

DR 81-21 - Sedgwick County -
Capital Improvements Program

ACTION

DATE

COMMITTEE

M.A.P.C.

B.C.C./B. CO. C. Approved Concept 8-5-81

Wegg - Appointed CIP Committee 8-13-81

CIP Committee - Approved 4-21-82

WICHITA-SEDGWICK COUNTY

DATE

METROPOLITAN AREA PLANNING DEPARTMENT

July 1981

TO Board of Sedgwick County Commissioners
FROM Robert A. Lakin, Director of Planning
SUBJECT Capital Improvement Programming

~~Handwritten~~
2 Durdark
Note -
This is to be a
DR File

File
waterproof
file
post-
it
with
card

Introduction

Recently, Chairman Gragg requested that the Planning Department examine the possibility of developing a Sedgwick County Capital Improvements Program (CIP). This report is the initial step to that end. First, a definition of a CIP is presented along with some of its advantages and limitations. This is followed by a discussion of some of the factors which influence capital improvement programming. Lastly, a series of steps are listed of how to proceed should you wish to develop a CIP.

Before proceeding with the above items, it should be mentioned that a CIP was prepared by the Planning Department for Sedgwick County in late 1974, for the six year period--1975 through 1980. This program covered projects proposed for public buildings, equipment, utilities, parks, roads and bridges. The report also examined the financial capacity of the County to implement these projects. This experience produced mixed results. From a positive standpoint, the process helped inform County department heads and their major assistants on the methods available for examining long-term capital needs and coordinating facility improvements with other departments and agencies. On the other hand, the effort produced some disappointments. First, following the first year, some key department heads continued business as usual by submitting their independent requests without consulting the CIP and examining the financial impact on other projects.

- Success in deficit on B & C
- Requires time as well as cooperation from the Dept.
- Structure unknown
- Process as a guide, not 100% binding

What is a Capital Improvements Program?

The National Council on Governmental Accounting has defined the Capital Improvements Program as follows:

"A plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs arising from the long-term work program or otherwise. It sets forth each project or other contemplated expenditure in which the local government is to have a part and specifies the full resources estimated to be available to finance the projected expenditures."

Thus, the three essential elements of a CIP are a list of capital projects, a given period of time, and selected sources of revenue. A capital project can be broadly defined as 'any major project requiring the expenditure of public funds (over and above operating costs) for the purchase or construction of a physical asset'. A capital project has a "useful life" of over one year and a value usually greater than \$5,000. Projects vary from costly highways and sewer plants to fire stations and heavy equipment. Normally, light vehicles such as police cars are budgeted annually. Land necessary for a project is, however, included. While personnel costs are not considered a capital expense, planning and engineering expenses are figured in the total cost of a project.

The time period covered by a CIP is usually six years. In most cases, the first year is called the "capital budget." A capital budget can be thought of as the link between the longer term program and the current year budget and appropriation process. The capital budget is prepared annually with projects selected from the more firm portion--years two and three. The latter half of the program (years four, five and six), is then updated every two-three years when new projects are added.

Advantages and Limitations of Capital Improvements Programming

A growing urban county, such as Sedgwick, needs a positive and coordinated program to construct and maintain public facilities and services. While newly urbanizing areas need road improvements and sewage service, developed areas may be suffering from deteriorated and/or obsolete facilities. These competing demands coupled with the limited availability of current revenues and the legal complexity of long-term debt financing signal the necessity to formalize a method of prioritizing projects and committing future public resources.

A CIP also functions to:

1. Link the comprehensive development plan to a financial plan.
2. Estimate multi-year capital needs and develop a sound debt management policy.
3. Allow adequate planning and coordination of projects among departments, other local governments, and state and federal funding agencies.
4. Promote orderly growth by informing developers and utility companies of intended public projects.

The hoped for result of the above functions are more cost-effective capital investment decisions, development patterns which maximize the use of existing public facilities, and greater private investment in return for limited public funds. In short, a CIP is designed to make public investments work to achieve community development objectives. But, relating the provision of public facilities to development objectives is difficult for several reasons, which together have served to make preparing and implementing a CIP difficult. These reasons include:

1. Revenue sources for capital facilities are difficult to predict from year to year due to changes in tax laws, economic conditions, etc.
2. Operating budgets take precedence over capital budgets and cost increases influence what capital projects are fundable.
3. The need for public facilities depends largely on the location, magnitude, and timing of private development, factors which are difficult to predict.
4. Community development objectives are generally unclear and previously agreed upon policy is often redefined at budget time.
5. Many criteria used by departments in recommending projects are undefined and final project priority lists are often based on subjective reasons.

Nevertheless, ways must be found around these difficulties in order to increase the long-term return on funds spent for public facility improvements. For example, the formulation of clear policy objectives requires excellent communications between elected officials and professional staff regarding continuing obligations and emerging needs.

Factors Which Influence the CIP

Several factors emerge from the above discussion which will have a major bearing on the scope of a Sedgwick County CIP. Each of these factors will in some way influence the final product whether by affecting the availability of financial resources or the specific types of projects selected for funding. The most important factors include:

1. Amount and type of desired future development in the unincorporated area.
2. Availability and willingness to use state and federal funds.

Page 4
July 7, 1981
Capital Improvement Program/Sedgwick County

3. Statutory limits and maximum tolerable annual mill levy for debt service.
4. Priority ranking among competing public facility needs.
5. Willingness to establish special districts and utilize benefit district financing.

In order to prepare an effective and workable CIP the Board of County Commissioners, with the assistance of professional staff, will have to deliberately examine each of the above factors and develop a reasoned policy position. Only in this way can the CIP reflect the wishes of the governing body, and yet, provide the kind of results for which it is designed.

The Process of Preparing a CIP

The preparation of a CIP requires the completion of several sequential steps and involves several departments and individuals. In order to provide coordination, a CIP Administrative Committee is proposed. This five-member committee would consist of the Director of Administration, Director of Public Works, County Controller, County Counselor, and Director of Planning. Their role is to review and evaluate capital project requests and make a final recommendation to the Board of County Commissioners. A chairman directs the work of the committee. Initially, it is suggested that the Director of Planning be appointed chairman.

Each major step in preparing a CIP is listed below along with the role of involved parties.

- Step 1 - Chairman of Administrative Committee briefs County Commission on CIP Process and proposed schedule. County Commission expresses community development objectives, public improvement priorities, and financial parameters. (1 week)
- Step 2 - Director of Planning provides department heads with project request forms and written explanation of procedures. (2 weeks)
- Step 3 - Department heads submit completed request forms to Director of Planning. (8 weeks)
- Step 4 - Director of Planning compiles all project request forms and a summary of costs by program category and year. A copy is provided to the CIP Administrative Committee. (2 weeks)

Page 5
July 7, 1981
Capital Improvement Program/Sedgwick County

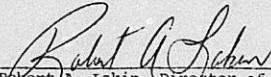
- Step 5 - Financial staff completes fiscal analysis of programs and reviews year one projects for operating budget impacts. Planning staff evaluates programs for consistency with the Comprehensive Plan and assesses year one projects for economic, social and environmental impacts. Public Works staff reviews the potential of proposed projects for simultaneous construction. (4 weeks)
- Step 6 - CIP Administrative Committee reviews staff findings, makes necessary adjustments and forwards recommended program to Board of County Commissioners. (2 weeks)
- Step 7 - Board of County Commissioners receives recommended CIP and releases same to MAPC, other appropriate advisory boards, and the general public for comments. (2 weeks)
- Step 8 - Board of County Commissioners holds public hearing on proposed CIP and receives comments. Commission approves, amends, rejects, or takes no action on proposed CIP. Approval signifies intent to commit funds for year one projects and support for future year projects. Separate action is required to spend funds for any project listed in CIP. (1 week)

In terms of total time required, a CIP can be prepared in about five to six months without any unusual delays.

RECOMMENDATIONS:

Although the CIP is not without limitations and requires considerable effort by professional staff as well as by the Board of County Commissioners, it is the best method that is available for developing a strategic capital investment plan and linking that plan to a feasible financial program. In addition, the whole process improves the capability of County departments to systematically examine and project their future operational needs while aiding their ability to understand and support common objectives for the betterment of County government.

Based on these findings, we recommend that the Board of County Commissioners consider undertaking the preparation of a capital improvements program. Should the Board agree with this recommendation, we further suggest that the Board appoint a CIP Administrative Committee and instruct said Committee to initiate the process and develop the necessary procedures to produce a CIP for the 1983 budget year.


Robert A. Lakin, Director of Planning

RAL:RD:vn