



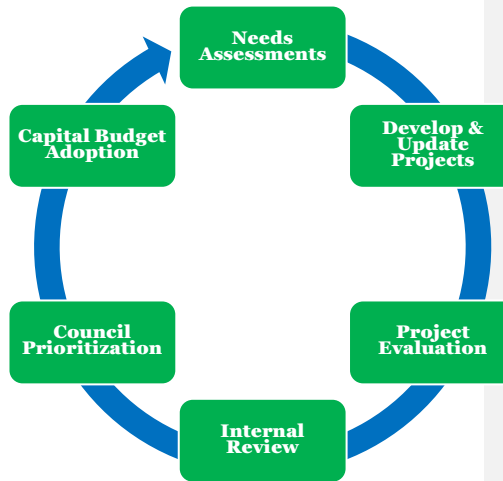
Morrisville
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Capital Investment Program Policy
Adopted 12.13.22

CAPITAL INVESTMENT PROGRAM POLICY

OVERVIEW

The Capital Investment Program (CIP) outlines the Town's plan for achieving the goals, objectives, and service delivery levels desired by the Town Council on behalf of the community. Capital Investment planning is a dynamic process; flexibility is necessary to maximize opportunities and adapt to changing elements that may occur year to year. These large financial investments are required to maintain and expand public facilities and public infrastructure. Ongoing service delivery can be ensured only if adequate consideration is given to capital needs through the capital budget process. A Capital Investment Program is an important management tool that strengthens the linkages between community infrastructure needs and the financial capacity of the Town to ensure decisions on capital projects and funding are made wisely producing tangible, affordable outcomes that maximize the investment.



PURPOSE

Capital investment programming is a long-range strategy to forecast and match projected revenues and major capital needs over a multi-year planning period. The main purpose is to establish investment expectations and provide direction to staff to create a usable funding plan that delivers results. Capital project planning includes projects that acquire, construct, maintain, or improve the Town's fixed assets. The Town is primarily responsible for the care and maintenance of the Town's assets to meet service delivery expectations. The goals and advantages of this process are included below:

Goals:

- Support Town goals, objectives, and initiatives
- Maintain and improve the Town's public infrastructure
- Promote and sustain economic development within the Town
- Increase efficiency and productivity of Town operations
- Plan for large, non-routine expenditures and allow time to arrange financing

Advantages:

- Builds public consensus for projects and improves community awareness
- Improves inter/intragovernmental cooperation and communication
- Avoids waste of resources
- Helps ensure financial stability

TERM LENGTH

The CIP will span a 5-year planning period.

DIFFERENTIATING CAPITAL BUDGET FROM OPERATING BUDGET

The CIP should not be confused with the Capital Budget. A capital budget represents the first year of the CIP planning cycle that parallels the Annual Operating Budget planning cycle and intersects at adoption to appropriate funds for capital spending. The outlying years of the CIP serve as long-range planning years, but do not establish appropriations.

Annual, recurring items such as salaries, office supplies, routine maintenance, and service contracts are typical operating expenses and therefore are not appropriate for capital expenses. The Town of Morrisville separately funds fire apparatus and equipment through a dedicated Capital Reserve Fund, so these items are not included in the Town's CIP.

PROJECT TYPES AND CATEGORIES

Capital project types included within the CIP and not within the Annual Operating Budget typically are large, non-recurring expenditures that would otherwise distort the Annual Operating Budget. Typical criteria utilized to distinguish the difference between the types of expenditures are cost and useful life. Cost is a value limit placed on the expense. Useful life is defined as projects having a long service life and with a non-recurring nature.

Commented [DK1]: Is this specific budget terminology? Wondering if there is a better way of saying this?

