget to maintain full utilization of available revenue sources. The project identified in the three-year capital program will incorporate onto the operating budget when practical.
- C. The City will coordinate development of the Capital Improvement budget with development of the operating budget. Future operating costs associated with new capital improvement will be projected and included in operating budget forecasts. The C.I.P. acts as a cash flow, general fund management tool.
- D. The City will use intergovernmental assistance (Federal, state, and other), to finance only those capital improvements that are consistent with the capital improvement plan and city priorities and whose operating and maintenance costs have been included in operating budget forecasts. The City will maintain its physical assets at a level adequate to protect the City's capital investment, and to minimize future maintenance and replacement costs. The budget will provide for the adequate maintenance and the orderly replacement of capital plant and equipment from current revenues where possible.
- E. The primary source of funding for the C.I.P. will be utility component of the state shared revenues. The utility component of shared revenues has been used to make debt service payments when the City has bonded for the improvements.
- F. Any excess funding remaining in a completed capital project after it has been closed out will be transferred to Undesignated Capital Projects Closeout Fund #70. The Undesignated Capital Projects Closeout Fund #70 is a stand-alone, perpetual fund.

### IV. REPORTING

### V. JOB AIDS