

County of Cumberland Capital Planning Policy

I. Purpose:

This policy is to ensure the effective management of the County's capital assets, which are the foundation of the County's strategic plan, and meeting the needs of the constituents.

II. Objectives:

Because of the high cost of capital expenditures the County is committed to long-term planning in order to maximize available resources while continuing to maintain and improve the County's capital assets.

Capital expenditures should be programmed to provide a targeted level of service to the community. The financial services should assure that public funds are protected and should maximize the County's ability to provide quality services.

III. Definitions:

Capital expenditures are projects that acquire, create, or improve capital assets and require a significant commitment of resources. These large up-front expenditures benefit the County and its citizens by extending the useful life of existing assets and creating new ones.

Assigned capital fund balance – is designed for large capital projects that are both planned and unplanned. Assigned capital fund balance will fluctuate based on the long term project plans of the County but should be at least 5% of General Fund expenditures.

Fixed asset - The Controller's Office defines the fixed asset policy thresholds and capitalization policies for financial reporting purposes. For purposes of this policy, those procedures are adhered to for accounting purposes but do not define the capital planning process. For example, painting a building will be included in the long term capital planning but is considered maintenance expense for financial reporting purposes.

IV. Policy:

The long range capital plans are for planning purposes and have no expenditure authority.

The County will develop capital plans for major capital projects, technology, and other capital purchases and replacements. The plans will be developed using

information from the strategic plan, comprehensive plans, facility master plans, and by identifying present and future service needs that require capital infrastructure or equipment.

The plans will be developed with attention given to:

- Capital assets that require repair, maintenance, or replacement that if not addressed will result in higher costs in future years.
- Projects with revenue-generating potential or cost avoidance potential.
- Changes in policy or community needs.

The County's infrastructure must be maintained in a cost effective manner. In order to achieve this, the County will maintain long term plans for County buildings, vehicles (fleet), and technology. The long term capital plans will be all inclusive and address replacement requirements/needs, priority, and estimated cost. The plans will be developed and updated annually to meet the anticipated needs of the County. The plan will maintain capital assets/improvements to the level required to adequately protect the County's capital investment and to minimize future maintenance and replacement costs. The capital plans will be included in long range financial forecasting.

Estimated requirements for capital projects shall include all costs reasonably associated with the completion of the project. The impact of capital projects on County operations shall be identified.

Long Term Planning – Facilities

The County Facilities Director will keep a rolling 10 year County facilities plan that will be submitted annually with the maintenance department's budget. This plan must be evaluated annually with year 1 through 3 recommendations prioritized. This capital plan is critical in assuring that the County's facilities are properly maintained.

Long Term Planning – Technology

The long term planning for technology will be developed and maintained by the Director of Information Technology. The long term plan will include at a minimum of 4 years of replacement and upgrade costs. The Information Technology Office (IMTO) will be given an annual budget allocation for their replacement plan. Any requirements above the normal replacement cycle budget will be presented to the Finance Office and management team as far in advance as possible for financial planning purposes.

Long Term Planning – Fleet Management

The County has several departments that maintain a fleet of vehicles. It is the department's responsibility to properly schedule and budget for routine maintenance of their fleet. For the departments that maintain more than three vehicles they must also maintain a complete fleet analysis that must be submitted with their annual budget. The fleet analysis must list all vehicles with a lifetime plan. Estimated mileage by year, estimated year of replacement, what funding source will be used for replacement (tax revenue, grant, user fees, etc). This is required to assure vehicles are being appropriately maintained, replaced, and utilized. If a County vehicle is available for use it should be assigned rather than reimbursing employees for personal mileage. When an employee is traveling long distances in a vehicle and it does not require a special vehicle (ie: police package) a cost analysis should be done to see if renting a vehicle is the more cost effective means of travel.

Long Term Planning - Other

The Commissioners and senior management are continually evaluating the County's current and future needs of the County based on the Commissioners strategy, prioritized goals, and required service needs. These projects are normally expansive in nature and a project manager will be assigned and that manager will be responsible for developing and managing the project including the project budget.

When the project includes the sale of current County assets of more than \$50,000 the proceeds from the sale are considered one-time monies and will not be used to offset County operating expenditures. The proceeds will fund a current capital project or the proceeds will be designated in fund balance for future capital needs. The Commissioners and senior management will evaluate the sale of current assets over \$500,000 on an individual basis and determine the use of those proceeds accordingly.

The County will maintain a Capital assignment in the General Fund to fund major capital projects. This fund will be used to pay for major capital projects that are not paid from current revenues or long term debt proceeds. This assignment is intended for large projects or years that require larger than normal maintenance of facilities. The General Fund will assign at least 5% of General Fund expenditures. This balance may fluctuate up and down depending on current and future capital plans that will not be financed by long term debt or current revenues.

Financing of capital projects will be determined on a case by case basis. Capital projects can be financed by current revenues, assigned capital fund balance, or long term debt. The long term debt policy must be adhered to. Whenever possible, the County will use current revenue to fund capital projects. The capital assignment may be used to finance large capital projects (including large maintenance projects). Long term debt will be used when necessary, due to the nature and size of capital projects. Long term debt will not be used for maintenance projects. The debt must

be paid off during the useful life or less of the assets purchased with the debt proceeds.