

---

# Washington County, Maryland

## Capital Programming Guide



Version 1

October 2006

---

---

## **General Statement**

This guide was developed by The Office of Budget and Finance to assist departments and agencies in the preparation of their Capital Improvement Plans. The Guide is organized into five areas for the capital improvement process. Capital Project Definition, Planning, Budgeting, Administrative, and Appendices.

The sections have been developed based on current processes and new requirements added for fiscal year 2007. The disclosure of “new” annual operating cost for projects is an addition that will provide the Commissioners and the stakeholders with both the capital and operating costs of new projects. The Capital Improvement Plan will now take into account overall affordability in terms of both capital and operating costs, community concerns, available alternatives, coordination with other projects, impacts on services, beneficiaries of the project, and important community goals.

The success of this guide is the extent in which departments and agency’s find it useful – in defining what a capital asset is, when it goes into the capital program, how is it paid for, and what actually is the capital improvement plan process. Please contact our office with any comments as we continue to improve this document.

---

# Table of Contents

General Statement	i
Introduction	1
Capital Project Definition	1
Planning Phase	2
Strategic and Program Performance Link	2
Project Assessment and Justification	2
Functional	2
Budgeting	3
Project Description and Justification	3
Projected Annual New Operating Cost	4
Consumer Price Index	4
Projected Cost Category	5
Construction Cost Index	5
Funding Schedule	5
Mapping, Pictures, and Conceptual Design	5
Administrative Information	6
Appendices:	
Appendix A - Debt Capacity Summary	7
Appendix B - Capital Improvement Policy	11
Appendix C - Capital Improvement Project Planning Guide	19
Appendix D - Capital Improvement Project Form and File	22

---

---

## Introduction

The purpose of this guide is to provide departments and agencies a basic reference for instruction on principles and techniques for planning, budgeting, administrative, and reference material for development of the Capital Improvement Plan. The guidance integrates various administrative and statutory management initiatives into a single capital programming process to ensure that the County's Capital Improvement Plan process achieves its strategic goals and objectives.

Departments and agencies are provided flexibility in how they implement the key principles and concepts of the guide, but are expected to comply with existing policies for planning and funding of assets, and managing the operation of those assets to achieve the asset's performance goals.

## Capital Project Definition

The Capital Improvement Plan is useful for all long-term investments in capital assets. The County in its policies does consider the materiality of the investment in both its cost and its strategic significance in determining the level of effort devoted to capital programming. According to federal guidelines in Circular A-11, major acquisitions are capital assets that require special management attention because of their importance to the County mission; high development, operating or maintenance costs; high risk; high return; or their significant role in the administration of County programs, finance, property, or other resources. Major acquisitions should be separately identified in the County's budget. For small dollar investments relative to the County's budget, the county supports that function within the operating budget detail of each department or agency and not within the Capital Improvement Plan.

Capital Projects included in the Capital Improvement Plan are projects that support or improve the infrastructure needs and or the productive capacity of the County. Projects should have a useful life greater than 10 years and an estimated cost of \$25,000 or more, and should also meet one or more of the following criteria:

- ❑ Projects require restricted funding sources associated with the Capital Improvement Fund;
- ❑ Systematic acquisition over an extended time period, to complete implementation of a major functional or operating system;
- ❑ Rehabilitation or replacement of governmental or agency facilities;
- ❑ Bond financing because of significant costs associated with acquisition or construction of the project;
- ❑ Grant funding that requires a project to be included in capital budget;

- 
- ❑ Planning and feasibility studies that support the acquisition, construction, or improvement for the above criteria (not required to meet the useful life test).

### Planning Phase

The planning phase is the core of the capital programming process. The steps are applied throughout the remaining phases and information from the other phases flows back into the planning phase. High-quality capital planning will help departments and agencies develop, justify and carry out budgeted projects, procurement, and operational responsibilities.

A budget should present the resources to be allocated and the results expected. Thorough planning is particularly critical when managing within limited budgets. There can be no good budget without a plan, and there can be no executable plan without a budget to fund it.

- ❑ Strategic and Program Performance Link

There is an unbreakable link between planning and budgeting. This is the connection through which a department or agency decides what to do and how to do it.

An effective strategic plan should anticipate changes in the department or agency requirements for technological capabilities, identify major capital assets that are critical to implement, and define the outcomes these assets will help realize. The plan should also be consistent with the level of future budgetary resources that will be available.

