

TOWN OF VIRGIN'S CAPITAL IMPROVEMENT PROGRAM

PURPOSE

To plan community needs with expected revenues and other funding sources; to identify what is fiscally feasible; to effectively maintain the Town's infrastructure; and protect the value of its capital assets. This policy outlines guidance for planning, reviewing, and coordinating capital improvements. Adherence to this policy will help the Town meet its capital needs despite limited resources. The intention of this Capital Improvement Program is to provide a "blueprint" of the Town's capital spending for the next five years.

APPLICABILITY

This policy establishes a framework for long-term capital improvements, sets guidelines and expectations for all Town employees and the community in planning for and requesting capital projects, and outlines consensus budgetary goals for the Town Treasurer and Town Council. This Capital Improvement Program has an added benefit of providing a "jump start" to the annual budgeting process, as financial projections have already been made. These projections will obviously have to be updated and refined as the year progresses. However, the Capital Improvement Program projections will provide a yardstick by which to gauge the development of future annual budgets. Finally, the Capital Improvement Program will result in all the players in the budget process to begin looking long-term with respect not only to their capital needs, but to the overall financial health and condition of all town funds.

POLICY

One of the primary responsibilities of local government is to properly preserve, maintain, and improve a community's stock of buildings, roads, parks, water and sewer lines, and equipment. Planning for these capital improvements is a matter of prudent financial management, as well as sound development practice. A Capital Improvement Program is essential to the future financial health of the Town and continued delivery of services to citizens and businesses.

The Town will maintain its physical assets by providing funding in the operating budget to protect its capital investments and minimize future maintenance and replacement costs. To provide and preserve the infrastructure needed for achieving the highest levels of public services and quality of life possible within available financial resources, the Town will maintain an annually updated, five-year plan for capital improvements. The Town will emphasize preventive maintenance as a cost-effective approach to capital reinvestment and replace exhausted assets as necessary.

A. Virgin Capital Improvement Program Committee

The Virgin Capital Improvement Program (VCIP) Committee is an advisory committee overseeing Virgin's capital improvement program as provided in the policy. The VCIP is a public body and shall provide notice as provided in Utah Code Section 52-4-202. The VCIP committee shall consist

of ~~six~~ seven members, one of whom is the Town Manager ~~Mayor~~, who shall serve as the VCIP Committee Chair, the Mayor, the Town Treasurer, a Planning and Zoning Member appointed by the Mayor, and three members who are registered voters or property taxpayers of the Town of Virgin. The preference is that the three members who are registered voters or property taxpayers are from the public, but they can be another Planning and Zoning member, or Town Council member provided their appointment doesn't create a quorum of either the Planning and Zoning Commission or the Town Council. The Mayor shall appoint the VCIP registered voter or property taxpayer members, with the consent of the Town Council. Appointment of the three appointed members shall be made at the first Town Council meeting after the start of each fiscal year. VCIP members shall serve for terms of two years and serve at the pleasure of the Town Council. Initial appointments to the VCIP Committee shall consist of one member for a two-year term, and one member for a three-year term. The third member, added in December 2014, shall serve an initial one and half year term and then the successor a two-year term. The Town Council shall fill vacancies of registered voter or property taxpayer by the mayor appointing a registered voter or taxpayer to serve the un-expired term with the consent of town council. The VCIP Committee can request assistance from other individuals as may be necessary to carry out their charge.

B. Capital Improvements Plan (CIP)

The VCIP Committee shall identify and prioritize projects, analyze funding, and create a long-term financial plan achievable within the Town's budget limitations. The Capital Improvements Plan developed under this policy will identify:

1. Capital projects
2. Anticipated start date
3. Anticipated completion date
4. Amount to be spent each year
5. Financing plan

The Capital Improvement Plan will be developed in accordance with the Capital Improvement Budget Calendar.

C. Definition of a Capital Improvement

A capital improvement is a tangible asset or project estimated to cost over ~~\$3,000~~ \$5,000 and to have or extend three or more years of useful life. These include:

- Real property acquisitions, construction, and long-life capital equipment
- Major improvements to physical infrastructure, including roads, bridges, sidewalks, storm water drains, water towers, water distribution systems, septic systems, and sanitary sewer systems
- Major renovations of existing capital items that extend their useful lifespans, as distinguished from normal operating expenditures
- Planning, feasibility studies, and designs for potential capital projects
- Items obtained under a long-term capital lease

- Bulk purchases of similar items, like software or furniture, with expected useful lifespans of one or more years that, when aggregated, have total costs exceeding the capital threshold.

