



Administrative Regulations

Number AR15-2
Issue 4

Subject: Procedures for Administering the City's Capital Improvement Program and Annual CIP Budget.

MEMORANDUM

date: July 2, 1991
to: Department Heads
from: James C. Hankla, City Manager
subject: REVISION TO ADMINISTRATIVE REGULATION 15-2

Attached is the revised Administrative Regulation 15-2, Procedures for Administering the City's Capital Improvement Program and Annual CIP Budget.

This Regulation has been revised to reflect the new two-year capital planning and budgeting process. You will note that Section VI Procedures, is divided into Part A describing the process begun in July of each odd numbered calendar year, and Part B describing the abbreviated process begun in September of each even number calendar year.

In addition, review by the Department of General Services of proposed computer and telephone system acquisitions is clarified.

Finally, the definition of capital projects has been updated to include only those projects with a cost in excess of \$10,000 and a useful life of at least five years.

If you have any questions regarding this matter, please feel free to call Deborah Chankin, Administrative Officer-Engineering, at extension 6467.

JCH:led

29/25

Attachment

cc: John F. Shirey, Assistant City
Manager Henry Taboada, Deputy City Manager
Herb Levi, Deputy City Manager

ADMINISTRATIVE REGULATION

Number 15-2
Issue 4

SUBJECT: PROCEDURES FOR ADMINISTERING THE CITY'S CAPITAL IMPROVEMENT PROGRAM AND ANNUAL CIP BUDGET

I. PURPOSE

The purpose of this regulation is to establish policies and procedures governing the compilation and administration of the Six-Year Capital Improvement Plan (CIP), the Two-Year Capital Improvement Program and the Annual Capital Improvement Program Budget.

Procedures for Administering the City's Capital Improvement Program and Annual CIP Budget.

II. SCOPE

This regulation is applicable to all City Departments and officers responsible directly to the City Manager. It is also requested that elective offices and other independent offices and departments of the City comply with these procedures in administrative uniformity.

III. DEFINITIONS

- A. Capital Improvement Project - a specific undertaking involving the procurement, construction or installation of facilities and related equipment which improve, preserve, enhance or modernize the City's investment in municipal services, have a useful life of at least five years, and which cost in excess of \$10,000.
- B. Annual Program - a "project" which occurs on a regular or annual basis addressing similar infrastructure deficiencies, or numerous deficiencies at the same location, in order to achieve economies of scale. Examples include the "Annual Sidewalk Replacement Program" and the "Annual Civic Center Improvement Program."
- C. Six-Year Capital Improvement Plan - a planning document consisting of proposed projects, sources of funding, and schedules. The Six-Year Capital Improvement Plan is developed in the following phases:
 - Requested Six-Year Capital Improvement Plan is compiled by Public Works from individual departments' submittals.
 - The Capital Improvement Program Committee recommends preliminary Six-Year Capital Improvement Plan to the City Manager.
 - Proposed Six-Year Capital Improvement Plan is submitted to the Mayor by the City Manager and referred by the City Council to the Planning Commission for review of its conformity with the General Plan.
 - Adopted Six-Year Capital Improvement Plan is the plan approved by the City Council.
- D. Annual Capital Improvement Budget - the portion of the annual budget providing appropriations for projects included in the current year of the Six-Year Capital Improvement Plan as modified to include any funds carried over from the previous fiscal year.
- E. Long Range Capital Improvement Plan - a document prepared every two years by operating departments indicating the Department's mission and objectives and needed investment in existing, expanded or new facilities to meet those objectives over the next five to ten years. The Long Range Capital Improvement Plan shall also include estimates of all associated operating and maintenance costs, and expected benefits.
- F. Capital Improvement Program Committee - an interdepartmental committee established by the City Manager to review project requests and recommend a preliminary Six-Year Capital Improvement Plan.
- G. Two-year Capital Improvement Program - A document consisting of proposed projects, sources of funding, and description of projects and adopted in June of even numbered calendar years. The Two-Year Capital Improvement Program includes as its first year, the Annual Capital Improvement Budget adopted by the City Council along with any funds carried over from the previous fiscal year. The Two-Year Capital Improvement Program includes as its second year, that program derived from the Six-Year Capital Improvement Plan. This second year program is approved "in concept" by the City Council for appropriation the following year.

IV. POLICY

The product of an ongoing planning process, the Six-Year Capital Improvement Plan shall be updated every other year and integrated with the annual budget process. The Capital Improvement Program Committee will ensure that the Six-Year Capital Improvement Plan is based on the following:

- a systematic assessment of capital and maintenance needs

Procedures for Administering the City's Capital Improvement Program and Annual CIP Budget.

- consideration of actions needed to implement Long Range Capital Improvement Plans or the City's strategic plan
- project scheduling and phasing requirements
- a reasonable estimate of the availability of funding
- the need to obtain maximum benefit from funds appropriated by such means as obtaining matching grants, investing in projects which will enhance revenues, and investing funds needed to preserve existing City assets
- prioritization of competing needs.

