CAPITAL ASSETS SECTION

IN THIS SECTION:

- Capital Improvement Plan – Current Year
- Narrative Overview of Capital Projects
- Capital Improvement Plan Policy

Capital Improvement Plan - FY 2015-2016

Project	Amount	Funding Source
Included within this budget:		
Capital Projects:		
Street Paving	$ 325,000.00	$316,000 from Future Street Paving Fund (Capital Reserve) and $9,000 from Powell Bill Fund (Current Revenues)
Bike / Walking Paths by Outfitters	$ 50,000.00	Future Bike / Walking Path Fund (Capital Reserve)
Beach Walkway Construction/Maintenance	$ 65,000.00	Beach Erosion Fund (Current Revenues)
Planning/Engineering:		
Engineering Study of Beach/Inlet Waters	$ 50,000.00	Beach Erosion Fund (Current Revenues)
Stormwater Plan	$ 50,000.00	General Fund Revenues (Current Revenues)
CAMA Land Use Plan	$ 30,000.00	General Fund Revenues (Current Revenues)
Technology Improvements:		
Phone System	$ 26,000.00	General Fund Revenues (Current Revenues)
Records Management System	$ -	Deferred for consideration in FY 2016-2017
GIS/CAD System	$ 27,500.00	General Fund Revenues (Current Revenues)
A/V Equipment - Council Chambers	$ 5,000.00	General Fund Revenues (Current Revenues)
Vehicle Replacements:		
Fire Department	$ 30,000.00	General Fund Revenues (Current Revenues)
Police Department	$ 63,000.00	General Fund Revenues (Current Revenues)
Public Works/Streets	$ 28,000.00	General Fund Revenues (Current Revenues)
Equipment :		
Police Department		
-(6) VIPER radios - (1) for each marked car	$ 19,500.00	General Fund Revenues (Current Revenues)
Fire Department		
-Side-by-side UTV for use on beach	$ 18,000.00	General Fund Revenues (Current Revenues)
TOTAL	**$ 787,000.00**	

Not included but may need future consideration:

Park Development (Capital Project Ordinance)
- -Phase I
- -Phase II

Town Hall Parking (Land Acquisition)

Capital Projects

The Town of Sunset Beach currently has one Capital Project underway, its Town Park. The Town Park funds are budgeted through a Capital Project Ordinance that is adopted separate from the Town's Annual Budget Ordinance.

The Park project is currently underway and the Town has recently received the Major Storm Water permit, Major CAMA permit and Sediment and Erosion Control permit that was needed to move forward with remaining construction. Now that all permits are in hand, the Town has resumed one-the-ground construction of the initial phase of the Park. The need for additional changes to the Capital Project Ordinance are anticipated once the Town moves further along in the construction process.

TOWN OF SUNSET BEACH

CAPITAL IMPROVEMENT PLAN POLICY

I. PREPARATION OF THE CAPITAL IMPROVEMENT PLAN (CIP):

The purpose of the capital improvement plan (CIP) is to forecast and match projected revenues and major capital needs over a five (5)-year period. Long-range capital planning is an important management tool, which strengthens the linkages between community infrastructure needs and the financial capacity of the Town.

Since budgetary pressures can often impede capital program expenditures or investments for replacements, it may become difficult to sustain assets in a condition necessary to provide expected service levels. Ultimately, deferring essential maintenance or asset replacement could reduce the Town's ability to provide services and therefore could threaten public health, safety and overall quality of life for the Town's citizens. Thus, the capital improvement plan should address both anticipated new projects and the continuing investment necessary to properly maintain the Town's capital assets.

All proposals for capital investment should go through the capital planning process.

Definition of appropriate capital items for inclusion on the CIP:

Expenditure of major value that recurs irregularly, results in the acquisition of a fixed asset, and has a useful life greater than one (1) year.

As a rule of thumb, items to be included in the CIP include those which:

(a) Involve the acquisition, renovation, and/or construction of a single fixed asset greater than $100,000 or a single piece of machinery/equipment, greater than $30,000; or

(b) Involve any land purchases not associated with or included in another CIP project; or

(c) Involve capital road maintenance or construction greater than $100,000, excluding recurring or routine maintenance projects.

Difference between departmental capital outlay items (in operating budget) and capital project outlay items (in CIP):

Departmental capital items shall not be submitted as part of the CIP. Such items should be outlined in the "Capital Outlay" section of the operating budget request.

Departmental capital items include:

(a) Equipment/tools, furniture, office equipment such as computers and copy machines that exceed the capitalization threshold of $5000, but are less than $30,000 per single item; and

(b) Minor remodeling, or other construction projects below the capitalization threshold of $100,000; and

(c) All vehicles, rolling stock and machinery below $30,000.

However, any upcoming, or 1st year costs associated with a CIP request shall be entered in the department's operating budget request in order to ensure that 1st year CIP costs are noted and included in the Budget Officer's Recommended Budget.

Inclusion of expenditures for maintenance and/or staffing in the CIP:

All operating, maintenance, and personnel budget expenditures associated with the purchase of CIP items shall be included and noted in the annual operating budget.

However, for reporting and future expenditure forecasting purposes, the estimated additional expenditures on operating, maintenance, and personnel shall also be identified on all CIP requests.

II. ORGANIZATIONAL ISSUES:

Department heads are responsible for identifying, documenting, and justifying CIP requests. Department heads are also responsible for obtaining project cost estimates. Projects should generally be foreseen ahead of the time (preferably 2+ years) of need to allow time for planning long-term financing strategies or financing methods. All CIP requests should be submitted by the department heads in accordance with the annual budget calendar. Department heads will work with the Finance Director to identify appropriate/potential revenue sources for the project.

