

COUNCIL POLICY NO. C-9

TITLE: CAPITAL IMPROVEMENT PROGRAM POLICY

POLICY: See attachment.

REFERENCE: Finance Committee Report dated 11/10/2008, Agenda Item No. 4.2 (a)
Finance Committee Report dated 2/20/2024, Agenda Item No. 4a

CITY OF SALEM CAPITAL IMPROVEMENT PROGRAM (CIP) POLICY

I) Purpose

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

II) Definitions

The **Capital Improvement Program (CIP)** is a five-year plan that identifies the City's prioritized investments in capital assets and corresponding financial plans. A **capital improvement** (a.k.a. capital project) is defined as a planned activity that: creates, improves, maintains, repairs or replaces a fixed asset; results in a permanent addition to the City's asset inventory valued at ~~\$100,000~~ **\$50,000** or greater; and, has a useful life of more than 5 years. Capital improvements usually involve one of the following actions:

- Acquisition of property, equipment, **software**, or debt financed assets;
- Construction of new facilities; and/or
- Rehabilitation, reconstruction, renovation or upgrade of an existing asset to a condition which extends its useful life and/or increases its capacity.

~~Fleet~~ ****Rolling stock and equipment subscriptions** are excluded from the CIP Policy.

III) Policy

- A) Governing Body Approval: Annually, the City Council Board will adopt a 5-year CIP. Prior to adopting the CIP, the City will hold a public hearing on the proposed CIP.
- B) Responsibility: ~~The Public Works-City's Administrative Services Department will be~~ **is responsible for coordinating and producing the annual CIP and the Finance Department is responsible for producing and presenting the annual CIP document.**
- C) Review Committees: ~~The CIP Review Committee will be a standing committee that will review the: department project requests, additions/changes to the CIP, financial assumptions, organizational capacity to complete the requests, and project plans. Projects proposed for the CIP will be reviewed and prioritized by a CIP Review Committee before being forwarded to Council for approval.~~

1. **The Staff Review Committee(s) will be made up of Engineering, Planning, Operational staff, and other Departmental staff and will:**
 - i. **Review all project requests.**
 - ii. **Make Recommendations for additions/changes to the**

CIP.

- iii. Analyze organizational capacity to complete project requests.
- iv. Prioritize and score all project requests.
- v. Program funding.

2. The City Council Finance Committee will:

- i. Review the draft five-year CIP.
- ii. Give direction on programming of funds to ensure Council goals and objectives are met.
- iii. Schedule meetings – topics to include:
 - a. CIP Development
 - b. Progress Updates
 - c. Preliminary five-year CIP
 - d. Proposed five-year CIP

****Additional meetings may be scheduled to address CIP issues**

- D) **CIP Reporting:** Quarterly (if needed) the Staff Review Committee will produce a report that summarizes any changes/additions/deletions to the adopted CIP and provide the report to Council. The report shall also include a list of projects completed in the quarter and a budget to actual project cost comparison for each. ~~The CIP Review Committee will develop a quarterly CIP report that summarizes changes to the adopted CIP and provide the report to Council.~~
- E) **Project Information:** The CIP document shall at a minimum provide the following details on each capital project; **project title**, project description, **neighborhood, ward, funding allocation by year, total** estimated cost, sources of funding, **and total amount funded in prior years. Where possible**, operating budget impacts **will be included.**, ~~and justification. Project justifications will directly relate to a Council Goal, City Policy, asset management plan and/or approved Master or Comprehensive Plan of the City.~~
- F) **Public Outreach:** Staff will implement a public outreach program to ensure the public is informed and educated on the five-year CIP. Outreach may include: annual attendance at neighborhood association meetings, Salem Service Day, board and commission meetings as requested, annual update flyers, social media updates, City website updates, etc.
- G) **Financial Planning:** Capital projects will identify the annual impact on the operating budget. The operating budget impact will be incorporated into the forecast report. Year-1 capital and operating costs will be included in the Proposed Budget.
- H) **Funding Sources:** Whenever an improvement is for the benefit of a rate or self-supported program, the City will work to fund the capital improvements on a pay-as-you-go basis, or by using self-supporting revenue/tax-increment bonds. Use of General Obligation bonds will be limited to major capital improvements in support of general municipal services.

- I) Asset Management: The City will move towards the development of an asset preservation plan to maximize the assets' useful life and minimize future maintenance and replacement costs. An inventory of the City's assets, including their condition, will be maintained.
- J) Capital Maintenance & Replacement Reserves: The City will move towards the establishment of a future maintenance/replacement reserve account (segregated by fund and program).
- K) Budget Implementation: Upon adoption of the CIP, projects identified in Year-1 of the adopted CIP will be included in the proposed budget for Council approval. **Mid-year new projects greater than \$100,000 will be forwarded for City Council approval by staff report.** ~~Mid-year amendments to the CIP will be treated as amendments to the City's adopted budget, and will be made through the supplemental budget process.~~