As set forth below, the City Manager will approve the final Proposed Six-Year Capital Improvement Plan for submittal to the Mayor. The Adopted Six-Year Capital Improvement Plan and Two-Year Capital Improvement Program will establish the work program to be followed by all departments.

V. OUTLINE AND SCHEDULE OF CAPITAL PROJECT PLANNING PROCESS

JULY

Department of Public Works provides facilities inventory which identifies capital and maintenance deficiencies, prioritizes needs, and recommends corrective action (odd numbered calendar years only). Planning and Building distributes profile of significant trends to departments (odd numbered calendar years only).

AUGUST

Public Works distributes detailed instructions to operating departments for project submittal. Departments prepare and submit Long Range Capital Improvement Plans (odd numbered calendar years only).

SEPTEMBER

Planning and Building Department reviews Long Range Capital Improvement Plans for consistency with adopted city-wide plans and provides written comments to requesting departments and to Public Works (odd numbered calendar years only)

OCTOBER

Departments submit individual project proposals to Public Works Department.

NOVEMBER/DECEMBER

Public Works prepares cost estimates on requested Capital Improvement Plan projects and compiles the Requested Capital Improvement Plan.

General Services reviews projects involving telephone and computer system acquisitions.

Department of Financial Management provides Statement of Funding Availability.

Capital Improvement Program Committee meets with requesting departments to review requested projects in the context of Long Range Capital Improvement Plans.

JANUARY

Capital Improvement Program Committee transmits Preliminary Six-Year Capital Improvement Plan, Department Long Range Capital Improvement Plans and any policy recommendations to City Manager for approval in even numbered years. Committee transmits only preliminary Annual Capital Improvement Budget in odd numbered years. City Manager approves Preliminary Six-Year Capital Improvement Plan or preliminary Annual Capital Improvement Budget.

FEBRUARY

Based on the Preliminary Six-Year Capital Improvement Plan, Public Works compiles the Two-Year Capital Improvement Program and Annual Capital Improvement Budget; Departments prepare annual operating budget requests.

MARCH

Financial Management prepares preliminary budget for next fiscal year, including Capital Improvement Program Budget.

APRIL

City Manager reviews total preliminary budget.

MAY

City Manager submits to Mayor:

- Recommended Annual Budget, and
- Proposed Six-Year Capital Improvement Plan

Council refers Six-Year Capital Improvement Plan to Planning Commission to determine consistency with the General Plan. The Planning Commission forwards its findings to City Council.

JUNE

Council adopts budget including the Annual Capital Improvement Program Budget and the Six-Year Capital Improvement Plan; and adopts the Two-Year Capital Improvement Program in concept in even numbered calendar years.

VI. PROCEDURES

A. In July of each odd numbered calendar year the following process shall be initiated, culminating in adoption of the Six-Year Capital Improvement Plan:

1. The Public Works Department shall develop and maintain a Facilities Inventory, which documents conditions of City facilities and assesses capital and maintenance needs. No later than July 30, the Public Works Department will provide each department with its Facilities Inventory and with recommendations for correcting identified deficiencies.
2. To ensure responsiveness to projected demographic changes and private development, and consistency with adopted City-wide plans and policies, the Department of Planning and Building shall provide a statistical profile of significant trends. This profile shall be distributed to all Departments no later than July 30, for their use in preparation of their Long-Range CIPs.
3. In August, the Public Works Department shall distribute a detailed schedule for preparation of the Capital Improvement Program, instructions for submitting project requests, copies of necessary forms, and other pertinent information.
4. During August, each department shall prepare a Long Range Capital Improvement Plan indicating its objectives for capital investment in existing, expanded or new facilities over six years. No later than August 31, each department shall submit its Long Range Capital Improvement Plan to the Planning and Building Department and to Public Works for review.

The Long Range Capital Improvement Plan will be a policy document providing a context for evaluating project submittals. It should address all existing facilities as well as new community needs. It should also estimate the impact of proposed investments on operating costs and the public service benefits they will provide. The Long Range Capital Improvement Plan will include the following:

- a) a statement of the Department's mission
- b) a statement of 5 to 10 year goals
- c) a review of the context in which the Department will be operating over the next 5 to 10 years including such issues as demographic, social, legislative, economic, and technological change

Procedures for Administering the City's Capital Improvement Program and Annual CIP Budget.

- d) a review of how existing facilities, or lack thereof, contribute to or inhibit the accomplishment of Department goals
- e) an investment plan prioritizing areas for investment in existing or needed capital facilities.

5. During September, the Planning and Building Department will provide written comments on the Long Range Capital Improvement Plans to the submitting department and to Public Works.

6. In October, each department will submit project requests to the Public Works Department based on its Long Range Capital Improvement Plan. Unless an earlier start date is justified, all new projects will be scheduled in the fifth or sixth year.

7. Upon receipt of Department submittals, the following will occur:

- a) The Public Works Department will prepare or obtain cost estimates for all project requests and compile them into the Requested Six-Year Capital Improvement Plan. This will be forwarded to the requesting department and the Capital Improvement Program Committee.
- b) All projects involving the acquisition of telephone or computer systems will be forwarded to General Services for review and comment.
- c) The Department of Financial Management will prepare a Statement of Funding Availability for use by the Capital Improvement Program Committee in its deliberations.

