

## Section One

### INTRODUCTION –

#### The Capital Improvement Plan –

The Capital Improvement Plan (CIP) is a document covering a multi-year period that identifies each existing capital facility as well as new capital facility or capital maintenance project being proposed by the city during the planning term.<sup>1</sup> The CIP identifies the priority given each project by the city; the year each facility/project will start or be acquired; the amount of funding to be expended on the facility/project each year; and the proposed method of financing for each facility/project.

For the purposes of the CIP a capital facility shall mean any capital facility of the city costing \$50,000 or more, requiring the expenditure of public funds over and above annual maintenance and operational expenses and having a life expectancy of 20 years or more.

In addition to planning for the acquisition of new capital facilities the CIP assists the city in identifying what capital maintenance projects are funded. For the purposes of the CIP capital maintenance shall mean any maintenance or upkeep expense to an existing capital facility requiring the expense of public funds in excess of \$50,000 and extending the useful life of the facility for 10 years or more.

The City of Oak Harbor has identified the period 2007 to 2012 as the planning term for this CIP. The CIP should not be confused with the capital budget. The capital budget represents the first year of the CIP and in the case of this

<sup>1</sup> Planning term – The planning horizon for the CIP is 6 years with the first year of the planning term being the capital budget for that year.

document, is the 2007/2008 biennium city budget. The projects identified in subsequent years of the CIP are not authorized until the biennium budget for those years is adopted.

#### The Requirement to Plan –

The State Growth Management Act (GMA) of 1990 requires that communities adopt Capital Improvement Plans, as part of their comprehensive plans. The intent of this Capital Improvement Plan is to comply with the Growth Management Act (RCW 36.70A.070 (3) and WAC 365-195-315). It is also intended to meet the concurrency requirements of RCW 36.70A.020 (12) and (13), WAC 365-195-210.

#### Benefits of Capital Improvement Planning –

The Capital Improvements Plan serves a number of important functions. The Government Finance Officers' Associations identifies four major purposes<sup>2</sup>. These purposes are:

1. *Creates a formal mechanism for decision making – A basic function of the CIP is to provide a framework for decision makers. What to buy, when to buy it and how to pay for it can all be answered by a comprehensive CIP.*
2. *Provides a link to long range plans – The CIP can guide the implementation of the community's comprehensive plan, sub area plans and strategies.*

<sup>2</sup> Major elements of the introduction material for this plan have been taken from Capital Improvement Programming, A Guide for Smaller Governments, Patricia Tighe, Government Finance Officers Association 1995

3. *Serves as an important management tool* – A major organizational purpose is served by the CIP providing a mechanism to prioritize capital projects and to fit them into existing funding options.
4. *Is a reporting document* – A CIP communicates to citizens, businesses, and other interested parties the government's capital priorities and plans for implementing capital projects.

There are numerous benefits of a CIP. Benefits include:

1. *focused attention on community goals, needs, and financial capability* – Encourages decision makers and the public to connect future plans and the actions needed to achieve them.
2. *building public consensus for projects and improves community awareness* - The process elevates public awareness of the needs and financial resources of the community.
3. *improved inter-/intra governmental cooperation* - A CIP enhances coordination between departments and agencies thereby reducing conflicts and overlapping projects.
4. *A CIP helps ensure financial stability* – Capital projects are prioritized and scheduled to fit within expected funding levels, thereby limiting the need for dramatic tax increases or unanticipated bond issues in any one year.

### **Determining What is Included in the CIP** –

Basically, the city has the need for more new capital facilities than it can afford to build. How does the city know this?

The process to determine need for new capital facilities is rather straightforward. Most facility needs are easy to determine as they based on the principle of maintaining or meeting technically derived service standards. Levels of Service Standards (LOSS) are established by a technical based measure, e.g. water flow levels to serve a certain population or park space needed per one thousand citizens.

Capital needs are also derived from special plans and strategies developed for a special purpose. For example the Parks and Open Space Plan, the Windjammer Plan and Fire Service Master Plan have identified capital needs that are necessary to meet specific goals identified and discussed by the public and adopted by the City Council in that specific planning process.

The needs identified by the processes mentioned above are divided into two basic categories for further review, comparison and consideration. These categories are:

- *Enterprise Fund Capital Facility Needs* – Enterprise funds are identified as those functions (departments) that derive their operating and capital needs from user fees. Water, sewer, storm drainage and in most respects the Marina are examples of enterprise funds. Capital needs for these functions are identified in this document but are not prioritized as their funding requirements are mostly met by user fees.
- *Non-Enterprise Fund Capital Facility Needs* – Non enterprise fund activities are for the most part dependent on General Fund revenues, special assessments, grants

and other inter governmental transfers. Streets, parks, public safety, general administration and special projects all must compete for these revenues.

**Capital Facilities Not Provided by the City -**

The GMA also requires jurisdictions to plan or coordinate with responsible authority for schools and solid waste collection and disposal. This plan, in addition to these requirements, will report the capital needs of the Oak Harbor School District, Sno-Isle Library District, North Whidbey Parks District and Island Transit.

**Summary -**

This document then, is designed to answer several questions for the community, professional managers, and elected decision makers. They are quite simply:

- *What do we have?*
- *What do we need?*
- *When do we need it?*
- *What is most important?*
- *How do we pay for it?*

