



## CITY OF MARSHFIELD, WISCONSIN POLICIES AND PROCEDURES

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CHAPTER: Financial

SUBJECT: Capital Improvement Program (CIP) Development

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APPROVED BY: Mayor Bob McManus

DEPARTMENTS OF PRIMARY RESPONSIBILITY: Mayor; City Administrator; Director of Public Works, Finance and Planning & Economic Development

**Special Notes: This policy/procedure manual does not in any way constitute an employment contract and the City of Marshfield reserves the right to amend this manual at any time subject only to approval by the Common Council.**

I. Policy statement

The purpose of the capital improvement program is to provide an authoritative decision-making process for the evaluation, selection, and multi-year scheduling of investments in city assets and infrastructure based on a projection of available fiscal resources and the community's priorities. The objectives of the program are to a) ensure the timely renewal and extension of City assets and infrastructure; b) serve as the linkage in the City's planning for physical development between the City's comprehensive plan and all subsidiary plans and the annual budget process; c) maintain control over the City's long-term debt in relation to the City's financial capacity; and d) ensure coordinated capital development.

Capital improvements may be financed by tax levy, borrowed funds, grant funds, special assessments, special revenue funds, enterprise funds, user fees, fund balance, or any combination of these or other sources. This policy recognizes the importance of a wide variety of funding sources, but in particular, the use of pay-as-you-go financing to reduce reliance on long term debt. Typical sources of pay-as you-go financing are tax levy, special assessments and user fees. Pay-as you-go financing is especially appropriate for projects that occur on a regular or recurring basis, including maintenance projects; for projects producing immediate benefit; for projects with relatively short useful life; or to build reserves for specific future expenditures. Debt financing is more appropriate for large projects that exceed the capacity of pay-as you-go resources; for projects with long useful life; or projects producing long term or multigenerational benefits.

## II. Definitions

The following definitions shall apply:

- A. Capital Improvement Project: Property acquisition, building construction or renovation, street and utility construction or reconstruction, or improvement to an existing facility or property with a minimum life span of at least five (5) years. This also includes vehicles and major equipment purchases as well as technology upgrades in both hardware and software. No project projected to cost less than \$10,000 will be considered a "capital improvement project" or considered as part of the process described in this policy.
- B. Capital Maintenance Project: Recurring infrastructure maintenance programs that require funding at a consistent level to ensure adequate level of service year over year. This does not include annual maintenance agreements for technology software and support.
- C. Capital Improvement Program: A comprehensive schedule of approved capital improvement projects. The program shall be for a five-year period. The program shall be annually revised and projected one year to allow for changed conditions and circumstances.
- D. Capital Budget: The capital budget includes those projects scheduled for activity and funding in the next budget year. The capital budget shall be presented annually by the City Administrator to the Common Council, in conjunction with the normal budget process, for consideration and adoption. The source of financing for each capital project in the budget shall be identified. The capital budget and the CIP plan shall only include those project costs or portions thereof, that the City is responsible for funding. This would include grant proceeds received on a reimbursement basis, but would not include non-local funding for which the City does not need to front the money.

### III. Process and Schedule

- A. December – Common Council identifies key Capital Project Areas in conjunction with Strategic Plan and Financial Plan Updates.
- B. First Full Week of January – CIP process begins with Department Head kick-off meeting.
- C. First Friday in February – all project requests due to City Administrator’s office.
- D. March – staff meets as needed to prioritize and balance project requests into a draft document for Common Council consideration.
- E. April and May – staff presents draft document to Common Council at special Council work sessions focused on Capital Projects.
- F. May – Public Hearing and adoption of Capital Improvement Program Plan.

### V. Project Categories

The categories for capital projects may change over time with changes in public policy emphasis. At this time, all projects shall be categorized into one of the following eight areas:

- A. Streets
- B. Storm Sewer & Drainage
- C. Sanitary Sewers & Wastewater Treatment
- D. Public Buildings
- E. Parks
- F. Vehicles & Equipment
- G. Technology
- H. Capital Maintenance
- I. Miscellaneous/Other

### VI. Project Prioritization

As part of the project submittal process, department/division heads shall identify project priorities to help determine which projects are recommended for inclusion in the five-year CIP.