- ❑ Project Assessment and Justification

An assessment of the existing performance of an asset, or demand requirements for new capital projects should be evaluated by using performance measurement techniques specific to the project.

Performance measurement – a means of evaluating efficiency, effectiveness, and results. Performance measurement should include program accomplishments in terms of outputs (quantity of products or services provided) and outcomes (results of providing outputs in terms of effectively meeting intended agency mission objectives).

- ❑ Function

A definition/scope of the project should be defined. Once the project scope and assessment have been determined the department and or agency would provide a detailed justification on the capital project including funding mechanisms.

---

The department or agency Capital Improvement Plan is the principal output of the planning phase. It is a dynamic plan that changes to reflect decisions about adding new assets, deleting old assets, and modifying existing asset bases that are not meeting goals. The Capital Improvement Plan should be a continuous planning process that the department or agency uses for its capital asset planning. In fiscal year 2009 the County intends to provide the upgraded software for long-term planning that will enable departments and agencies a variety of options for capital planning.

Departments and agencies are encouraged to have on hand capital planning documents as they could be made available to support budget proposals, developing summary information at committee levels, as well as a means of answering inquiries related to budget submission. Last, the capital plan can support related salaries and expenses associated with the staffing, operation, and maintenance of capital asset portfolios.

### Budgeting

Good budgeting requires that funds for the full costs of the asset acquisition be disclosed in advance to help ensure that all costs and benefits are fully taken into account at the time decisions are made to provide resources. Providing full costs of the asset acquisition increases the accountability for the achievement of the baseline expenditures. Not providing full cost disclosure can sometimes lead to poor planning, acquisition of assets not fully justified, higher acquisition costs, the loss of sunk costs, or inadequate funding to maintain and operate the assets.

The Capital Improvement Plan submission has several required disclosures. Project descriptions and justification; projected annual new operating costs; project cost category; funding schedule; and map, pictures or concept drawings.

The operating budget impact indicates the increased operating costs or savings resulting from the completion of the project. These costs or savings will eventually need to be incorporated into the operating budget. If the project will generate savings in the operating budget, the impact is shown in parentheses in the appropriated cost line. If the project generates revenues in the operating budget, the revenue, by year, is entered as a positive number on the separate line denoted as fees.

□ Project Description and Justification (operating budget impact)

Project Description should include, but is not limited to, a description of the project such as square footage, summary of the work being proposed, location, description of any linkages to other projects, and or special information need related to funding.

Project justification must be made regarding costs and benefits prior to undertaking a major project whether new or retrofitting an existing asset. The project should share a common view of the issue to be solved and the goal that needs reached. Any alternative solutions should be explored with estimated costs and benefits if determined. Projects



---

□ Project Cost Category – Cash Requirement Schedule:

The chart denotes engineering & design, land acquisition, construction, inspection, utilities, and/or other. These project cost categories appear in the fiscal year column in which funds are scheduled to be expended for the project. The project phases should be viewed in conjunction with the funding schedule section, which provides detail on sources of revenue streams.

[Construction Cost Index for Projects:](#)

Estimated costs for all projects in each of the six years beginning in FY 2008 are based on projected 2007 prices, the base year. An inflation reserve should be applied at **4.5%** per year, based on current trends. This factor was based on Engineering News Record.

This inflation reserve serves to constrain projected expenditures in each year to total financing capability, given the revenue projections in each year and the assumed inflation rate. The increase in the cost of individual projects may vary depending on special project requirements or on costs associated with outside architects, engineers and construction contractors. More detailed inflation percentages may be used from the Engineering News Record, i.e. construction costs, building cost, labor, material cost, cement, or steel. However for consistency use the CCI from this web site. [McGraw-Hill Construction | ENR - Recent Cost Indexes](#).

□ Funding Schedule – Cash Requirement Schedule:

Some projects are totally or partially funded by State and Federal agencies. Any grant funding should be matched to the appropriate phase within each column. All prior outside sources are to be reaffirmed to assure proper funding of the project. Other known funding sources should be completed in the corresponding columns. Remaining funding, such as bonds, pay-go, and fees and taxes shall be completed by The Office of Budget and Finance.

□ Mapping, Picture, or Conceptual Design

Location of the project for fiscal year 2008 will be brought in with the use of GIS software. Options also exist in FY 2008 to import pictures within the designated area. If departments or agencies desire this option imports can be started early. The County anticipates with the implementation of new software that the departments and agencies will have the option of importing maps, pictures, and or other optional depictions of the site, project, or design concept.

