



CAPITAL IMPROVEMENT POLICY

No. FIN 103

PURPOSE

This capital improvement policy provides administrative guidelines to the Financial Services Department, all Town Departments, Management and Town Council.

1.0 POLICY

This policy establishes the framework for overall planning and execution for Town capital improvements. It sets forth guidelines against which current planning and performance can be measured and proposals for future projects can be evaluated.

1.1 INFRASTRUCTRE AND CAPITAL NEEDS

1.1.1 INTRODUCTION

A capital improvement program (CIP) is a long-range plan of purchasing, constructing and maintaining the Town's capital assets. A capital budget is the portion of the operating budget that funds capital costs.

1.1.2 DEVELOPING A CAPITAL IMPROVEMENT PROGRAM (CIP)

A capital improvement program (CIP) will be developed for a period of five years. As resources are available, the most current year of the CIP will be incorporated into the current year's operating budget. The CIP will be reviewed and updated annually.

1.1.3 DEFINING CAPITAL ASSETS FOR A CIP

For the CIP, all land and land improvements, building projects and equipment which results in a capitalized asset costing more than \$5,000 and having a useful life (depreciable life) of five years or more.

1.1.4 PRIORITIZING PROJECTS

Capital projects and/or capital asset purchases will receive a higher priority if they meet some or most of the following criteria:

- Project/asset is mandatory
- Project/asset is regulatory or environmentally driven
- Project/asset spurs economic development
- Project/asset improves efficiency



- Project/asset provides a needed service
- Project/asset will have a high usage
- Project/asset will have a useful life of longer than two years
- Project/asset will reduce operating and maintenance costs
- Project/asset has available state/federal grants
- Project/asset eliminates a hazard
- Project/asset is a prior commitment

1.1.5 ALLOCATING RESOURCES TO CIP

The Town will maintain an equipment reserve fund to pay for equipment capital assets. Each annual budget, budgetary resources allowing, will set aside an amount equal to the depreciation of the equipment capital assets.

Capital projects will be funded through a combination of allocated revenues, state/federal grants, and authorized debt.

Capital projects must meet the following criteria:

- If debt funded, the term of the debt should not exceed the useful life of the project.
- Capital projects shall be built to specifications which enable them to be self-sustaining whenever possible.
- Long-term debt will be funded through revenue bond issues whenever feasible, to maximize the general obligation debt limitation.

Capital improvement life cycle costs will be coordinated with the development of the Operating Budget. Future operating, maintenance and replacement costs associated with new capital improvements will be forecast, matched to available revenue sources, and included in the Operating budget.

1.1.6 REPORTING

With the exception of “on-going projects”, each project shall be described such that development phases are delineated as separate stages of the project. Examples include land acquisition, design and construction. “On-going projects” represent annual capital programs such as street overlay, sidewalk expansion or traffic signal rebuild.

An estimate of the operating budget impact of each proposed project shall be identified and incorporated into the Town Corporate Strategic Financial Plan.



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The adopted CIP shall constitute the Town's long-range plan for capital expenditures and shall be consistent with the Payson Corporate Strategic Plan.