The following matrix system shall be used to establish a priority for each project. The system ranks projects in two separate categories and then, through the use of the matrix, ranks the projects as either Level 1 (highest), Level 2 (medium) or Level 3 (lowest) priority.

The initial measure of the project’s priority is first established using the following factors:

### HIGH

- Project is mandated by local, State or Federal regulations
- Project is a high priority of the Common Council, based on the most current Comprehensive Plan or other subsidiary plans
- Project prevents irreparable damage to existing facilities
- Project leverages local funding with other non-local funding sources
- Project finishes a partially completed project

### MEDIUM

- Project maintains existing service levels
- Project results in increased efficiency
- Project reduces operational costs
- Project significantly reduces losses in revenue or provides for significant increased revenues

### LOW

- Project provides an expanded level of service or new public facility
- Project is deferrable

Four project criteria are then evaluated to help separate projects with a greater “need”, like Health & Safety issues as compared to new projects that might be more “desired” than “needed”. The four project criteria are summarized as follows:

### HEALTH/SAFETY

- Capital projects that protect the health and safety of the City, its residents, visitors and employees

### MAINTENANCE/REPLACEMENT

- Capital projects that provide for the maintenance of existing systems and equipment

### EXPANSION OF EXISTING PROGRAMS

- Capital projects which enhance the existing systems and programs allowing for expansion of services

### NEW PROGRAM

- Capital projects that allow new programs and services

After each project is rated on the priority criteria and project criteria identified above, the project is placed on the grid of the matrix and the rating is determined to be a Level 1, Level 2 or Level 3.

Prioritization Matrix

CRITERIA		PRIORITY		
		HIGH	MEDIUM	LOW
Health/ Safety/ Welfare	1	I	I	II
Maintenance/ Replacement	2	I	II	II
Expansion of Existing Program	3	II	II	III
New Program	4	II	III	III

Note: Prioritization Matrix and description adapted from South Hampton County, VA. Level 1 projects are those projects that have a high priority and are included in the health/ safety or maintenance/replacement categories or of medium priority and in the health/ safety criteria.

Level 3 projects are those projects that have a medium priority and are included in the new program criteria or projects in the low priority and in the expansion of an existing program or new program criteria.

All other projects that are in other combinations of priority and project criteria in the matrix are identified as Level 2 projects.

All projects shall be reviewed and scored using the project priority and project criteria ratings to establish a project rating.

VII. CIP Administrative Committee Evaluation Criteria

Projects shall be reviewed by the CIP Administrative Committee against the following standards:

- A. Project rating as established by department/division Head.
- B. Cost in consideration of available funding, including non-local funding opportunities.
- C. Compatibility with the City’s most current Comprehensive Plan as well as other adopted subsidiary plans
- D. Project Benefits in relation to costs:
  - 1. Projects directly affecting the health and safety of citizens shall have priority over

all other projects

2. Projects accruing benefits to a larger number of citizens shall have priority over projects benefiting a smaller number of citizens
- E. Project operating costs - Projects will be evaluated on the basis of additions and/or savings to the City's operating costs
- F. Economic Development Impact - Projects will be evaluated on the basis of their overall impact on the City's economic base, including the likelihood that the project will spur other private and public sector development, create new jobs or assist in retaining current jobs, or otherwise positively impact the City's economic base
- G. Project Readiness - Projects will be evaluated on the ability to move the project expeditiously to completion
- H. Provide a balance of capital expenditures among the various service sectors.

Project Category		<u>Description and Location:</u>
Department		
Project Title		Council District:
Project Number		Companion Project(s):
Priority:		Assessable Project – (Y/N): Term:       Years
Purpose and Justification:		
Operating Cost Implication:		

PROJECT COST DETAIL (THOUSAND OF DOLLARS)							
Category	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Total	Funding Sources
DESIGN							
RIGHT OF WAY							
CONSTRUCTION							
OTHER							
TOTAL							
Assessable Cost:							