---

## Administrative Information

- Prior year Balances represent amounts appropriated and adjusted as of September 30, 2006.
- New this year is the disclosure of “new” annual operating costs of requested capital projects.
- For projects deemed to have new annual operating costs and no disclosure of such costs is made to the Commissioners and stakeholders, the project will not be included nor funded in the Capital Improvement Plan for 2008-2013. It will require resubmission in the following year until disclosure is made of the full cost of the asset.
- The County’s detailed Capital Improvement Policy, Summary of the Debt Capacity Analysis, and Capital Improvement Project Planning Guide are included in the appendix for review.
- The Capital Improvement Plan submission for 2008-2013 is due to The Office of Budget and Finance by December 21, 2006. Please make every effort to make this completion date, as the County will have new members on the Board of County Commissioners. With this change additional time will be required, as the new members will need to become acquainted with the process and the projects themselves. The due date was extended an additional three weeks compared the prior years to help compensate for the disclosure requirement for a new Board of County Commissioners and the Stakeholder.
- Please submit all requests to Paula Blenard via e-mail at [pblenard@washco-md.net](mailto:pblenard@washco-md.net) or fax at 240-313-2301.
- If you have any questions please feel free to contact Paula Blenard at 240-313-2305 or e-mail at [pblenard@washco-md.net](mailto:pblenard@washco-md.net).

---

Appendix A

Debt Capacity Summary

---

---

## Debt Capacity Analysis

Washington County (County) has historically issued debt annually to systematically address the County's need for schools, roads, and other infrastructure projects caused by growth and development. Key to the issuance of that debt is ensuring that financially the debt service amount is appropriate, thereby not placing an undue burden on the financial position of the County and its citizens now or in the future. Accordingly, debt is planned for a specific amount and time that is indicated in the County's debt management plan, which is an integral component of the County's financial management program. Effective debt management is critical to the overall financial management of the County.

Also critical to sound financial and debt management is the continuing evaluation of the County's ability to afford and plan for the issuance of debt. In this regard the County has instituted a self-imposed requirement that an annual debt affordability analysis be performed. This analysis as presented herein provides a method by which the County's debt program can be evaluated, tested for stress, affordability, and comparative stature as it relates to other jurisdictions that are in its "Peer Group". Rating agency criteria is also used to assess the County's debt position, in the form of utilizing debt ratio medians. Taken together the County's Office of Budget and Finance has created a method by which it can measure the County's performance against other governments and in turn generate an analysis of the County's debt position as compared to its Peer Group. The purpose of this analysis is to support the reasonableness of the County's plan and the options expressed in the plan and its impact on the County's financial position.

The plan referred to above is dynamic in that it provides several debt issuance scenarios that reflect prospective changes in the County's financial and economic condition. The future debt requirement model includes changes in debt ratios. These assessments test the impact of varying levels of bond program funding and its long-range impact on the County.

A primary belief upon which the debt plans are constructed is as follows: The County's debt is manageable and is projected to remain so under the Capital Improvement Plan as fee and tax revenues are expected to support growth demands for capital investments. Several financing tools are in place to pay for projected growth related projects such as excise and transfer tax, adequate public facility charges, grants, and pay-go funds. These funds account for over 80% of the projected revenue for the Capital Improvement Plan. The amount on hand and the amount that is collectible allow a degree of financial flexibility in support of development in good and bad economic times.

Portions of the County's outstanding debt represent general obligation bonds used for County solid waste and utility enterprise operations. Both of these enterprise operations are managed through a detailed cost-of-service analysis that strives to generate user charges sufficient to make

---

---

the operations self-supporting, including reserves. The solid waste enterprise operation has achieved full self-support, and therefore the related debt is 100% excluded for the debt affordability calculation. The utility enterprise operation is calculated at 82% for self-support.

The remainder of which is related to County support of the operation as is required by State law. This is due to the Sanitary District Authority that over expanded plant capacities without capturing the cost through user fees. The Authority was taken over by the County with its debt, and the Authority was then dissolved. The County has implemented a 10-year plan to make the utility operation a fully self-supporting operation. After five years of plan implementation, cash reserves, budgetary projections, and long-term revenue projections show that the utility enterprise is on track or ahead of initial projections and should become fully self-supporting within the next six years. For debt affordability purposes the utility is currently 82% self-supporting. In the event the General Fund contribution is not removed as planned, the self-support assumptions in this report would require recalculation. This change would significantly alter the outcome of the recommendations in this report.

