

Capital Improvement Program

The Capital Improvement Program (CIP) serves as the County's planning guide for major capital facilities and equipment. It is based on the "physical needs" of the county that are identified in the Capital Facilities Plan. The CIP is also an important public communication tool. The CIP provides residents and businesses a clear and concrete view of the County's long-range direction in the area of capital improvements and a better understanding of the county's ongoing need for stable revenue sources to fund large or multi-year projects.

Capital projects are budgeted on an "all years" basis, a technique frequently used to account for funds that may carry over from one fiscal year to the next for a defined purpose such as funding a specific capital project. Once the County Council commits funds to a capital project, those funds remain with that project until either all funds are expended or until County Council approves a budget amendment to reduce the total appropriated project budget. These amendments are shown in the financial schedules as a negative to a project budget within a specific year.

The Capital Budget and the additional years reflected in the CIP provide for the acquisition, construction, reconstruction, initial fixtures and equipment, renovation, rehabilitation, or replacement of facilities with a life expectancy of at least five years. Project cost will include all related costs for land acquisitions, land improvements, design, feasibility studies, engineering studies and engineering. A capital project is planned and executed in the following phases:

Project Development:

These are costs incurred by the County to identify project requirements, and to define a project's work scope including preliminary design studies, permitting requirements, data collection, public involvement, legal and technical documentation, cost estimates, and assessment of alternatives.

Design:

These are costs incurred by the County to design a project in accordance with the scope of work set forth in the development phase. This includes professional consultant fees, legal and

technical documentation, construction review, data collection, advertising, assessment of alternatives related to the overall project design, construction management services, and bid reviews.

Land:

Costs incurred by the County for the purchase of land, easements and right-of-way. This also includes purchase price, all surveys and appraisals, environmental audit, permitting, legal costs, maps, charts, aerial photography, and other related costs.

Construction:

This includes costs incurred by the County for all construction related tasks required to place a project in service. This includes project construction contracts, professional and technical assistance, advertising, legal and technical documentation, inspection, testing, and permitting.

Administration:

This includes costs incurred by the County for in-house project management, supervision and administration of capital projects. Administration costs include project design, technical reviews, construction management, construction inspection, technical specifications, surveying and mapping, costs of preparing reports and maintaining the capital projects system, contract management, monitoring, and processing all related financial transactions.

The first year of the CIP is called the Capital Budget, and is appropriated in the same manner as the annual operating budget of the County.

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What is a Capital Project?

A capital project is a project requiring a minimum expenditure of the County of at least \$50,000, which has a useful life span of ten years or more, and meets one or more of the following criteria:

- Provides for the acquisition or construction of land or any physical facility, to include consultant or professional services related to the facility.
- Provides for the acquisition of equipment for any physical facility when first constructed or acquired.
- Funds expenditures, including additions to existing facilities, which increase the square footage or value of the facility.
- Funds expenditures for major maintenance or replacement projects on existing facilities.

What is a Capital Maintenance or Replacement Project?

A capital maintenance or replacement project is a non-recurring project to repair, maintain or replace existing capital facilities for the purpose of protecting the County's investment and minimizing future maintenance or replacement costs. To be classified as a non-recurring maintenance project, a project must have an interval between required expenditures of at least five years and meet the \$50,000 threshold for the total project.

Policies and Guidelines to be considered in developing the Capital Improvement Plan

Financial and planning considerations help staff identify projects that should be included in the annual CIP and assist in determining how those projects will be integrated into the annual capital budget.

- Capital Projects should:
 - a. Support County Council goals and objectives.
 - b. Prevent deterioration of the County's existing infrastructure.
 - c. Encourage and sustain economic development within the county.
 - d. Increase efficiency and productivity of county operations.

- Capital Projects should provide all geographic areas of the county with comparable quality and types of services.
- Capital Projects should be financed through growth in the tax base or development fees when project is in response to residential or commercial development.
- Capital projects should always include a detailed evaluation of the ongoing impact on the county operating budget prior to acceptance in the CIP.
- The Capital Improvement Plan must satisfactorily address all legal and financial limitations and maintain the County's favorable investment rating.

Financing the Capital Improvement Plan

The long-range CIP includes major projects the County is pursuing and identifies potential funding sources and financial constraints that may affect the projects' viability. In many cases a project may be financed through a combination of several financing sources. Below is a description of the various revenue sources used to fund the Capital Improvement Program. The County Council must appropriate all revenue sources before they are used on a capital project.

General Fund

General Fund are funds appropriated by the County Council from the County's General Fund. General Fund revenue supports general government services including most law and justice services. Sources of general fund revenue include property taxes, fines, fees, charges for services and investment earnings.

Grants

Grants are amounts received from federal and state government and other entities in response to a grant application from the County. They usually fund a specific project or type of project and are often for a specific time period. Grant funds are designed to be seed money and are a short-term funding source. In many cases, receiving grant funds obligates the County to additional dollars in subsequent years.

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General Obligation Bonds

General Obligation (G.O.) bonds are backed by the “full faith and credit” of the county, and are usually considered to be a safe investment for bondholders. The principal and interest on G.O. bonds is normally paid through a property tax levy.

As a general rule, the total outstanding principal on G.O. bonds cannot exceed eight percent of the county’s total assessed value. This limitation must be complied with at the time of a bond sale.

Revenue Bonds

These bonds are where the county issues bonds and pledges the revenues received from services provided as payment for the debt service. This revenue can be used to pay for principal and interest on bonds. While these revenue bonds incur a slightly higher interest costs than the G.O. bonds, they do not use up the County’s bond capacity.

Local Improvement Districts

Local improvement districts (LIDS) are legally designated geographic areas in the county, which, through consent of the affected property owners, pay for public improvements through a special assessed property tax. This financing approach ties the repayment of debt to those property owners who most directly benefit from the improvements financed.

Operating Budget

The county’s operating budget continues to focus on the maintenance of capital assets, and the expenses associated with the growth and depreciation of the county’s facilities and equipment.

Many capital improvements and purchases of large pieces of equipment are included in the operating budget on a “pay-as-you-go” basis. Recurring equipment replacement and maintenance cost are usually funded through the operating budget such as the purchase of new patrol cars and emergency vehicles, as well as the recurring maintenance cost.

In addition, some major capital improvements are paid for on a cash basis in order to avoid the interest costs incurred in other financing mechanisms.

Carry Over Projects

Often approved capital projects cannot be completed within the current fiscal year, thus the unspent funds are “carried-over” to subsequent years to be spent on the approved project.

For Richland County, the FY 2006 – 2015 Capital Improvement Plan includes three sections:

- a. County Capital Projects – Section One lists the detail of planned expenditures for current approved capital projects.

(Detail included in the capital projects section of this document)

- b. County Debt Service – Section Two contains a detailed list of principal and interest payments on outstanding County bonds.

(Detail included in debt service section of this document)

- c. Operating Budget Capital Items Requested – Section Three contains a ten-year plan for capital expenditures budgeted within the County Departments. FY 2006 column represents items funded in 2006 annual budget.

(Detail included throughout this document in individual departmental budgets)

- d. Major Capital Projects – Section 4 contains a ten-year plan for major capital projects submitted by departments and millage agencies for review