

Sacramento Metropolitan Fire District

BOARD POLICY

POLICY TITLE: Capital Improvement Program Policy

OVERSIGHT: Administration

POLICY NUMBER: 01.019.01

EFFECTIVE DATE: 03/22/22

REVIEW DATE: 03/22/22

Background

The Sacramento Metropolitan Fire District's (District) Capital Improvement Program (CIP) organizes, facilitates, and memorializes capital needs and goals in order to efficiently and transparently develop and support the physical infrastructure of the District. Rigorous and methodical evaluation of facility, apparatus, and equipment needs and financing options will ensure that existing and future capital needs are met, in compliance with the District's strategic plan and financial resources.

Purpose

This policy defines the process to identify and plan for funding of capital projects in order to ensure timely acquisition and replacement of needed capital assets, improvements, and facilities.

Scope

This policy is applicable to all District personnel involved in planning for the District's capital needs.

Definitions

- 1. Capital Project:** Any expenditure for facilities, improvements, apparatus, or equipment with a cost greater than \$50,000 and an expected useful life of at least one year. These projects include apparatus and equipment acquisition and replacement; improvements to District facilities; and the construction or rehabilitation of District properties and facilities including feasibility studies, land acquisition, architecture and engineering, and other associated planning costs.
- 2. Capital Facilities Fund:** A separate accounting for budgeting and reporting purposes used to track expenditures for capital outlay not associated with new development.
- 3. Capital Improvement Program (CIP):** A multi-year program and plan that identifies capital projects necessary for the implementation of the District's various long-range plans including the Standards of Cover, Growth Plan, Facility Condition Assessment, and Apparatus and Equipment Replacement Schedule. The CIP includes a five-year projection, including a one-year funding recommendation, and financing options.
- 4. Development Impact Fee CIP Reserves:** Reserves accumulated for the purchase of infrastructure to support new or expanding development. These reserves include funding from Development Impact Fees and General Fund transfers.

5. **General Fund:** For budgeting and reporting purposes, Metro Fire records all transactions in the General Fund that are not specifically accounted for in any other fund. The other funds include the Capital Facilities Fund, the Leased Properties Fund, the Grant Fund, the Development Impact Fees Fund, and the Intergovernmental Transfer (IGT) Fund.
6. **Grant Fund:** For budgeting and reporting purposes, Metro Fire records all grant related revenue and expenditures in the Grant Fund, in accordance with Federal grant rules and regulations.
7. **Leased Properties Fund:** For budgeting and reporting purposes, Metro Fire records all transactions for real property owned by the District but leased to other entities in the Leased Properties Fund.

Policy

1. Capital Needs and Plans

- a. It is the policy of the District to prepare a Capital Improvement Program (CIP) that outlines capital needs of the District that:
 - i. Are responsive to the changing needs of the District
 - ii. Demonstrate excellence in quality and value
 - iii. Enable District staff to carry out their duties in an efficient and customer-focused manner
 - iv. Provide a healthy, safe, secure, productive, and equitable environment for our employees in order to promote efficient service delivery.
- b. The CIP incorporates and is consistent with District master plans, Board of Director's goals, and other long-range plans of the District. Capital projects may be funded from capital improvement funds, development impact fees, grant funding, or debt financing, with operational costs funded by the General Fund.
- c. Since capital projects may span multiple fiscal years, the CIP details anticipated annual capital expenditures for a five-year period. This allows the District's Board of Directors to regularly revisit the plan and project progress, and better anticipate future needs.

2. CIP Updates

- a. The CIP is updated annually, and a one-year CIP budget is included in the District's annual budget. The remaining four years of the five-year CIP provide a look-ahead of capital projects, including anticipated costs and funding sources. The recommendation to incur new indebtedness may be included in the annual CIP budget, and requires approval by the Board of Directors.

Procedures

1. Plan Development

- a. The development of the CIP is a coordinated effort across the District, with the capital project planning process overseen by the Planning and Development Division and the finance and budget process elements overseen by the Finance Division. Plan development includes the following:
 - i. Divisions submit capital project requests by submitting Capital Project Initiation Forms to the CIP administrator in the Planning and Development Division.
 - ii. Capital Project Initiation Forms document the project description, timeline, procurement type, funding amount, funding source, impact on operations, any relevant ties to other projects, project justification, and related supporting information.
 - iii. The CIP administrator compiles all submitted requests and works with the Finance Division to package the requests into the draft CIP.
2. Capital Project Evaluation and Prioritization
 - a. Capital project requests will be evaluated and prioritized as follows:
 - i. The CIP Committee (Committee), made up of representatives from the Finance, Planning and Development, and Purchasing divisions, reviews all proposed capital projects submitted for the upcoming fiscal year.
 - ii. The Committee determines whether or not the District has the capacity to complete all or a portion of each proposed project within the upcoming fiscal year; whether or not each proposed project is ready for execution in the upcoming fiscal year; and determines a ranking for each proposed project according to the District's goals and objectives.
 - iii. Primary evaluation criteria for capital projects includes alignment with strategic plans, statutory and regulatory considerations, and impact on service delivery.
 - iv. Other considerations may include impact on operating costs, secondary financial impacts, management and oversight implications, and impact on constituents and stakeholders.
 - v. After evaluation, the CIP Committee submits a proposed CIP, including a one-year CIP budget, to the Fire Chief for consideration in conjunction with the preliminary budget review process.
3. Plan Adoption and CIP Budget Approval
 - a. The proposed CIP is reviewed annually by the Fire Chief, Deputy Chiefs, and Chief Financial Officer as part of the preliminary budget review process.
 - b. The Fire Chief may recommend to fund, partially fund, or not fund any given project based the criteria and considerations outlined in Section 2.

- c. Upon review, the CIP, including the one-year CIP budget, is presented to the Board of Directors for adoption on or before June 30 concurrent with the preliminary budget approval process.
 - d. The CIP budget is reviewed annually and projects that span multiple fiscal years must be submitted for each year that funding is requested.
 - e. Once the CIP budget is approved by the Board, budgeted funds are restricted for their intended use.
4. Organization of the CIP Document
- a. The CIP document is organized by the following sections:
 - i. Introduction – Provides the Fire Chief's transmittal letter and District's organizational profile.
 - ii. CIP Overview and Summary– Provides the purpose and background of the CIP, describes the CIP planning and development process, summarizes the five-year capital needs, and outlines year-one capital projects.
 - iii. Financing Plan – Provides the capital budget overview and revenue assumptions, summary displays by project type and revenue source, debt service schedule, and operating and maintenance costs by spending category.
 - iv. Capital Project Details by Priority and Type – Provides the high priority project details, and shows projects by type (property acquisition, new construction, facility remodel/expansions, facility maintenance/repair, apparatus and equipment replacement, other miscellaneous projects).
 - v. Appendices – Provides additional information to understand the CIP, including the budget calendar, glossary and acronyms list, Board resolutions, and capital project list index.

References

1. Sacramento Metropolitan Fire District, Reserve Funding Policy.
2. Sacramento Metropolitan Fire District, Capital Asset Policy.
3. Sacramento Metropolitan Fire District, Purchasing and Contracting Policy.
4. City of Thousand Oaks, Capital Improvement Program Policy.
5. Government Finance Officers Association of United States and Canada, Best Practice for Capital Budget Presentation. (<https://www.gfoa.org/materials/capital-budget-presentation>)
6. Government Finance Officers Association of United States and Canada, Best Practice for Capital Planning Policies (<https://www.gfoa.org/materials/capital-planning-policies>)