

City of Lawrence  
Administrative Policy

<b>SUBJECT</b> Capital Improvement Plan Policy		<b>APPLIES TO</b> All Departments and Divisions	
<b>EFFECTIVE DATE</b> April 7, 2021	<b>REVISED DATE</b> February 16, 2022		
<b>APPROVED BY</b> City Commission		<b>TOTAL PAGES</b> 8	<b>POLICY NUMBER</b> 132

1.0 **Purpose**

The purpose of this policy is to establish the criteria and guidelines to be used in developing long-range (five-year) capital improvement plan (CIP) for Governing Body consideration. The CIP will be funded and undertaken in accordance with the terms of this policy.

2.0 **Definitions**

*Capital Improvement Plan (CIP):* A CIP is a tool used in the annual budgeting process to identify capital projects that will be undertaken within a five-year period.

*Capital Improvement Plan Amendment:* A change of the adopted CIP that adds or deletes a project, modifies the total adopted budget of a project, or alters the approved scope of a project.

*Capital Improvement Plan Committee:* A body comprised of the Finance Director, City Engineer, Assistant City Manager, Metropolitan Planning Organization Representative, City Capital Projects Coordinator, Information Technology Governance Body or Information Technology Department Representative, Departmental Capital Project Coordinators, and any individuals appointed by the City Manager, which prioritizes capital projects in accordance with the [CIP Prioritization Guidelines](#) and makes recommendations related to CIP amendments to the City Manager.

*Capital Project:* A CIP project with a minimum total cost of \$100,000 resulting in either the creation of a new fixed asset or results in the enhancement to an existing fixed asset with a life expectancy of at least 2 years. Examples of a CIP project include, but are not limited to:

- a. Acquisition of land for public use;
- b. Construction or expansion of public buildings;
- c. New and rehabilitation of storm and sanitary sewers;
- d. Water line upgrades and/or extensions;
- e. Water treatment and distribution upgrades;

- f. Trails, parks, or recreational amenities;
- g. Street construction; and
- h. Soft costs related to the above items will be capitalized, including legal, planning, design, and engineering costs upon completion of the project.

*City Capital Projects Coordinator:* Person appointed by the City Manager to guide the preparation of the CIP and manage amendments throughout the year.

*Departmental Capital Projects Coordinator:* One or more people appointed by the City Manager to guide the departmental preparation of the CIP and manage departmental amendments throughout the year.

*Project Manager:* The person, designated by the head of the department that is fiscally responsible for the project, who is responsible for the planning, organization, resource management, and discipline pertaining to the successful completion of a project.

*Retainage:* A percentage of a contract price withheld from a contractor until the work is substantially complete to assure that all subcontractors will satisfy its obligations and complete a construction project.

### 3.0 **Objectives:**

A five-year CIP shall be adopted by the Governing Body on an annual basis to accomplish the following objectives:

- a. To reflect the priorities identified in the City's strategic plan in alignment with the Comprehensive Plan.
- b. To identify all CIP requests in the five-year period covered by the CIP.
- c. To link plans for future improvements with available financial resources.
- d. To calculate the estimated financial impact of the five-year CIP on the City's debt capacity and multi-year budget projection, including the estimated annual operating costs for each project.
- e. To illustrate and communicate the City's proactive control over the management and issuance of new debt.
- f. To facilitate intergovernmental coordination of capital planning with community partners.
- g. To encourage community engagement in the annual CIP process and public understanding of the City's capital improvement needs.

### 4.0 **Process**

- A. Development (see Exhibit A for a visualization)
  - a. The City Capital Projects Coordinator will solicit project proposals from project managers and members of the public.

- b. All requests shall be submitted and scored using the instructions and forms provided by the City Capital Projects Coordinator.
  - c. All submitted projects will be reviewed by Accountants to ensure the project is capital in nature, the Construction Management, Engineering, and Design (CMED) group to review the accuracy of project estimates and asset management review, the Community Engagement team to review the proposed public engagement process level as well as Planning & Development Services for possible site plan considerations. Finally, all projects with a technology component, will be reviewed by the Information Technology Governance Body or the Information Technology Department for potential technology impacts. During this review the CMED group will also review all publicly submitted projects to determine if it aligns with currently planned projects and the feasibility of the proposed project. Clarification may be requested from the Project Manager or members of the public if more information is needed. For projects that should go through another prioritization process (i.e., advisory board recommendation), those projects will be routed through that process as appropriate.
  - d. Each submitted project may be presented to the CIP Committee prior to evaluation so that the scope of the project is understood and questions may be answered. The CIP Committee will evaluate each submitted project proposal and assess its scoring using the [CIP Prioritization Guidelines](#). This review will include alignment of the project with strategic plan and other existing plans (i.e., Comprehensive Plan, current departmental plans).
  - e. The Finance Director will review and modify, as needed, funding sources and expenditures for each project proposal, and may propose adjustments based on funding availability. Finance director will coordinate with the appropriate department.
  - f. The CIP Committee will submit a recommended five-year CIP to the City Manager.
- B. Approval (see Exhibit B for a visualization)
- a. