



Finance Committee Memorandum

City of Arts & Innovation

TO: FINANCE COMMITTEE MEMBERS **DATE: FEBRUARY 14, 2018**

FROM: OFFICE OF ORGANIZATIONAL **WARDS: ALL**
PERFORMANCE AND ACCOUNTABILITY

SUBJECT: PROPOSED MULTI-YEAR CAPITAL PLANNING AND PRIORITIZATION OF
CAPITAL IMPROVEMENT PROJECTS FISCAL POLICIES - DIRECT SUBMITTAL

ISSUE:

Receive, review, provide input on, and recommend to the City Council approval of the proposed Multi-Year Capital Planning and Prioritization of Capital Improvement Projects Fiscal Policies.

RECOMMENDATIONS:

That the Finance Committee receive, review, provide input on, and recommend to the City Council approval of the proposed:

1. Multi-Year Capital Planning Fiscal Policy; and
2. Prioritization of Capital Improvement Projects Fiscal Policy.

BACKGROUND:

Fiscal policies establish the framework for managing the City's financial resources and safeguarding the City's assets in compliance with relevant regulatory mandates, industry standards and best practices.

Under the direction of the City Manager, the Office of Organizational Performance & Accountability and the Finance Department are responsible for collaborating with subject matter experts to develop, implement, and manage the City's fiscal policies.

The City's comprehensive fiscal policies are developed in conformance with relevant local, state and federal laws, Generally Accepted Accounting Principles (GAAP), standards of the Governmental Accounting Standards Board (GASB), and recommendations from the Government Finance Officers Association (GFOA).

On October 11, 2017, the Finance Committee received an update on the status of the City's fiscal policies that were in development at that time. The update included an overview of the most critical fiscal policies recommended by the GFOA, a recognized nationwide leader in government finance, as well as a tentative timeline to establish each policy. Two of the fiscal policies discussed during that meeting – the Multi-Year Capital Planning Fiscal Policy and the Prioritization of Capital Improvement Projects Fiscal Policy – have been finalized and are presented today for Finance Committee review.

DISCUSSION:

Multi-Year Capital Planning Fiscal Policy

The purpose of the Multi-Year Capital Planning Fiscal Policy is to establish guidelines that help the City identify and prioritize expected capital needs based on strategic priorities and operational needs, establish project scope and cost, detail estimated amounts of funding from various sources, and project future operating and maintenance costs.

In summary, this fiscal policy includes the following guidelines:

1. The City's shall adopt a multi-year Capital Plan spanning at least five years in conjunction with the biennial budget and five-year financial planning processes;
2. To qualify as a capital project, the asset or improvement should have: a) monetary value (cost) of at least \$20,000, and b) useful life of at least 10 years;
3. The Capital Plan should incorporate the following elements as relevant and appropriate:
 - a. Assessment of the physical condition of existing capital assets;
 - b. Economic development projections, strategic plans, comprehensive plans, facility master plans and regional plans, including changes in federal, state, and county policy and regulations;
 - c. Prioritization of capital needs based on established policy; and
 - d. Financial strategies and sources of funding: 1) for the acquisition or improvements associated with the project, and 2) for the subsequent annual operation and maintenance costs of the capital asset throughout its life.

Prioritization of Capital Improvement Projects Fiscal Policy

The purpose of the Prioritization of Capital Improvement Projects Fiscal Policy is to provide an objective process of prioritizing capital improvement projects to ensure consistency with the General Plan, in conjunction with the biennial budget process or otherwise as capital funding becomes available, using the following factors:

1. Risk to Health, Safety and Environment;
2. Regulatory or Mandated Requirements;

3. Asset Condition, Annual Recurring Costs and Asset Longevity;
4. Community Investment and Economic Prosperity;
5. Level and Quality of Service;
6. Sustainability and Conservation;
7. Funding Availability;
8. Project Readiness; and
9. Multiple Category Benefit and Bundling Opportunities.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

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Certified as to
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Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Multi-Year Capital Planning Fiscal Policy
2. Prioritization of Capital Improvement Projects Fiscal Policy
3. Presentation