

City of Smyrna
Capital Projects Policy
Policy update prepared for Finance Committee review on 11/14/2017

PURPOSE

A Capital Improvement Plan (CIP) will be established at the City of Smyrna for the purpose of developing a multi-year plan for administering capital assets. The mission of the CIP is to enable the City to provide for the maintenance and orderly replacement of capital equipment, facilities, and infrastructure; serve as a valuable tool for fiscal planning; provide ample lead time for the plan and design of capital projects; schedule capital projects well in advance to allow time to identify and seek alternative funding sources; enhance the image of the City as a fiscal manager; and serve as a medium or informational tool for educating taxpayers as to future capital needs.

DEFINITIONS

Items valued at greater than \$5,000 with a useful life of one year or more are considered fixed assets. Fixed assets are budgeted in the Operating Budget unless they meet the thresholds of a capital project. Any item or improvement with a value of \$20,000 or more and a useful life of three years or more will be considered a capital project. Vehicle replacements are tracked and funded separately in the Vehicle Replacement Fund.

POLICY

The policies below represent principles and guidelines which will enable the City to maintain a high level of service delivery and financial stability.

1. The City will develop a five-year plan for capital improvements, with the first year becoming a part of the annual Operating Budget. The plan will be updated annually and all capital improvements will be made in accordance with the plan.
2. After budget adoption, any project additions or revisions must be separately considered and approved by the City Council at a public meeting.
3. The City will consider the life cycle of each capital asset and maintain its inventory of assets at a level adequate to protect the City's investment and minimize future maintenance and replacement costs.
4. The CIP Committee will establish priorities among project proposals so that available resources are used to the best advantage.
5. The CIP budgeting process will provide for the maintenance and replacement of capital assets from current revenues when possible.
6. If necessary, the City may use debt to finance capital projects in a manner consistent with its debt policy.
7. The City will avoid budgetary procedures that balance current expenditures at the expense of meeting future years' needs.

8. The published CIP document will include a concise description to include purpose, funding sources, project costs, timetable, and any operating impacts.
9. The City will maintain a budgetary control system to ensure adherence to the budget, and will prepare regular reports comparing actual revenues and expenditures to budgeted amounts.
10. Capital projects:
 - a. will recognize the goals and objectives of the City;
 - b. will consider maintenance/replacement schedules;
 - c. will minimize operating costs;
 - d. will be recommended by the CIP Committee and adopted by Mayor and Council.

PROCEDURES

A. Funding for Capital Projects

Separate funds will be established for different types of capital projects. Transfers into these capital project funds will be budgeted annually. While pay-as-you-go financing is preferable, the CIP Committee may recommend debt financing for certain projects. Budgets are multi-year funding allocations; unspent funds may be carried over to subsequent years if projects remain open. When projects are closed, any remaining funds drop to CIP Fund balance.

B. CIP Committee

To facilitate the CIP budgeting process, a standing committee will review the policy and evaluate the capital requests submitted by Department Heads for consideration. This committee will be chaired by the Assistant City Administrator. Other permanent members include the Finance Director and Budget Officer, as well as a Council Member appointed annually by the Mayor. The Chair may appoint annually up to three additional members to serve on the committee. These may be Department Heads or other key staff.

C. Rating System

The CIP Committee will provide to Department Heads a rating system for assigning a priority number to each capital project proposal. Upon project submittal, the CIP Committee will verify the priority number and may request additional information if necessary. Priority numbers will not serve as absolute determinants of project funding but are intended to inform the Committee's decision-making process.

D. Process

The CIP budgeting process includes the following five steps:

1. Each department prepares an inventory of potential projects including justification, alternatives, estimated costs, requested year of funding, and priority number. These proposed projects are submitted to the CIP Committee for review. At this time, the departments also indicate which if any past projects may be closed.

2. The CIP Committee Chair assembles the Committee to conduct an initial review of the submitted requests. The Committee may invite departments to provide additional information as needed.
3. The CIP Committee prioritizes the projects to receive funding in year one of the five-year CIP, voting if necessary to determine which projects will be funded or scheduled for a later year. Projects scheduled for future years are subject to reconsideration by future Committees and reprioritization if necessary. The Committee may also decide to reject projects outright or postpone them beyond the scope of the five-year CIP.
4. After evaluating, prioritizing, and scheduling all projects, the Committee informs the City Administrator and Department Heads of its recommendation.
5. The CIP is submitted for consideration and adopted by the City Council in conjunction with the annual Operating Budget.