



## Financial Policies Capital Improvement Planning Policy

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<input type="checkbox"/> <b>APPROVED BY MANAGEMENT:</b> N/A	<b>REVISION DATES:</b> N/A

### I. PURPOSE

The purpose of the Capital Improvement Planning Policy is to present the City of Sequim's approach to managing development of its Capital Improvement Plan (CIP). Adherence to this policy will ensure that the City preserves, maintains, and improves buildings, parks, roads, sewers, equipment and other capital investments. This policy will also help the city avoid emergency and unexpected major costs in the future.

### II. POLICY

A. Policy Scope. This policy shall apply to capital projects that meet all of the following criteria.

1. Projects that exceed \$50,000 in total cost.
2. Projects that involve the purchase of land, buildings, building improvements or building components.
3. Projects where the City is responsible for the purchase and/or development.
4. Projects that are included in the City's Comprehensive Plan or related capital plans.

B. Capital Asset Inventory

1. The City shall develop and maintain an inventory of all infrastructure assets (over \$100,000 including water, sewer, roads, buildings, park improvements and other infrastructure) to include their condition, expected life span and original cost (if available). The city anticipates completing this inventory during 2011 and 2012.
2. The Administrative Services Director shall establish policies and appropriate procedures to account for infrastructure and non-infrastructure capital/fixed assets (such as equipment), including establishing the threshold dollar amount for which capital project and capital/fixed asset records are maintained and how often physical inventories are taken.
  - i) See the Purchasing Policy for a definition of a "Capital Asset" and threshold dollar amount.
  - ii) See the Equipment Acquisition and Replacement Policy for policies and procedures to manage non-infrastructure capital/fixed assets.

C. Capital Improvement Plan

1. The City shall prepare a Capital Improvement Plan (CIP) that complies with the State Growth Management Act and related statutes.



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2. The CIP shall include all projects anticipated for the long-range financial plan which is based on a six year planning horizon while the Comprehensive Plan or other related capital plans such as the City's Parks, Recreation and Open Space Plan or Pavement Management (Street) Plan may include projects with planning horizons greater than six years. The CIP shall be updated as frequently as required to reflect any update to these other planning documents.
  3. The CIP shall include, at a minimum, the following information for each project:
    - i) Project type and description for a six year planning horizon.
    - ii) Estimated acquisition and development costs by year.
    - iii) Estimated funding sources by type and year.
    - iv) Estimated annual operations and maintenance costs upon completion.
    - v) Projected source of operations and maintenance costs upon completion.
    - vi) Project priority within project type.
  4. The CIP shall be updated annually as part of the City's budget process to reflect changes in the revenues and expenses of approved projects.
  5. The City Council shall approve the CIP and may amend the CIP at any time.
- D. Capital Projects Funding Criteria. The City shall prioritize use of City funding for capital projects. Priority will be given for projects that meet the following criteria.
1. Projects that preserve existing capital infrastructure.
  2. Projects with low life-cycle costs.
  3. Projects that have a high percentage of project costs funded by non-city sources or that have a dedicated funding source.
  4. Projects that generate revenue or reduce operations and maintenance costs.
  5. Projects that have identified funding for operations and maintenance costs.
  6. Projects that have a high level of community support.
- E. Capital Projects Fund
1. The City has established several capital projects fund to be used to accrue moneys for the construction and/or completion of approved CIP projects.
  2. All funds identified as funding sources for approved CIP projects shall be transferred to the appropriate capital projects fund. Currently the City has the following restricted funds for capital projects:
    - i) Water Restricted
    - ii) Sewer Restricted
    - iii) Streets Restricted
    - iv) Parks Restricted
    - v) Capital Facilities Fund for buildings
  3. All expenses related to approved CIP projects shall be made out of the appropriate capital projects fund.



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4. The Administrative Services Director shall account for the revenues and expenditures of each project separately.
  5. Interest on the appropriate capital projects fund cash balances shall be credited to each individual fund based on their annual average cash balance (for example, based on each month's ending cash balance).
- F. Use of Debt
1. The City may use debt to pay for capital projects included in the CIP subject to the City's Debt Management Policy.
  2. Any use of debt to fund capital projects must be approved by the Sequim City Council.
- G. Project Approval
1. The City Manager shall recommend CIP projects for funding in the Capital Projects Fund budget.
  2. The City Council shall approve all CIP projects through its approval of the Capital Projects Fund in the City's budget.
- H. Sustainability
1. The City shall include financial sustainability principles in the development of capital projects.

### III. PROCEDURE

- A. City Council
1. Approve Capital Improvement Planning policy.
  2. Approve Capital Improvement Plan and any CIP updates.
  3. Approve the Capital Projects Fund budget.
- B. City Manager
1. Propose revisions to the Capital Improvement Planning policy to City Council.
  2. Ensure the City is in compliance with the Capital Improvement Planning policy.
  3. Present a Capital Improvement Plan and any updates to the city's CIP to City Council for approval.
  4. Recommend revenues and expenditures for the Capital Projects Fund in the City's annual budget.
- C. Administrative Services Director
1. Prepare the Capital Improvement Plan in cooperation with other Departments.
  2. Develop the Capital Projects Fund budget.
  3. Manage the Capital Projects Fund.
- D. Operating Departments
1. Develop long range facilities plan.
  2. Manage capital projects.



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### IV. REFERENCES

- A. Sequim Financial Policies
  - 1. Budget Development Policy
  - 2. Debt Management Policy
  - 3. Purchasing Policy
  - 4. Equipment Acquisition and Replacement Policy
- B. Sequim Municipal Code
  - 1. Section 3.36 – Capital Projects Fund
  - 2. Section 3.56 – Real Estate Excise Tax Fund
  - 3. Section 3.62 – Real Estate Excise Tax
- C. Revised Code of Washington
  - 1. RCW 36.70A Growth management — planning by selected counties and cities
  - 2. RCW 82.46.010 Tax on sale of real property authorized — Proceeds dedicated to local capital projects — Additional tax authorized — Maximum rates
  - 3. RCW 43.09.210 Local government accounting – Separate accounts for each fund or activity
- D. Washington State Auditor’s Office Budgeting, Accounting and Reporting System (BARS) Manual
  - 1. Volume 1, Part 2, Budgeting Chapter 1 – 3
  - 2. Volume 1, Part 3, Chapter 4, Sections A & B.
- E. Washington State Auditor’s Office Small City Handbook
  - 1. Section E – Budgeting
- F. Other
  - 1. Best Practice Guide: Incorporating a Capital Project Budget in the Budget Process, GFOA, 2007
  - 2. Best Practice Guide: Capital Project Monitoring and Reporting, GFOA, 2007
  - 3. Capital Budgeting and Finance: A Guide for Local Governments, ICMA, 2004.