

## CAPITAL IMPROVEMENT PLAN POLICIES

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1. Projects included in the Capital Improvement Plan shall be consistent with the City's Comprehensive Plan.
2. Citizen input is encouraged throughout the process of developing and adopting the Capital Improvement Program.
3. The Capital Improvement Plan shall integrate all of the community's capital project resources (Federal Revenue Sharing, Commonwealth of Virginia, grants, bonds, City funds allocated to capital projects, proffers, donations and any other funding available).
4. Capital projects should be financed to the greatest extent possible through user fees where direct benefit to users results from construction of the project (water or sewer).
5. Where grants or private funds are available to finance projects, efforts should be made to secure these non-city funds.
6. Efforts should be made to leverage funds that would not otherwise be available to the community.
7. Efforts should be made to continue cooperative efforts with other agencies.
8. Projects mandated by State and Federal agencies and law will receive priority consideration.
9. Projects that have been previously initiated and are a completion of subsequent phases shall receive priority consideration.
10. Projects that preserve and protect the health and safety of the community shall receive priority consideration.
11. Projects that provide for the renovation of existing facilities, the preservation of the community's prior investment or the reduction of maintenance and operating costs shall receive priority consideration.
12. Facilities whose construction or acquisition results in new or substantially increased operating costs should be considered only after an assessment indicates a clear need for the project and plans for funding operating costs are developed.

## **DEBT MANAGEMENT POLICY**

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### **I. Long Term Debt**

- ◆ Long-term borrowing will not be used to finance current operations or normal maintenance.
- ◆ Long-term borrowing for capital improvements will be confined to such improvements and projects that cannot be financed from current revenues.
- ◆ Capital improvements that are financed by issuing General Obligation Bonds, Revenue Bonds, or other long-term debt, will be repaid within a period less than the expected useful life of the improvements.
- ◆ General Obligation Bonds will be used for projects that benefit the citizens of Chesapeake.
- ◆ Overall net debt will not exceed three and one-half percent of the assessed valuation of the taxable real property in the City of Chesapeake, which is less than the ten percent debt limit required by the State.
- ◆ Overall net debt per capita will be managed so that it will not exceed \$3,000.
- ◆ Every attempt will be made to keep the average maturity of general obligation bonds, exclusive of enterprise debt, at or below twelve years and retire 50 percent of the debt during the twelve-year period.
- ◆ Where possible and appropriate, the City will develop, authorize, and issue revenue or other self-supporting debt instruments in lieu of general obligation bonds.
- ◆ Revenue bonds will comply with the coverage required for parity bonds in original resolutions and prior bond covenants.

## **DEBT MANAGEMENT POLICY**

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### **II. Medium Term Debt**

- ◆ Lease-purchase or other debt instruments may be used as a medium-term (four to ten years) method of borrowing for the financing of vehicles, specialized types of equipment, or other capital improvements.
- ◆ The equipment or improvements must have an expected useful life of more than four years.
- ◆ The City of Chesapeake will determine and utilize the least costly financing method available.
- ◆ Such debt arrangements will be repaid within the expected useful life of the equipment or improvement acquired.

### **III. Short Term Debt**

- ◆ Short-term borrowing may be utilized for temporary funding of anticipated bond proceeds, anticipated grant payments or other expected revenues.
- ◆ Short-term debt, such as tax-exempt commercial paper, bond anticipation notes, tax anticipation notes, and grant anticipation notes, may be used when it provides immediate financing and an interest advantage, or the advantage to delay long-term debt until market conditions are more favorable. The City of Chesapeake will determine and utilize the least costly method for short-term borrowing.
- ◆ Short-term debt will not exceed the following limits:
  - A. Anticipated Revenues - An amount equal to the estimated amount of the source of which it is in anticipation of receiving. (Anticipated revenues are revenues such as federal and state grants received, and anticipated proceeds from a bond sale.)
  - B. Other Expected Revenues - An amount equal to the estimated amount of the expected revenues. (Expected revenues are revenues such as federal and state grants that will be forthcoming for a project where there has been an expenditure of funds, but the grantor agency has not been billed for the expended funds.)
- ◆ Short-term debt will be repaid as soon as possible after the anticipated or expected source of funds is received. Such debt may be rolled over if it is in the best interest of the City of Chesapeake to do so when the anticipated or expected source has not yet been received.

