Capital Improvement Programs Policy

PURPOSE

To establish a Capital Improvement Programs (CIP) Policy to assist in future budget projections.

SCOPE

All anticipated CIP projects for the current fiscal year plus four additional fiscal years.

POLICY

The City will prepare an annual CIP for the current fiscal year that includes a projection of anticipated programming and funding for a total of five fiscal years.

Projects included in the CIP will have information on the need for the project (project justification), description and scope of work, total cost estimates, future operating and maintenance impacts, and funding sources.

The project justification will incorporate information on the factors that affect the prioritization of the project. The factors to be considered include (but are not limited to) the Health & Safety of the community, continuation of ongoing work, Community requests, General Plan and Master Plans' directives, staffing and operational demands, sustainability and resiliency, and internal and external funding viability.

Changes to the CIP such as addition of new projects, significant changes in scope and costs of a project or reprioritization of projects will require City Manager and City Council approval.

The City will maintain its physical assets at a level adequate to protect the City's capital investment and to minimize future operating maintenance and replacement costs. The City recognizes that deferred maintenance increases future capital costs, thus placing a burden on future residents. Therefore, the budget will provide for adequate maintenance and the orderly replacement of capital facilities from current revenues when possible.

The City will determine the least costly funding method for its capital projects and will obtain grants, contributions and low cost state or federal loans whenever possible.

The City will utilize "pay-as-you-go" funding for capital improvement expenditures considered recurring, operating or maintenance in nature. The City may also utilize "pay-as-you-go" funding for capital improvements when current revenues and adequate fund balances are available or when issuing debt would adversely affect the City's credit rating.

The City will consider the use of debt financing for capital projects under the following circumstances:

- When the project's useful life will exceed the terms of the financing
- When resources are deemed sufficient and reliable to service the long-term debt
- When market conditions present favorable interest rates for City financing
- When the issuance of debt will not adversely affect the City's credit rating and debt coverage ratios.

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