In addition to the County's management and policies for debt, strong financial commitment also requires formal policies regarding reserve levels. This financial measure is the ratio of reserves to General Fund revenues as it reflects the County's ability to address economic downturns or unexpected expenditures or cuts in state revenues without reducing County services. The County will meet its 17% reserve requirement in 2006. The addition to the reserve in 2006 is estimated to be the final installment of an eleven-year effort to meet the reserve target of 17% or two months of operating reserve. This increase will bring the County into compliance with written policy. Prior to that, the reserve was non-existent. The reserve going forward should only require incremental increases.

The analysis and plans provided are intended to provide the County Commissioners and citizens with a foundation which they can use to determine what the County's bond program and capital spending priorities could be under various financial and economic circumstances while remaining consistent with the financial capacity and policies of the County. The effort to validate the bond and capital spending program serves to protect and enhance the credit position of the County's bond rating. The County's credit ratings have been raised to AA- and Aa3 by Standard & Poor's and Moody's Investors Service, respectively in 2006, while Fitch Ratings raised the County's rating to AA- in 2005. This is reflective of the County's strong financial management, economy, debt management, and fiscal policies to which it adheres.

The estimated maximum debt capacity is not intended to be an absolute limit or a recommendation on the amount of debt that can be incurred. It should be used as a guide to better long-term financial planning and improved capital budgeting. Debt capacity estimates can assist long-term capital planning by showing the resources available to fund needed infrastructure. The estimates can then be used to allocate restricted resources to priority projects. This report analyzes the projected debt issuances to assure that long-term financial stability will remain intact.

In the final analysis the County's positive debt trends are supported by the following achievements:

---

- 
- Combined with the County's continued strong financial position and financial planning over recent years, County debt ratios have continued to improve and meet current and future peer
  - group median targets. In addition, unlike most governmental entities, the County continues to use peer group analysis for setting its benchmark targets in its ratio analysis.
  - The County's debt management practice of maintaining budgetary control over debt service has resulted in exceeding the average median for AA rated counties for loan amortization. With 35% in five years, 67% in ten years, and 100% in twenty years, the County's principal payout ratio on debt is viewed well by rating agencies and represents a debt management characteristic that the County continues to employ.
  - The County's reserve policy requires policy targets be maintained for each fund, with the General Fund compared to a peer group median. Additional strength is derived from a policy requirement for replenishment of reserves within three years in the event that reserves fall below the policy requirement. Based on the County's strict budgetary controls, all funds, with the exception of one, will meet the policy requirements for the reserve limits. This was an important factor in the rating upgrade.
  - While the County's Capital Improvement Plan has expanded, debt has remained manageable aided by annual debt affordability guidelines, low debt profiles, faster than average amortization of debt, and adherence to debt management policies.
  - Due to growth and diversification of the economy, strong financial management, sound debt management, and items noted above, the County was upgraded in 2006 by Standard & Poor's to a AA- and by Moody's Investors Service to a Aa3. Fitch Ratings upgraded the County in 2005 to a AA-.

Debt, based on a maximum annual issuance of \$15,000,000, is projected to remain at manageable levels and within current peer group median targets. Included in the projected ratios and in the rating agency assumptions is the fact that the County is working on elimination of the General Fund subsidy to the Utility Fund by the year 2012. In addition the maximum annual issuance of \$15 million must include all forms of tax-supported debt such as, but not limited to, general obligation bonds, state loans, and long-term lease obligations.

Tax-supported debt service through 2026, assuming a \$15 million annual issuance, ranges from \$11.8 million in fiscal year 2006 to \$19.9 million in fiscal year 2026. It is projected that debt service under the current economic assumptions would reach a high in 2018 of \$20 million and recede down to the \$19 million level by fiscal year 2026. Projected debt service under the annual issuance of \$15 million shows an annual average increase of 2.75%. This average is below the historical revenue low trend. The historical annual average increase for revenue is 6.75%, with the high trend at 8.10% and the low trend at 2.90%. Therefore the affordability analysis provides enough financial flexibility for the fluctuations in debt service.