D. CIP Steps and Phasis

The expected outcome of this process is a Capital Improvement Plan (CIP) delineating needed and/or desired capital improvements for the Town of Virgin for the next five years, and the integration of the plan into the annual budget. This plan and process will be conducted every year. The plan may be amended at any time during the year, as the needs of the community change, or the funding sources are added or eliminated.

The CIP process has an initial two-step process (performed initially and whenever Town Council determines it necessary to repeat initial steps), then an annual five-step process. The initial process:

1. At a Town Council meeting and after taking public comment, adopt by resolution this plan (as amended by Town Council); and
2. Conduct an initial asset inventory by Town Manager ~~mayor~~ and staff. (*Note: this has been performed by previous town councils and may need only to be updated*) The attached inventory asset forms are provided to assist in the inventory. The important elements are to identify all assets and record the condition of each asset. The other information on the form can be completed as information is gathered throughout the year.

Annual steps and phases:

1. Needs Assessment Phase. To support a systematic acquisition and replacement schedule, the Town Manager ~~Mayor~~, with assistance of town employees, town engineer, and other individuals as the Town Manager ~~Mayor~~ shall determine, will review and update the inventory of all capital assets. The Town Manager, Mayor, Town Council members, Town Treasurer, Town Engineer, and Planning and Zoning Board members will submit capital project requests using the Capital Project Request Submission Form and the Mayor will update the previous year's capital project requests that are listed as unfunded or are unscheduled. Additionally, the Town Clerk shall publish a notice on the Public Notice Website and Town Website informing the Town's citizens and Virgin business owners that they may submit a capital project request using the Capital Project Request Submission Form and the deadline for submission of the form.
2. Capital Analysis Phase. Because there will almost always be more projects than available funding, a rating system is proposed that projects can be evaluated against in determining their priority. A project's status should be based on a combination of things, primarily the goals and policies of the town's general plan, identified deficiencies in the existing systems, citizen input, and the feasibility of obtaining funding. The following criteria and rating system is intended to provide at least a beginning quantification of these factors which can be used to initiate discussions on projects and guidance in prioritizing the

projects. The VCIP Committee shall review, evaluate, and prioritize the capital project requests using the following ratings:

Points (UP TO)	Rating	Criteria
5	Life, Health, Safety	Is the proposed improvement needed to protect public health, safety and welfare?
5	Legal Mandate	Is the proposed improvement required to comply with a legal mandate?
5	Water Conservation	Does the proposed Improvement contribute or directly improve water conservation
4	Coordination	Is the proposed improvement a part of another project?
4	Dark Sky	Does the improvement directly contribute to improving dark sky?
3	Partnership	Does the improvement create partnership opportunities (private, public or other)?
3	Consistency	Is the improvement consistent with general plan, and with impact fee or other master plans?
3	Level of Service	Will the improvement enhance provision of services for existing residents?
2	Other	Does improvement enhance or improve the Town in a manner not listed above?

3. *Creation of Multiyear Capital Plan Phase.* Each year during the budget process the Town Council should adopt a new capital budget based on their updates to the CIP. Ideally, the Council will move each year's scheduled projects ahead by one year, while also adding projects that should be completed within 5 years. This would move the second year's projects into the priority position for the coming year's budget. Regardless of the list of projects, the CIP should have an annual capital budget as well as a schedule of projects that extends over a 5-year period at a minimum. Thus, the VCIP Committee will annually propose for adoption by the Town Council a five-year capital improvement plan (see 5-Year Capital Improvement Plan Form), which plan delineates a five-year projection of capital needs and expenditures that details their estimated costs, descriptions, and

anticipated funding sources and which includes the upcoming fiscal year's capital improvements in year 1 of the plan.

4. Adoption Phase. After holding a public hearing on the 5-year Capital Improvement Plan, the Town Council will make appropriate changes to the proposed 5-year Capital Improvement Plan and then adopt the plan. The Town Manager and Mayor will then integrate the adopted CIP into the Town Manager and Mayor's proposed recommended budget for the ensuing year. The Town Council via adopting a final budget for the ensuing FY appropriates dollars for the CIP projects for the fiscal year.
5. Implementation Phase. Throughout the year, the Town Manager ~~Mayor~~ will monitor active capital projects to ensure they remain properly funded. Unless required by an emergency, no capital improvement project will be approved by the Town unless the project is on the CIP list, scheduled for improvement in the current fiscal year, and money appropriated for the project. The Town Manager ~~Mayor~~ also will submit any capital improvement plan amendments to the Town Council. Amendments to CIP may be made by Town Council after holding a public hearing.