The following are key benchmarks used to determine items to include within the CIP:

1. Useful life greater than 5-years
2. Value greater than \$100,000
 - a. Acquisition, renovation/improvement, and/or construction of a single fixed public asset
 - b. Land purchases not associated with or included in another CIP project
 - c. Major equipment for any public facility when first constructed or acquired
 - d. Road construction, or large, non-routine maintenance projects considered capital in nature – excluding recurring or routine maintenance projects
 - e. State roadway projects deemed important to advance within the State Transportation Improvement Program (STIP), that would decrease congestion along major routes, or may contribute to improving public safety or economic development
 - f. Projects included in other adopted plans
3. Typically require use of debt, or reserve funds

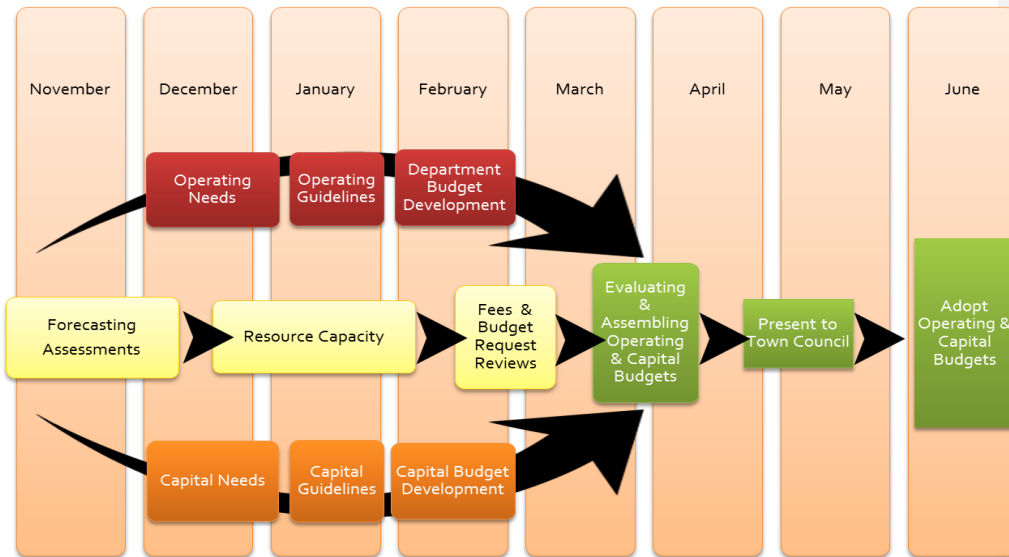
Commented [MTJ2]: Ask Jeanne about CTP

Capital projects are organized within the CIP by the following major categories:

- Public Facilities
- Public Safety
- Parks/Recreational
- Environmental/Stormwater
- Bicycle/Pedestrian
- Public Roadways/Transportation
- State Roadways (design, grant match funds, or mitigating improvements)

CAPITAL INVESTMENTS PROGRAM PLANNING CALENDAR

The basic CIP Calendar typically coincides with the Annual Operating Budget Planning Calendar, while remaining flexible. An outline of the typical calendar is included below:



COMMUNITY ENGAGEMENT

Public input is a critical step in establishing capital project priorities. Involving the community in the process can generate support for the capital plan and budget, and for funding options, such as issuance of bonds that require voter approval and may require a tax rate increase for funding. Public input is a critical tool in Council's decision making toolbox. The primary forms of community engagement include, but are not limited to:

- Comprehensive Survey on Strategic Values and Service Needs assessment every 4-years – gauges community feedback on areas where the Town is performing well and identifies areas for improvement.
- Annual Budget Portal Feedback – provides key input during the planning stages in addition to offering feedback on the recommended capital budget once presented to Council.
- Annual Formal Public Hearings – provides an open mic for input in a formal setting on the recommended capital budget as presented to Council.
- Other Media – The Town uses various media outlets to support two-way communication between the community and the Town. This is another avenue for the community to share their priorities and interests with the Town.

As in all community matters, it is recognized that the public engages in providing input in a number of ways by actively communicating their opinions on service needs or key issues facing the community to Town Council via email, letters, and phone calls.

KEY INFLUENCES ON PROJECT CREATION

A number of factors contribute to the creation of project concepts. The primary factors originate from the community needs assessment data obtained through the Comprehensive Survey on Strategic Values and Service Needs, Town Goals, adopted plans, and legal mandates. Other influences include department specific satisfaction surveys or

department need assessments, public assets replacement/improvement needs, informal communications and other data collection efforts.

Professional staff evaluate this data to craft realistic project concepts with detailed scopes, sound cost estimates, clear community benefits, and key location targets when applicable. The project concepts also consider potential funding sources and operating cost impacts. Projects should generally be foreseen ahead of time (preferably 2 + years) to allow adequate planning and due diligence to occur.