---

There are multiple factors that can affect the County's affordability to incur future indebtedness, including the County's economy and the availability of adequate financial resources. For that reason this report and the financial ratios and analysis used, take into account the entire County financial condition, as other factors can effectively deteriorate the County's financial posture and affect its ability to incur debt. In addition, these managerial and unpredictable scenarios have been considered and tested in the model used, so that the known effects of worst and best-case results could be examined as were discussed earlier. It is important for the County to monitor financial conditions and results on a regular basis together with economic trends in order to continue to evaluate the County's credit position to determine whether annual issuance of debt should be adjusted to reflect a changing financial outlook and credit condition for the County under altered circumstances.

The debt capacity estimates generated from the analysis should continue to be used to integrate debt management with the capital budgeting process with a continuing effort to make the Utility fund self-supporting. It is recommended that annual tax-supported debt not exceed \$15 million per year and adjustments be made if economic conditions are forecasted to change significantly from that of the report.

---

Appendix B

Capital Improvement Policy

---



## Washington County, Maryland Financial Policies

---

**Section:** Capital Improvement Policy

**Purpose:** The objective of this policy is to state of the guidelines and goals for the County's Capital Improvement Plan that describes the County's capital funding decision mechanism and general planning process. This policy promotes long-term financial stability by establishing clear and consistent guidelines that will apply to current operations and long-term planning.

---

### Introduction

Washington County government is responsible for providing infrastructure improvements to its citizens. To provide for these improvements on a continuing basis, the Board of County Commissioners established a Six-year Capital Improvement Plan (CIP) that forecasts the future needs and priorities of the community. Through sound planning and programming of these capital projects the County can provide many improvements while only utilizing the prescribed amount of funds available for this purpose.

The Capital Improvement Plan is a plan for scheduling and financing future community facilities such as public buildings, roads, bridges, parks, water and sewer projects and educational facilities. The program itself covers six years with the first year designated as the Capital Improvement Budget. Funds for each project are allocated from federal, state, and local sources by the County Commissioners.

The Capital Improvement Plan is flexible, and is reviewed and revised each year. As part of the annual review process, certain projects are closed out due to completion and others are added as the re-sequencing of project priorities occur.

### Principles and Considerations Used in the Capital Planning Process

The County's capital program is developed based on several key principles which are outlined within various documents including the County's Comprehensive Plan and the Financial Policies. Taken together, this information provides a basis upon which the County sets its capital project priorities. The basic underlying principles are:

---

---

Capital investments will be targeted to support the goals of the Comprehensive Plan and other County functional plans

One of the primary functions of capital planning is to help facilitate the County's Comprehensive Plan. The Capital Plan identifies the facilities needed to efficiently and effectively serve the population and use of land called for in the Plan. The Capital Plan provides a guide for the future scheduling of project implementation over a six-year period of time.

Support Capital investment for economic development

The County's ability to fund major maintenance and capital development in the long run depends on the strength of the County's economy and tax base. The County will consider the impact of capital improvements on economic development as it sets its capital plan priorities.

Existing assets need to be preserved and maintained to ensure continued service

The County recognizes that in order to avoid major maintenance costs an annual evaluation of its capital assets is critical.

External funding possibilities should be considered when choosing among projects

Some projects generate funds through service fees or are eligible for external support through grants and contributions to fund the cost of construction. External funding sources make projects affordable and preserve County general funds for other uses. Incorporated in the County's approach to seeking external support, as a primary goal, is its adherence to functional planning policies that facilitates residential and commercial developmental growth to be supported by and financed from development fees.

Intergovernmental funding should be sought for regional projects

The County may take the lead or participate in providing facilities that benefit the region. To the extent possible, the County will seek federal, state, local, and regional support for these capital projects.

Debt should be used carefully and managed in accordance with the goals and objectives of County policies

Debt management is one of the most important aspects of the County's Capital Improvement Plan. Debt is issued to support the construction of certain projects that generate revenues and or offer benefits to the citizens of the County over a long period of time. Projects that benefit more than one generation should be paid for through the issuance of debt and paid for over a similar period of time. The County has debt policies that guide the use and structure of debt that will be followed in the capital planning process. In addition, the County requires a self-imposed annual debt affordability analysis

---

---

to be performed. It is important to preserve debt capacity for future capital and emergency needs.

### Purpose and Benefits of Capital Improvement Programming

*The major purpose of a Capital Improvement Plan is to:*

Provide a means for coordinating and consolidating into one document all departmental and agency capital fund requests;

Provide a system by which the capital projects can be examined and prioritized;

Provide a budgetary tool for the implementation of Comprehensive Plan elements and for other County Plans;

Forecast future capital demand against projected revenues;

Provide for projects to be scheduled and planned for over a six-year period, thereby providing a plan for implementation that balances financial resources against project implementation requirements.