A capital project selection committee, comprised of the Town Administrator, the Finance Director and department head level staff shall be used to evaluate and recommend a ranking of proposed projects.

Council review, recommendation, and adoption of CIP:

The Finance Director, in conjunction with the Town Administrator and Finance staff, shall be responsible for coordinating the CIP process and for the submission of the CIP to the Mayor and Town Council. The recommended CIP shall be submitted to the Mayor and City Council for their review and recommendation during the beginning stages of the annual budget process.

NOTE: Governing Body recommendation of the CIP does not authorize money for any of the projects in the plan, but the recommendation by the Governing Body shall provide the Town

Administrator and Finance Director/Budget Officer direction to proceed with formulating the annual CIP and inclusion of first-year CIP items in the Budget Officer's Recommended Town Budget.

A Capital Projects Ordinance will be adopted by Town Council in addition to the Town's Operating Budget to establish any necessary project fund structures for CIP expenditures at the beginning of the fiscal year.

III. EVALUATION OF PROJECT MERIT:

Proposed CIP items will be evaluated and ranked according to merit, in accordance with the Town's overall goals and objectives, and in consideration of level of critical need of the requested asset. All requested project submittals will include the following information:

(a) Project scope
(b) Project justification
(c) Estimated cost (by project phase)
(d) Estimated funding by project
(e) Estimated operating budget impact (by budget category)
(f) Estimated implementation timeline
(g) Identification of managing department

IV. FUNDING SOURCES:

Debt may be considered for capital projects under the following circumstances:

(a) The capital item is a long-living (useful life greater than one (1) year) asset; and
(b) The asset has a useful life expectancy that equals or exceeds the length of the proposed debt financing period.

The following types of financing (or combination thereof) may be considered under the following circumstances:

1. Non-debt methods *(Also referred to as Pay-as-you-go, or Pay-Go)*

   (a) Current revenues – The capital item may be acquired through anticipated operating revenues in the year of inclusion in the Town's operating budget. These may include tax revenues, user fees or other general operating revenues.
   (b) Capital reserves – The capital item may be funded from Town Council designated revenue streams that are set aside in a separate Capital Reserve fund, (such as the Future Development Fund, Bike/Walkway Path Fund, Future Street Paving Fund, etc.)
   (c) Capital recovery, facility, or assessed fees – Capital items may be financed from charges to benefiting property owners for major infrastructure or

facilities that benefit that property. Charges can be levied and collected before or after the infrastructure is built, depending on the project type.

(d) Appropriated Fund Balance – The capital item may be funded with unassigned operating fund balance.

(e) Grants – Funding of the capital item may come from award of a state or federal governmental grant (examples might include PARTF, DENR, CDBG, HOME or law enforcement grants, or EPA water quality grants.)

(f) Gifts – The capital item may be purchased or acquired with restricted or unrestricted donations by citizens or corporations.

2. Debt methods:

(a) General Obligation Bonds (G.O. Bonds) – The capital item is 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, G.O. Bonds are only used for major General Fund projects.

(b) 2/3 General Obligation Bonds – Without voter approval, G.O. Bonds may be issued annually on 2/3 of net G.O. debt reduction (principal retirement) in the prior year.

(c) Revenue Bonds -- The capital item is used for a non-public good in which a revenue stream is associated with the capital item (e.g. airport, water, wastewater, and electric system capital items).

(d) Special Obligation Bonds (S.O. Bonds) – S.O. Bonds may be used for solid waste management projects which can include equipment or facilities for construction of incinerators, land for recycling facilities, drainage collection and treatment systems for landfills, land and liners for landfills, monitoring wells, recycling equipment and facilities, and volume reduction equipment; can also be used for water/sewer projects.

(e) Special Assessments – The capital item benefits only immediately adjacent property. Adjacent property owners pay the special assessments after the improvement is completed and its cost is known. Therefore, special assessments are not a method of capital financing, but rather a method of eventually paying for the improvements for which they are levied. Other sources of funds are needed to finance the improvements for which the assessments are later levied.

(f) Property Secured Debt – The capital item can be secured as collateral itself. Includes lease or installment purchase transactions and certificates of participation (COPS).

Debt Limits

If the Town opts to use debt funding, the Town shall not exceed the N.C.G.S. 159-55(c) limit of outstanding net bonded debt of 8% of the appraised value of property subject to taxation. If the Town uses General Obligation Bond debt, the annual debt service payments (principal and interest) on the G.O Bonds shall not exceed 15% of the Town's General Fund operating budget.

V. CAPITAL PROJECT BUDGET DIFFERENCES:

Capital project under/overestimations:

In the event that a Capital Project budget is underestimated, the following course of action should be followed:

(a) Review project scope and performance of contractor.
(b) Analyze need for more funding – (i.e. cost overruns, unforeseen circumstances, new legal requirements, etc.)
(c) Request the close out of Purchase Orders to obtain additional funding from idle funds.
(d) Request budget transfers, if available, to obtain idle funds.
(e) Develop and present options, with recommended actions, to the Town Administrator for presentation to the Governing Body.

In the event that a Capital Project budget is overestimated, the following course of action should be followed:

(a) Analyze reasons for overestimation.
(b) Savings are reprogrammed in future budget(s) and/or CIP(s).

ADOPTED BY TOWN COUNCIL, March 2, 2015,

TOWN OF SUNSET BEACH

By: R. Watts

Ron Watts, Mayor

TOWN OF SUNSET BEACH OFFICIAL SEAL NC

Attest: Lisa Anglin

Lisa Anglin, Town Clerk