INTERNAL REVIEW

The internal review of the CIP will consist of the following:

Project Evaluation Criteria

The Project Evaluation Criterion is established by Council and applied by staff to evaluate the merits of a project and its overall alignment with the Town's strategic goals and initiatives. The criteria produce a unique rating for each project Council uses in conjunction with other tools to prioritize projects and develop a five-year funding plan. The project concept and its corresponding evaluation criteria rating are evaluated by the Executive CIP Review Team (defined below) for relevance.

Evaluation Criteria (listed in order of Council's weighted significance)

1. **Safety** – Degree a project eliminates, prevents, or reduces an immediate hazard to safety
2. **Mandates** – Project addresses a federal, state, or local mandate, including previous Town actions and associated commitments
3. **Continuity of Service** – Necessity of project to maintain existing levels of service and/or prevent service interruptions
4. **Strategic Goal Alignment** - Extent to which a project advances the Town's adopted plans, strategic goals, initiatives, and objectives
5. **Emerging Service Demand** – Responsiveness to public demand for new programs and services
6. **Economic Impact** – How a project enhances economic development in Town, directly or indirectly adds to the tax base, or enables revenue generation through user fees or similar charges
7. **Fiscal Efficiencies** – How a project contributes to savings in Town's operational and/or capital spending
8. **Availability of Funding** - Level of external funding sources available to support the project
9. **Improvement of Public Fixed Asset(s)** – Project improves an existing Town asset
10. **Project Readiness** – Degree of shovel readiness

Project Cost, Affordability, and Staff Capacity

The project evaluation criteria is the primary tool used by Council to establish priority rankings for capital projects, and it guides the development of the Five-Year Capital Investment Program. Each year during the annual budget process, Town staff works to develop a funding plan that meets Council's top priorities, while remaining within the bounds of the Town's available financial resources, policy guidelines, and staff capacity to manage the projects.

Executive CIP Review Team

A critical assessment team will consist of the Town Manager and the Manager's selected key staff members. The team will review CIP project concepts for:

- Complete and accurate information
- Project benefits and alignment with Town Goals
- Feasibility of cost and practicality of project

Additionally, the Team will recommend a list of the top five projects considered by staff as the highest priority projects for Council consideration as they work through their prioritization action. Professional staff knowledge and expertise is instrumental in safeguarding against important, but less appealing projects such as facility improvement needs receiving a diminished consideration.

COUNCIL PRIORITIZATION

Council will produce a prioritized list of projects using key information tools provided within the scope of the CIP including, but not limited to:

1. Project concept profiles
2. Project evaluation criteria
3. Executive CIP Review Team's recommended priorities
4. Comprehensive Survey Data on Strategic Values and Service Needs as it relates to community support for certain types of projects
5. Professional knowledge and expertise

The prioritized list will be updated by Council on a 4-year cycle to allow staff adequate consistency in direction and guidance to develop a funding strategy and begin work to plan for the execution of projects.

ALIGNMENT OF RESOURCES

At the conclusion of Council's prioritized list, staff will develop a funding model for the **Top 5 projects** across the 5-year plan. The Town Manager will present a recommended plan to Council for adoption. This will provide staff annually with the guidance and expectation to responsibly plan for good capital investments for the community.

Commented [MTJ3]: Why 5?

FUNDING SOURCES

The primary funding sources considered by Morrisville are defined as follows:

Debt Methods:

Typically used for large, expensive projects with a useful life that exceeds 5-years and the length of the financing period.

- **Installment Purchase** – capital item used for a public facility or equipment that is a public good and may or may not have revenue-producing capability. These asset-backed loans involve an installment purchase or financing agreement and perhaps a trust indenture.
- **General Obligation (GO) Bonds** – capital item used for a public facility or equipment that is a public good and that has no revenue producing capability (e.g., streets and municipal buildings or structures). Generally, GO Bonds are used for major projects. Growth in tax based could be leveraged when a project is in response to community demands.
- **Revenue Bonds** – capital item used for a non-public good, in which a revenue stream is associated with the capital item (e.g., airport, water, wastewater, and electric systems capital items).

Non-Debt Methods (also referred to as Pay-As-You-Go, "Paygo", or Cash)

Typically used for less expensive items with a shorter useful life like vehicles and equipment, matching funds for grants, or similar items that may possess phasing potential.