*Capital improvement programming provides many benefits to the County by:*

Providing a means for coordinating projects,

Providing sufficient time for the proper technical design of projects.

Providing for and establishing project prioritizations thereby assuring that the most essential projects are completed at the earliest possible time.

Providing for a distribution of capital improvements that support the Comprehensive Plan throughout the community.

Providing a sound basis for financial planning.

Providing maximum benefits to be derived from public funds.

### Definition of a Capital Asset

*An item with a value in excess of \$10,000 and an expected life of more than two years, such as vehicles, equipment, and furniture.*

---

---

These items will continue to be included in the operating budget, within each cost center. Items such as vehicles, minor equipment and furniture will not be budgeted within the Capital Improvement Plan.

### Definition of a Capital Project (Capital Project Criteria)

Capital Projects are included in the Capital Improvement Plan when the project supports or improves the infrastructure needs and or the productive capacity of the County. Projects should have a useful life greater than 10 years and an estimated cost of \$25,000 or more, and should also meet one or more of the following criteria:

- ❑ Projects require restricted funding sources associated with the Capital Improvement Fund;
- ❑ Systematic acquisition over an extended time period, to complete implementation of a major functional or operating system;
- ❑ Rehabilitation or replacement of governmental or agency facilities;
- ❑ Projects that require bond financing because of significant costs associated with acquisition or construction of the project;
- ❑ Grant funding that requires a project to be included in capital budget;
- ❑ Planning and feasibility studies that support the acquisition, construction, or improvement for the above criteria (not required to meet the useful life test).

### Development of the Capital Improvement Plan

The Capital Improvement Plan (“CIP”) provides a comprehensive approach to planning that impacts all County operations. From the time the CIP’s initial annual review is begun in October of each fiscal year through its adoption in June, there is constant interaction between departments, the CIP committee, and the elected officials. This effort is characterized by cooperation and reflects the common goal of ensuring that the CIP meets the objectives of the County and remains affordable and achievable.

The annual review and amendment of the Capital Improvement Plan is developed from project submissions presented by the departments and agencies. These submissions are presented on project forms developed and distributed by the County’s Department of Budget and Finance. The forms require a project description, an expenditure schedule that details costs by type, and a funding schedule that identifies the source of funding for each project.

The Capital Improvement Plan Committee (CIP Committee) then reviews the project submission forms. The Committee organizes the submissions and is submitted to the Board of County

---

---

Commissioners. The CIP Committee is comprised of the County Administrator, the Director of Budget and Finance, the Director of Planning, and the Director of Public Works.

The Board of County Commissioners reviews the Six-year Capital Improvement Plan during regular public working sessions and public hearings. Following this review and before the end of the fiscal year, the Board formally approves and adopts the six-year program for the established projects.

### Responsibilities for the Formulation of the Capital Plan

- It is the CIP committee's responsibility to review all requests that county departments and agencies submit. Based on current and future needs, as developed in the Six-year capital plan and available funding sources, the committee will determine which capital project's best meet established criteria for the current fiscal year's capital budget and the five-year forecast.
- The Budget and Finance Department distribute and collect all project request forms. The projects are then entered into the capital project plan so that they can be tracked and assigned funding sources. The CIP is then reviewed in conjunction with the annual debt affordability analysis with revenue projections inclusive of rate analysis in order to determine funding availability. A financial analysis of funding sources and project costs is conducted for all proposed capital improvement projects.
- The Planning Director places the Proposed Capital Improvement Plan on an agenda for review and assists the Planning Commission in reviewing the projects for consistency with functional and comprehensive plans. The Planning Commission Recommendation is placed on the agenda to the Board of County Commissioners and includes the following:
  - a. Identity of the project;
  - b. Conclusions about consistency and/or inconsistencies between the project and the Comprehensive Plan using support page references, excerpts or quotes from the Plan;
  - c. Evaluation of the project in terms of the Capital Improvements Program and applicable functional plans such as the Water and Sewer Plan, Solid Waste Plan, Board of Education Facilities Master Plan, etc.
  - d. Where plan inconsistencies exist, outline of any extraordinary facts and circumstances that might warrant project approval or construction, along

---

with an assessment of whether any reasonably feasible alternative exists that is consistent with the Plan.

- As the elected body, the Board of County Commissioners review, approve and adopt the Capital Improvement Plan. They are therefore asked to:
  - a. Review and revise the Capital Improvement Plan submitted by the CIP committee;
  - b. Determine that each project is consistent with the Comprehensive Plan and or determine that there are certain projects that are not consistent with the Plan but
  - c. Have special merit. Extraordinary circumstances may therefore exist that warrant approval or construction of the project and determination found that no reasonable feasible alternative exists. A summary of these determinations is kept on file and used in preparing a report to the State Economic Growth Resource Protection and Planning Commission on or before February 1 of each year.

### Capital Improvement Budget Policies

1. The County will adopt a balanced Six-year Capital Improvement Plan, appropriating the first year of the six-year program as part of its Capital Budget. The document shall contain a listing of all Capital Improvement Plan projects along with identification of the proposed financing source. The County will adopt and update this document annually.
2. Each project will be reviewed to determine the best financing method based on useful life, benefit of asset, cost, etc. It is also the policy of the County to establish a pay-as-you-go funding strategy that best matches benefits streams to cost streams as closely as possible, while maximizing the contribution level.
3. The relationship between the operating and capital budget is considered during the budgeting process. The capital budget includes costs for long-term capital projects, which add to the capital asset base of the County. The operating budget assumes the cost of maintaining and operating new facilities that are built under the capital budget and other cost such as debt service.
4. Self-supporting projects are determined by policy with supporting financial information, including rate setting models, financial forecasts, and budgetary and funding source evidence.

- 
5. The contingency reserve will be funded with an annual minimum amount of \$200,000. In the event that the contingency account has excess funds, annual appropriations may be reduced for that year. All project savings and funding excesses shall remain within the specific fund to be reserved for future project costs.
  6. The Director of Budget and Finance is authorized to initiate interim and long-term borrowing measures, as identified in the Capital Improvement Plan.
  7. Projects that are funded with loan or grant proceeds will be included in the budget document with the understanding that the project manager may not expend funds until formal approval of the grant award or letter of commitment has been obtained.
  8. The annual capital budget shall include only those projects, which can reasonably be accomplished in the time frame indicated.
  9. Capital projects will not be budgeted unless there are reasonable expectations that revenues will be available to pay for them.
  10. Capital projects, which are not completed during the fiscal year, will be carried over to the next fiscal year.
  11. A comprehensive inventory of all capital assets shall be maintained and shall include estimated values, depreciation and useful life in accordance with the Capital Asset Policy.
  12. The Director of Budget and Finance shall review the project status and revenues before any issuance of debt. Any modifications to a project and or the total debt to be issued based upon this review shall be approved by the Board of County Commissioners either for an increase or decrease in total borrowing amount or for a change in the total borrowing source.
  13. The Director of Budget and Finance has the authority to move funding sources within categories and within budgetary limits to accommodate project transfers.

## Monitoring Procedures

### Reporting:

A Capital Improvement Project Status report will be prepared by the Department of Budget and Finance on a monthly basis to help monitor project budgets. The report will detail the approved budget, current expenditures, unexpended funds, and funding sources for that project. It is the responsibility of the project managers to monitor their budgets for both expenditure and revenue compliance. This report is available on through the Nvision (the County's financial software) icon, located on computer desktops.

---

Any net project savings at year-end will be accumulated and earmarked as unreserved and will be designated for future use. The County Commissioners through the budgetary process must approve the future use according to transfer policies.

Project Adjustments:

- ❑ Approval of the Director of Budget and Finance and the County Administrator is required for an amendment to a capital project if the following occurs:

*Project increase up to \$25,000 in the current project budget identified in the Capital Improvement Plan.*

- ❑ County Commissioner approval is required for an amendment to a capital project if the following occurs:

*Project increase exceeding \$25,000 of the current project budget identified Capital Improvement Plan.*

All budget transfer forms are to be sent to the Department of Budget and Finance, signed by the requesting Department Head with the approval of the Division Director, if applicable.

Any project overruns will require a budget adjustment form. Requests are to be sent to the budget analyst in the Budget and Finance office to first verify that funds exist for transfer. Once verification is made the request will be forwarded to the appropriate administrative levels for approval and recorded.

---

Appendix C

Capital Improvement Project Planning Guide

---

## Capital Improvement Project Planning Guide

The following example shows how to document support for management and stakeholder approval. The example presented can be expanded or scaled down to fit the project scope.