## **CAPITAL IMPROVEMENT PLAN PROCESS**

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### **IV. Other Debt Considerations**

- ◆ For any Enterprise Fund operation that is supporting debt, either directly or indirectly, an annual rate study will be performed to ensure that the fees and rates for service are sufficient to meet future debt service requirements. If the fees and rates are not sufficient, then they will be increased as necessary to provide adequate funds for the operation as well as the debt service requirements of the outstanding debt.

### **V. Bond Rating Agencies**

- ◆ The passage of time modifies the position of an issuer of debt in the market. For this reason, communication will be maintained with bond rating agencies with respect to the City of Chesapeake's bonds and its financial condition. A policy of full disclosure will be followed on every financial report and official statement for debt.

### **VI. Debt Management Policy Review and Amendment**

- ◆ Debt management policies will be reviewed from time to time in order to ensure compliance with changes in the State Constitution, Statutes, and the City of Chesapeake Charter. Council may amend these policies as necessary.

## **CITY CHARTER**

### **Chapter 5: Budget**

#### **5.07 Lapse of Appropriations**

Every appropriation, except an appropriation for a project in the capital improvement program, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a project in the capital improvement program shall continue in force until the purpose for which it was made has been accomplished or abandoned; the purpose of any such appropriation shall be deemed abandoned if three (3) years pass without any disbursement from or encumbrance of the appropriation.

## CAPITAL IMPROVEMENT PLAN PROCESS

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### 5.08 Capital Improvement Program

- a) *Submission to Council.* The manager shall prepare and submit to council a five-year Capital Improvement Plan at least ninety days prior to the beginning of each fiscal year.
- b) *Contents.* The Capital Improvement Plan shall include:
- (1) A general summary of its contents;
  - (2) A list of all capital improvements which are proposed to be undertaken during the five fiscal years next ensuing, with appropriate supporting information as to the necessity for such improvements;
  - (3) Cost estimates, method of financing and recommended time schedules for each such improvement; and
  - (4) The estimated annual cost of operating and maintaining the facilities to be constructed or acquired.

The above information shall be revised and extended each year with regard to capital projects still pending.

### 5.09 Council Action on the Capital Improvement Plan

- a) *Notice and Hearing.* The council shall publish in one or more newspapers of general circulation in the City the general summary of the Capital Improvement Plan and a notice stating:
- (1) The times and places where copies of the Capital Improvement Plan are available for inspection by the public; and
  - (2) The time and place, not less than fourteen days after such publication, for a public hearing on the Capital Improvement Plan.
- b) *Adoption.* The council shall adopt a Capital Improvement Budget with or without amendment after the public hearing and not later than forty-seven (47) days prior to the end of the current fiscal year. Should the council take no action prior to such day, the program shall be deemed to have been finally adopted as submitted by the City Manager. The Capital Improvement Budget, after adoption, shall be deemed a plan only, with the right being reserved to the City Council to change the same at any time.

## **CAPITAL IMPROVEMENT PLAN PROCESS**

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### Capital Budget Preparations

The City Charter requires the City Manager to prepare and submit to the City Council a five-year Capital Improvement Plan by April 1st for the next ensuing five (5) fiscal years to begin on July 1st. The proposed Capital Improvement Plan, which may be modified by the City Council, is required to be adopted by a majority vote of the City Council at least forty-seven (47) days prior to the beginning of the fiscal year. Otherwise, the Capital Budget as submitted by the City Manager becomes the Capital Budget for the ensuing fiscal year.

The annual Capital Improvement Plan development process begins with the submission of Capital Improvement Plan requests to the City Manager by department or agency heads. Capital Improvement Plan requests are then reviewed by the Capital Improvement Plan Committee for the (See “The Role of the Capital Improvement Plan Committee”) City Manager and meetings/hearings between the City Manager and the department heads are scheduled to discuss agency requests. The Capital Improvement Plan is used in lieu of a legally adopted annual budget for capital projects funds.

The proposed Capital Improvement Plan of the School Board is submitted to the City Manager for information for the City Council. The City Manager makes recommendations in the proposed Capital Improvement Plan regarding the total projects and appropriations for the school system. City Council makes annual appropriations for School capital purposes.

The City Manager prepares a proposed Capital Budget Plan submission to the City Council. Available sources of revenue are balanced against City and School capital needs. After work sessions with the City Council and public hearings, the proposed Capital Plan is revised and adopted. Sources of financing and/or tax rates are established prior to the beginning of the first of the five (5) fiscal years for which the Capital Improvement Plan is prepared.

### Capital Budget Execution

During the first fiscal year, sources of financing are confirmed. The Office of the Director of Budget reviews revenues and expenditures and project appropriations are amended as necessary for completion.

The City Council may authorize the transfer of funds between projects and may make supplemental appropriations based on the availability of financial resources.

## CAPITAL IMPROVEMENT PLAN PROCESS

### Operating and Capital Budget Calendar:

| <b>Date</b>                     | <b>Activity</b>   | <b>Responsible Party</b>   |
|---------------------------------|---|--|
| 09/20/11                        | Five Year Forecast completed  | Budget Office  |
| 10/19/11                        | Strategic Planning Session:<br>Five Year Revenue and Expenditure Forecasts<br>Review of Priorities and Definitions of Desired Results | City Council, City Manager<br>and Budget Office                            |
| 10/21/11                        | Initial budget targets distributed to departments for<br>incorporation in the FY 2012-13 Operating Budget                             | City Manager, Departments<br>and Budget Office                             |
| 10/27/11                        | Citizen Meeting at the Conference Center for Citizen budget<br>input  | City Council, City Manager,<br>Budget and Public<br>Communications Offices |
| 11/02/11                        | Operating and Capital Budget framework to Departments; also<br>discussion with department heads at Management meeting                 | Budget Office  |
| 12/02/11                        | Operating and Capital Improvement Budget requests due in<br>Budget Office   | Departments and Budget<br>Office   |
| 01/03/12                        | Strategic Planning Session  | City Council, City Manager<br>and Budget Office                            |
| 01/06/12                        | Completion of analysis, review and summarization of Operating<br>and Capital Improvement Budget requests                              | Budget Office  |
| 01/25/12                        | Joint meeting of City Council and School Board  | Mayor, School Board Chair,<br>City Manager, and School<br>Superintendent   |
| 01/09/12<br>through<br>01/31/12 | Review of department funding proposals for Operating and<br>Capital Improvement Budgets   | City Manager, Deputy City<br>Managers, Departments and<br>Budget Office    |
| 02/13/12                        | Revenue and spending summaries to City Manager  | Budget Office  |
| 03/05/12                        | Final date for revisions to Manager's proposed budget   | Budget Office  |
| 03/09/12                        | Manager's budget message to Budget Office   | City Manager   |
| 03/13/12                        | Operating and Capital Improvement Budgets to Printer  | Budget Office  |
| 03/20/12                        | Operating and Capital Budgets presented to Council (April 1 is<br>90th Day Prior to July 1)   | City Manager and Budget<br>Director  |
| 03/27/12                        | Advertise Operating and Capital Budgets   | City Clerk and City Attorney   |
| 04/10/12 to<br>04/24/12         | Council Work Sessions   | City Manager and City<br>Council   |
| 04/24/12<br>and<br>05/08/12     | Public Hearings on Operating and Capital Improvement<br>Budgets   | City Clerk and City Council  |
| 05/08/12                        | City Council scheduled to vote on the Operating and Capital<br>Improvement Budgets  | City Council   |
| 06/12/12                        | Amendments required by State Budget action are presented to<br>City Council for action prior to July 1 implementation                 | City Manager and City<br>Council   |

## **THE ROLE OF THE CAPITAL IMPROVEMENT PLAN COMMITTEE**

The following is the operating guide for the Capital Improvement Plan Committee:

### **Purpose:**

The Role of the Capital Improvement Plan Committee is to assist the City Manager, prepare, and submit to Council a Five-Year Capital Improvement Program by April 1, annually.

### **Composition:**

The Capital Improvement Plan Committee is made up of the City Manager, the Deputy City Managers and the Director of Budget.

### **Functions:**

1. Develop a Five-Year Capital Improvement Plan based on the anticipated construction or capital acquisition needs of all departments under the control of the City Council. Submit to the City Council for its information the suggested Five-Year Capital Improvements Plan including:
  - a) Total estimated costs;
  - b) Recommendations concerning scheduling and financing the program; and
  - c) The correlated fiscal impact of other taxing units' capital programs. (For example, new Water Resources.)
2. Establish criteria upon which project priority may be based, to include but not limited to:
  - a) Effect on the assessed valuation of the City;
  - b) Interrelationship of each project with other projects;
  - c) Effect of each project on the quality of life and progress of the City;
  - d) The number of residents favorably or adversely affected by each completed project;
  - e) Each project's relationship to the Comprehensive Development Plan with emphasis upon the Five-Year Capital Improvement Plan and the community development objectives.
3. Determine a priority for each project within the program based upon the established criteria;
4. Secure supporting data, justification for proposed projects, accurate cost estimates and a listing of departmental services and facilities and projected operating costs related to each capital project.
5. Submit a Capital Improvements Plan within such principles, limitations or guidelines as established by the City Council and City Charter Support the Budget office in coordinating and expediting completion of the Capital Improvements Plan as recommended to the City Council.
6. Ensure that "abandoned" projects are clearly explained and labeled.



## **THE ROLE OF THE CAPITAL IMPROVEMENT PLAN COMMITTEE**

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### **EVALUATION CRITERIA**

1. Projects which are required by an existing agreement with another agency.
2. Projects which are essential to public or employee health or safety.
3. Projects which would result in significant savings in operating costs currently impacting the General Fund.
4. Projects which would make an existing facility more efficient or increase its use with minimal or no operating cost increase.
5. Projects which would provide new facilities with minimal or no operating costs.
6. Projects which would generate sufficient revenue to be essentially self-supporting in their operation.
7. Projects which would fulfill a City commitment (evidenced by previous inclusion in the Capital Improvement Plan and community support) to provide minimal facilities in areas which are deficient according to adopted standards.
8. Projects which would fulfill City commitment (evidenced by previous inclusion in the Capital Improvement Plan and community support) to provide greater than minimal facilities.
9. Purchase of land for future projects at favorable prices prior to adjacent development.
10. Purchase of land for future City projects (land-banking).
11. Projects which have CIB expenses in future years, with no increase in General Fund operating costs (e.g., continuation of a ten-year cycle street maintenance program).
12. Projects which are grant funded and would have minimal or no operating cost impact on the General Fund.
13. Projects which are grant funded but would require increased operating costs in the General Fund.
14. Projects which are not grant funded and would require increased operating costs in the General Fund.

## **BASIS OF ACCOUNTING**

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The modified accrual basis of accounting is followed by the governmental funds and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt which is recorded when due, are recorded when the liability is incurred, if measurable.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

Real and personal property taxes are recorded as revenues and receivables when levied and billed, net of allowances for uncollectible amounts. Property tax receivables not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the State or utility companies by year end and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the State or utility company, which is generally in the month preceding receipt by the City.

Licenses and permits, fines and forfeitures, charges for services and miscellaneous revenues (except interest on temporary investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

The accrual basis of accounting is followed by the proprietary fund types and non-expendable trust funds. Accordingly, their revenues are recognized when earned, and their expenses are recognized when they are incurred. Unbilled utility service receivables are recorded in the enterprise funds when earned. Claims incurred and not reported are not determinable, and accordingly, are not reflected in the Self-Insurance Fund (Internal Service Fund).