

VILLAGE OF BELGIUM

CAPITAL IMPROVEMENT PROGRAM (CIP) POLICY

PURPOSE

One of the primary responsibilities of local governments is the creation and preservation of a community's physical infrastructure including, but not limited to: roads; water, wastewater and storm water systems; public buildings; parks and open spaces; acquisition of land; equipment; and, technology and information management systems. Because these require a significant commitment of public resources, planning for capital improvements is a matter of prudent financial management. The Capital Improvement Policy provides the general principles under which the Village's Capital Improvement Program (CIP) is developed and implemented.

DEFINITIONS

The **Capital Improvement Program (CIP)** is a five-year plan that identifies the Village's prioritized investments in capital assets and corresponding financial plans. A **Capital Improvement** (a.k.a. capital project) is defined as a planned activity that: creates, improves, maintains, repairs or replaces a fixed asset; results in a permanent addition to the Village's asset inventory valued at \$5,000 or greater; and, has a useful life of more than 3 years. Capital improvements usually involve one of the following actions:

- Acquisition of property, equipment, or debt financed assets;
- Construction of new facilities; and/or
- Rehabilitation, reconstruction, renovation or upgrade of an existing asset to a condition which extends its useful life and/or increases its capacity.

POLICY

- A. Governing Body Approval: Annually, the Village Board will adopt a 5-year CIP in conjunction with the adoption of the General Fund Budget. Prior to adoption of the plan, the Village will hold a public hearing on the proposed budget and CIP.
- B. Responsibility: The Village's Department Heads will be responsible for coordinating and producing the annual CIP with input from committee chairpersons.
- C. Review: The Finance and Personnel Committee will review the department project requests, additions and changes to the CIP. The proposed projects will be reviewed and prioritized before being forwarded to the Village Board for approval.

- D. Project Information: The CIP document shall provide the following details on each capital project; project description, estimated cost, sources of funding, operating budget impact, year of completion, and justification. Project justifications will directly relate to the Board's Goal, Village's Policies, asset management plan and/or approved Comprehensive Plan of the Village.
- E. Financial Planning: Capital projects will identify the annual impact on the operating budget. Year-1 capital costs will be included in the proposed budget for the following year.
- F. Funding Sources: Whenever an improvement is for the benefit of a rate or self-supported program, such as the water or wastewater operations, the Village will work to fund the capital improvement by using self-supporting revenue/tax – increment bonds. Use of General Obligation bonds will be limited to major capital improvements in support of general municipal services.
- G. Asset Management: The Village will use the current asset preservation plan to maximize the assets' useful life and minimize future maintenance and replacement costs. An inventory of the Village's assets and their corresponding useful life and improvements will be managed by the Village Clerk.
- H. Capital Maintenance & Replacement Reserves: The Village will maintain our current maintenance/ replacement reserve accounts (segregated by fund and program).
- I. Budget Implementation: Upon adoption of the CIP, projects identified in Year-1 of the adopted CIP will be included in the proposed budget for Board approval. Mid-year amendment to the CIP will be treated as amendments to the Village's adopted budget, and will be made through the budget amendment process.

Approved and Adopted by the Village of Belgium this 14th day of October, 2013

VILLAGE OF BELGIUM

RICHARD HOWELLS - VILLAGE PRESIDENT

ATTEST:

KATHLEEN OLSEN – VILLAGE CLERK