- **General Fund** – the capital item may require advanced funding from the General Fund to begin design work. The financing instrument reimburses funding provided for by the General Fund prior to the close of the capital project.
- **Unassigned Fund Balance** – the capital item can be acquired through existing fund balance without drawing balances below policy limits.
- **Capital Reserve Fund** – the capital item may be funded from a Council designated tax or revenue streams that are set aside in a separate fund.
- **Special District Tax or Special Assessment** – the capital item may be funded from charges to benefiting property owners for major infrastructure with local act.

Other Methods

Typically, these methods are oriented more toward parks, sidewalks, greenways, and transportation related type projects. **Grants can be assets qualifying and possess reporting requirements.**

Commented [MTJ4]: What does this mean?

Commented [MTJ5]:

- **Grants** – funding of the capital item was secured upon application of a governmental grant (e.g., CDBG, Law Enforcement Grants, EPA Water Quality, Fire Safety Grants, CAMPO, Wake County Park Grants). The capital item is used for a public facility or equipment that is a public good and may or may not have a revenue producing capability (e.g., streets, municipal buildings, structures, or parks). Typically, grant funds are designed to be seed money and are a one-time financing source.
- **State Funding** – capital items specifically related to STIP projects that are included within the CIP are preferred to be funded directly by the North Carolina Department of Transportation. The Town recognizes it may need to invest planning funds to improve the scoring of key projects at the State level, but it does not intend to fully fund the construction.
- **Developer** – transportation and park improvement projects may be constructed by developers as new development occurs. The Town is authorized to collect payments from developers in lieu of requiring the developers to provide open space and recreation areas or make certain public street improvements. The Town can then use the funds to make the improvements. Additional details are included below.

Payment in Lieu of Providing Required Public Recreation Areas

The Town may collect payments from developers in lieu of providing required public recreation areas. Payments are collected in accordance with standards and procedures outlined in section 5.5.3 of the Town's Unified Development Ordinance (UDO). Upon collection, funds are deposited into the Parkland Payment in Lieu Fund in accordance with section 5.5.3(C)(2) of the UDO.

Use of Funds

Funds shall be used only for the acquisition or development of parks, greenways, and other open space areas that will serve occupants and users of the development. Such areas may also serve other developments in the immediate area.

Payment In-Lieu of Public Street Improvements

The Town may collect payments from developers in lieu of required public street improvements as authorized by NCGS 160D-804. Payments are collected in accordance with standards and procedures outlined in section 8.1.3 of the Town's Unified Development Ordinance (UDO). Upon collection, funds are deposited into the Roadway and Transportation Capital Reserve Fund in accordance with Section 8.1.3(F) of the UDO.

Payments are collected for the following types of public street improvements:

- Road Improvements
- Bike Improvements
- Driveway Stubs
- Landscaped Medians
- Pedestrian Improvements
- Streetlights
- Traffic Lights
- Greenway Improvements

Use of Funds

Funds shall be used only for the design and construction of street improvements, including associated land acquisition, that serve the occupants, residents, or invitees of the subdivision or development for which the in-lieu payment is made.

The Town will, when practicable and expeditious, spend funds on the specific improvement for which the in-lieu payment was initially collected. The Town may leverage the funds for other street improvements in close proximity to benefit the general community area as initially intended if one or more of the following conditions exists:

- Payments received for specific improvement have been retained in reserve for a period greater than five years.
- The specific improvement is not likely to occur as originally expected and funds were not collected as a refundable improvement.
- The final Certificate of Occupancy has been issued for the development that originally made the payment in lieu.

This ensures funds received are effectively and efficiently utilized for street improvements and not held idle, maximizing community benefit of the investment paid by the original subdivision or development.

FREQUENCY OF CIP UPDATES

It is important that a CIP be updated in a reasonable and predictable timeframe. The CIP must remain flexible and responsive to opportunities and urgent matters that may surface from time to time. The Town will commit to a Major Update of the CIP Policy, Projects, and Prioritization on a 4-year cycle, with a 2-year Mini Update occurring to adjust for necessary project modifications, and a simple cursory review by staff annually with the Capital Budget to adapt to urgent circumstances.

This allows for consistency in direction so staff can effectively plan for, fund, and realize tangible improvements for the community.