8. The Capital Improvement Program Committee will be convened to review the compilation of project requests in the light of the Facilities Inventory, Statement of Funding Availability, departmental Long Range Capital Improvement Plans and adopted City policies and plans.

After meeting with representatives of requesting departments, the Capital Improvement Program Committee will recommend priorities and scheduling that result in a six-year program funding request that matches available funds.

No later than January 30, the Capital Improvement Program Committee shall recommend to the City Manager a preliminary Capital Improvement Plan.

9. Following final City Manager approval, the Proposed Six-Year Capital Improvement Plan shall be submitted to the Mayor and referred to the Planning Commission by the City Council. The Planning Commission shall review the plan for consistency with the General Plan and forward its findings to the City Council.

B. In September of each even numbered calendar year, the following abbreviated capital budgeting process shall be initiated:

1. In September, the Public Works Department shall distribute a detailed schedule for preparation of the Capital Improvement Program, instructions for submitting project requests, copies of necessary forms, and other pertinent information.
2. In October, departments will review their projects scheduled in accordance with the Six-Year Capital Improvement Plan and submit changes for second year projects only if one of the following conditions exists:
 - i. A significant change in the scope of issues or needs facing the department.
 - ii. A significant change in project funding (e.g., additional grants or loans or unrealized revenues)

Procedures for Administering the City's Capital Improvement Program and Annual CIP Budget.

- iii. Project cancellation
- iv. City Manager and/or City Council request for project modification.

3. The Public Works Department will prepare or obtain cost estimates for all new and modified project requests and compile them into the Requested Capital Improvement Program. This will be forwarded to the requesting department and the Capital Improvement Program Committee.

4. The Capital Improvement Program Committee will be convened to review the compilation of project requests in the light of the Facilities Inventory, Statement of Funding Availability, departmental Long Range Capital Improvement Plans, the criteria for program changes listed in Section VI.B.2 and adopted City policies and plans. The Committee may meet with representatives of requesting departments, as needed, at its discretion.

5. No later than January 30, the Capital Improvement Program Committee shall recommend to the City Manager a Preliminary Annual Capital Improvement Program Budget. Projects scheduled for the second year of the Six-Year Capital Improvement Plan shall be included in the preliminary budget package with the recommended modifications to be reviewed by the City Manager.

6. Following final City Manager approval, the existing Six-Year Capital Improvement Plan shall be submitted to the Mayor and referred to the Planning Commission by the City Council along with the proposed Annual Capital Program Budget. The Planning Commission shall review the Plan and Program Budget for consistency with the General Plan and forward its findings to the City Council.

C. PREPARATION OF TWO YEAR CAPITAL PROGRAM AND ANNUAL CAPITAL BUDGET

1. Following City Manager's approval of the Preliminary Six-Year Capital Improvement Plan, Public Works shall be responsible for preparing, coordinating and submitting capital projects for review and inclusion in the Annual Budget. The Annual Program Budget and Two-Year Program Budgets should include requests for new appropriations as reflected in the Preliminary Six-Year Capital Improvement Plan.
2. Public Works will prepare worksheets, project summaries and estimated funding for carryover projects for inclusion in the Annual Budget.
3. Financial Management will present all budget material to the City Manager for review and after City Manager approval, prepare budget documents for submittal to City Council.

D. PROJECT IMPLEMENTATION AND CONTROL

In order to ensure that work schedules, decision deadlines and appropriate client involvement are part of the management of the Capital Improvement Program, responsibilities and tasks are assigned as follows:

Department of Public Works

1. Assign a Project Engineer or Project Coordinator to work with requesting departments' project manager.
2. Perform project design and contract management, or engage and supervise a consultant to do so in accordance with Administrative Regulation 8-4.
3. Review all project expenses along with client departments and approve payments.
4. Maintain project schedules.
5. Coordinate with client departments and any other involved parties to ensure their continued involvement and approval, including steps such as pre-design meetings to agree upon budget, specifications and scope of work, design review meetings, final design review

Procedures for Administering the City's Capital Improvement Program and Annual CIP Budget.

meetings, client approval of project change orders, or project redesign, client approval of final plans and specifications, client participation at pre-construction meetings, client acceptance and critique of final product.

6. Award construction contracts in accordance with Administrative Regulation Number 23-5.
7. Distribute regular project status reports to client departments.

Department of Financial Management

1. Provide accounting and grants management service to the Capital Program.
2. Provide cash flow information as it relates to project scheduling.
3. Ensure budget compliance.
4. Provide projected revenues to the Capital Improvement Program Committee for use in its deliberations.

Client Departments

1. Assign project manager to work with Public Works and staff.
2. Assist Public Works in project decisions where the scope of work, design plan, specifications, project change orders, project schedule, etc., are affected. Assist in identifying all stakeholders and decision-makers when design is initiated.
3. Participate in consultant selection process.
4. Review all project expenses.
5. Approve project completion and acceptance.