1. POLICY STATEMENT AND PURPOSE

A. One of the primary responsibilities of local governments is the creation and preservation of a community’s physical infrastructure including; roads and bridges; storm water systems; public buildings; parks and open spaces. Because these require a significant commitment of public resources, planning for capital investments is a matter of prudent financial management and sound stewardship of the community’s infrastructure. This Capital Investment Policy provides the general principles under which the City’s Capital Investment Program (CIP) is developed and implemented.

B. The City shall develop and maintain a Ten-Year Capital Investment Program (CIP). The program, as approved by the City Council, shall represent a policy statement of the City's plans for capital projects.

C. The objectives of maintaining a Capital Investment Program (CIP) are as follows:

1. To provide increased planning and coordination of CIP projects.
2. To relate the planning of CIP projects more effectively to general City goals and the Long-Term Financial Forecast.
3. To assist City staff in projecting future requirements for personnel and equipment in the development of department programs and the City’s operating budget.
4. To meet the requirements of Federal and State Laws and Grants
5. To identify funding needed to ensure the proper care, improvement and safety of the City’s infrastructure.
2. SCOPE

A. The CIP includes all Asset Management Projects and Discretionary Projects as defined below. The CIP does not include fleet replacement, which is managed by the Public Services’ Fleet Division, or information system equipment and software, which is managed by Administrative Services’ Information Technology Division.

B. The CIP will be developed biannually, and include the upcoming two year budget cycle, along with the ensuing eight fiscal years.

3. DEFINITIONS

A. Capital Investment Program (CIP): A planning tool used to prioritize capital project needs beyond the City’s two-year budget cycle. It is a planning tool, does not establish capital budget appropriations, and does not allocate funds to projects.

B. Capital Budget: A two-year budget adopted by Council for the improvement, repair, and construction of new and existing capital assets. The Capital Budget is approved at the time the City’s two year operating budget is adopted, establishes capital budget appropriations, and allocates funds to the projects.

C. Asset Management Project (AMP): Asset management projects preserve the value of the City’s existing capital investments, providing long-term programmed maintenance of City infrastructure and facilities. These assets include Roadways, Storm Drains, Buildings, Facilities, Parking Lots, Parks, Open Space, Sidewalks, Traffic Signals, and Streetlights. An AMP does not change the basic characteristics of a facility.

D. Discretionary Project: Discretionary capital projects create new City assets or significant improvements to existing City infrastructure. The defining criteria for discretionary capital projects include costs exceeding $50,000 and having a minimum 20-year lifespan, and land acquired by fee title or acquisition of development rights, with an area exceeding 0.5 acre or cost exceeding $250,000.

4. RESPONSIBILITY

A. The primary responsibility for preparation of the CIP program is delegated by the City Manager to the Public Services Department.

B. The Finance Division of the Administrative Services Department will be responsible for providing revenue forecasts available for projects, which includes developer fees, grants, roadway funding and other sources.
5. **PROCEDURE**

A. The Administrative Services Department shall provide to the Public Services Department revenue projections for the ten-year period indicating funds available for the CIP program.

B. The Public Services Department shall coordinate the development of proposed CIP projects with various City Departments and stakeholders.

C. Any project for a new asset shall include a sound and realistic financing plan for the construction, maintenance and operations. Projects shall undergo an analysis to ensure that the new project does not defer maintenance from existing facilities.

D. If a facility is contemplated to be replaced or undergo a major renovation, the programs and use of the facility should be examined to determine if the programs using the facilities meet the City’s current and future needs.

E. Project Description Worksheets shall be completed for each proposed project. The worksheets shall contain the following information:
   a. Project Title
   b. Requesting Party
   c. Funding Source
   d. Project Description
   e. Project Justification
   f. Discussion on User Group Contribution
   g. Proposed Capital Costs and timing of expenditures
   h. Effect of the project on annual operations, including estimated cost to maintain the project over the expected lifetime.

F. Public Services will present the proposed CIP to the various Commissions that are affected by the proposed projects.

G. The proposed Ten-Year CIP will be submitted to the Planning Commission for determination of conformity with the City’s General Plan.

H. The proposed CIP will then be submitted to the City Council by the Public Services Department for final review and approval. The City Council will conduct a general public hearing prior to making a final determination on adoption of the Ten-Year CIP plan.

I. When considering adoption of a project in the CIP, the Council shall consider the following guidelines:
a. Does the project preserve an existing asset?

b. Will the project mitigate an identified health or safety problem?

c. Is the project mandated by State or Federal governments, or a court of law?

d. Does the project contribute to the economic health of the community?

e. Does the project create a facility that contributes to the quality of life in the community?

f. Are there available funding mechanisms for capital costs as well as ongoing operations and maintenance?

J. The Council adoption of the CIP does not authorize the expenditure of City funds for projects. The first two years of the CIP will be coordinated with the operating budget for adoption as an integrated operating and capital budget. Biannual capital budget adoption for the City occurs in even numbered years.

6. POLICY HISTORY AND CITATIONS

This Policy replaces Policy 72-7 Four-Year Capital Improvement Program

This policy was issued/amended and approved by the City Council on (date).

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Ken Nordhoff
City Manager