- ❑ First step: Select an approach. What applications for a new project do you see? Does your selection promise a significant, positive financial impact? Will its benefits dovetail with other County initiatives and goals? You're likely to do best at detailing, costing, explaining, defending and implementing processes you are familiar with. Success with an initial application will open the doors for approval of other initiatives.
- ❑ Next, design the solution. Begin by defining the problem, and then completely describe the proposed operational and technical solution to the problem. Remember, you are trying to justify the project, in some instances the way people work and the way they think. Specify cost savings, especially as they relate to process or change factors, even if these savings won't be immediate. Point to the beneficial effects on people, productivity and quality. Anticipate objections and address them up-front; those that arise later will be more difficult to counter.

Document all your assumptions. As you research your numbers and document their origin, you build a defense against challenges and increase confidence in the results that your model predicts.

Enlist highly regarded people from other functional areas who can help identify key issues and lend credibility to your arguments. You may need support from finance, IT, legal, planning, human resources and administration, as well as from various operational departments. Gather to your side people who can refine your mission, goals, numbers, issues, problems and assumptions. Give them ownership in the project. This will stimulate them to assure the project's success because its outcome will reflect on them.

Estimate the project's cost. Be realistic and be comprehensive. In addition to capital costs include annual operating costs and costs for full time equivalents. This fully discloses to the Board and the stakeholder what the total cost of the asset would be.

Understand what the total employee cost value is when estimating operating cost. Estimated labor, skill levels and other resources will be something that you need. This will help you set your model, define a proper timeline and establish expectations from your enlisted experts and others.

---

Analyze the financial aspects. The County is likely to focus on costs and need. So, paint the big picture, structure the outline, and then detail it. The detail can be created in whatever format is deemed appropriate by the user. This would be considered an internal document for backup presentation and not used as part of the public presentation document. In analyzing the project the following process is followed:

- ❑ Project statement. This anticipates the expense in the period when it will occur. An estimate of cash flow must occur, as bond proceeds and other financing is scheduled around this projected flow of funds. Expenditure categories should be detailed by line item to determine this flow.
- ❑ Net Cash Flow. This is what is gained year-by-year. Operating costs, debt costs, etc., less any revenue earnings.
- ❑ Define any intangible benefits. Agreement may be made that they are desirable but there may be disagreement about the value. Keep the argument simple and factual. It may be enough to identify benefits and discuss them briefly and not need full validation unless asked. Items that may come up could be improved customer satisfaction, operational efficiency, improved safety, etc.

Finally, prepare the submission and be present at all Capital Improvement Plan workshops and hearings. Here are some suggestions on the submission write-up and or budget presentation:

Know your audience, its members, and their positions and anticipate in advance what they expect. Avoid drafting a generic proposal and underestimating the Board or discrediting any members. Instead, list the key factors and the support for each to the audience. Be prepared to answer short and to the point answers that focus specifically on the questions asked. Be willing to explain and defend your proposal. You will learn from this, and it will make you more confident.

Describe the implementation. This section separates action from financial analysis. Include levels of detail suitable for each audience--enough to prove your forethought and planning without losing the Boards' interest. Providing for contingencies and projected costs or possible complications in your implementation plan can prove that you are prepared, and decreases the chance of returning with project overruns. Show that you have planned well and will be able to execute the plan.

Build the supporting documents. These should develop your arguments and detail how you reached your conclusions. Relatively few people may read these documents thoroughly, but those who do can be important to you. Supporting documents should include:

- ❑ Financials. Base them on cash basis accounting rules. Financial analysts focus on details. Be sure you satisfy them.
- ❑ Project plan. While a basic cost justification may not require a project plan, it will be needed if it involves funding by other departments or commitment in the process. You need to develop a project plan in order to show the relationships between tasks, activities and resources.

- 
- Assumptions. Compile all assumptions made while developing your documentation. Include the sources for facts, statistics or rules of calculation. This can be highly valuable for defending your plan and resolving disagreements or misunderstandings.
  
  - Execute. Gaining approval for a capital project requires demonstration of need and cost containment, and operational efficiencies. These issues are important to the Commissioners and the stakeholders. Your proposal sets expectations and the tone for your project. Everything hinges on its acceptance. If the project is really important to your department, agency, and County then it's worth the time and care it will take to prepare a factual, convincing, and bulletproof proposal.

---

Appendix D

Capital Improvement Project Form

Capital Improvement Project File

---