E. Amendment of CIP

Because the CIP is not intended to be a static and unchanging document, amendments to it should occur in response to changing conditions within the community. The most appropriate time for it to be amended is during the Town's annual budget process, however, should the need arise, the plan can be changed at any point in time. Amendments can be in many forms, such as the addition of projects which arise as result of unique opportunities or the unexpected availability of special funding; or deleting projects that are deemed unnecessary. The amendments must be formally adopted by the Town Council through the same process as the initial CIP, *i.e.*, after public hearing and by resolution.

F. Capital Financing

To assist in reserving money for the CIP, the Town will create and maintain a capital improvement fund in accordance with Utah Code section 10-5-113. A capital improvement fund is a fund that is used to save money for specific capital projects identified in the CIP, such as a new water tank. The town council may, in a budget year, appropriate from estimated revenue or excess fund balance in the town general fund to this capital improvement fund. Doing so enables Virgin to pay outright for short and moderate-range capital projects thereby preserving debt capacity for major, higher-dollar purchases or projects. This approach balances debt with pay-as-you-go practices and protects against unforeseen costs. The accumulation of this capital improvement fund balance may not exceed 100% of the total revenue of the town general fund for the current fiscal period.

Options to finance projects with short useful lifespans shall include current revenues, the capital improvement fund, impact fees, and short-term debt (5-10 years). Long-term debt is an appropriate funding source for projects with very high dollar amounts and lifespans of 10 years or more.

The CIP shall be prepared and financed in accordance with the following policies:

- Special revenue sources (e.g., grants, impact fees, partnerships) shall be evaluated as funding options whenever practical.
- The annual operating costs of each proposed capital project, as well its debt service costs, shall be identified before any long-term, bonded capital project is recommended.
- Short-term debt may be used to fully finance purchases with useful lifespans under 10 years.

CAPITAL IMPROVEMENT BUDGET CALENDAR

(note: initial asset inventory is conducted immediately after passage of this policy)

July-August	<p><u>Town Manager</u> Mayor distributes capital improvement project request forms</p> <p>Town Council members, Town employees, Planning and Zoning Board members begin considering their capital needs for the-fiscal year.</p> <p>Town Clerk posts notice of submission of capital request forms on website and public notice website with deadline for submission</p> <p>Town Council members, Planning and Zoning members, employees, Town Treasurer and engineer, and the public submit capital projects request forms to town clerk, who compiles them into a comprehensive capital package.</p>
September - February	<p>Comprehensive capital package is given to Virgin Capital Improvement Planning (VCIP) committee for review.</p> <p>VCIP committee meets and, if necessary, requests clarification from individuals submitting capital project request forms.</p> <p>VCIP committee evaluates, ranks, and prioritize requests (along with updating requests on the previous 5 year plan)</p>
March	<p>VCIP committee submits a proposed annual capital budget (year 1 of the 5 year plan) and proposed five-year CIP to <u>Town Manager</u> Mayor</p> <p>The <u>Town Manager</u> Mayor with the assistance of Town Accountant, Town Engineer, and Town Treasurer updates revenue and expenditure projections with latest data and revises plan based on updated revenue projections.</p>

April	<p><u>Town Manager and</u> Mayor presents the 5-year CIP for approval by Town Council.</p> <p>Public hearing is held on the 5- year CIP</p> <p>Town Council considers and approves a 5-year CIP</p>
May - June	<p>The <u>Town Manager and</u> Mayor integrates the adopted CIP into the <u>Town Manager and</u> Mayor's proposed recommended budget for the ensuing year.</p> <p>Town holds required budget hearing and passes final budget for the next fiscal year which includes the annual capital improvements budget</p>
All Year (July-June)	<p>The <u>Town Manager</u> Mayor monitors active capital projects to ensure the capital improvements remain properly funded and also submits any capital improvement plan amendments to the Town Council. The <u>Town Manager</u> Mayor will also update the asset inventory.</p> <p><u>Town Manager</u> Mayor updates capital asset inventory</p>

Forms:

1. Asset Inventory Forms:
 - a Facilities
 - b Fleet & Equipment
2. Capital Project Request Submissions Form
3. Virgin Five Year Capital Improvement Plan Forms:
 - a Summary of All Funds
 - b Five Year Capital Improvement Project Form