



Boone Capital Improvements Program (CIP)

CIP Program Overview

Capital Improvement Program (CIP)

The CIP serves a number of important functions for the City of Boone. Some of the most basic functions include the CIP as a formal mechanism for decision making, a link to the long-range goals of the community, a financial management tool, and a reporting tool for communicating financial goals to citizens.

An important aspect of developing the capital improvement program is balancing Boone's needs with our ability to pay for those needs. The process focuses attention on the financial capability of Boone City Government over the long term. Consistency of projects with community goals provides a way to select among competing projects for the limited financial resources available to our City Government.

Below is a detailed outline of the policies that structure the Boone CIP.

Capital Expenditure Defined

The City of Boone defines a "capital expenditure" as –

1. The project is of a nonrecurring nature
2. Minimum cost of \$12,000
3. Estimated service life of at least 10 years

Examples:

1. *The CIP is not intended to include such items as painting and sealing a parking lot; however, it would include the repaving of parking lots.*
2. *The CIP includes the installation of a new roofing surface, but would not include spot patching of a roof.*
3. *The CIP is intended to exclude such items as light poles or playground equipment whose individual replacement costs would be less than \$12,000 but when aggregated would cost more than \$12,000. The exception to that \$12,000 would be when the total of all replacement items is sizeable (i.e., \$40,000 or more). If such items are part of a larger project (e.g. rebuilding a park which includes a playground), then all such items which individually do not qualify as capital, would be considered as capital when presented as a single project.*
4. *Major renovations of existing facilities that cost more than \$12,000 may be submitted for consideration as a capital project. Maintenance of existing facilities, however, should not be included in capital requests. Requests for the funding of maintenance projects should be included in the appropriate operating budget.*

The CIP of Boone shall cover a **FIVE** year time period. The CIP will be reviewed once a year and another year will be added to the program.

Priority Classification

The City of Boone will utilize the following to prioritize projects included in the CIP.

CIP Rating Procedure

- Mandates (legislative/legal/contractual requirements)
- The basics (provide required services, health, safety, general welfare)
- Achieve goals (community growth, new attractions, etc.)

1. Service Level Priority Classification

- a. Critical - Protects life, health or safety
- b. Maintenance - Allows continuation of existing service at same level, or finishes partially complete project.
- c. Enhancement - Improves services or facilities when obsolete or inadequate.
- d. New Service - Expands scope of existing public service or introduces an entirely new service.

2. Policy Priority Classification

- a. Legal Requirement - Legislative/legal or contractual obligation.
- b. Safety / Correction - Protects life, health or safety.
- c. Infrastructure - Public domain fixed assets such as roads, bridges, drainage systems, and similar assets that are immovable and of value only to the government unit.
- d. Other - Other than listed above

3. Expected Useful Life - How long until replacement necessary?

4. Effect on operating and maintenance costs - Salaries, repairs, etc.

5. Effect on Revenue Sources - How does this affect City revenues?

6. Grant Reimbursement - Is it available? What match percentage?

Budget Policies

Capital Improvement Budget Policies-

1. The city will determine the least costly financing method for all new projects.
2. The city will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to council for approval.

Debt Policies-

1. The city will confine long-term borrowing to capital improvements that cannot be financed from current revenues.

2. When the city finances capital projects by issuing bonds, it will pay back the bonds within a period not to exceed the expected useful life of the project.
3. The city will try to keep the average maturity of GO Bonds at or below 10 years.
4. On all debt-financed projects, the city will make a down payment of at least 5 percent of total project cost from current revenues. The city will maintain a goal of increasing this percentage.
5. Total debt service for general obligation debt will not exceed state allowed total annual locally generated operating revenue.
6. Total general-obligation debt will not exceed 5 percent of the assessed valuation of taxable property.
7. Where possible, the city will use special assessment, revenue, or other self-supporting bonds instead of general obligation bonds.
8. The city will maintain good communications with bond rating agencies about its financial condition. The city will follow a policy of full disclosure on every financial report and bond prospectus.

Revenue Policies-

1. The city will try to maintain a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source.
2. The city will estimate its annual revenues by an objective, analytical process.
3. The city will project revenues for the next **five years** and will update this projection annually. Each existing and potential revenue source will be reexamined annually.
4. The city will establish user charges and fees at a level related to the cost of providing the services.
5. The city will periodically recalculate the full costs of activities supported by fees and adjust accordingly (considering such factors as inflation).
6. The city will try to set fees for other user activities, such as recreational services, at a level to support a majority of the direct and indirect cost of the activity.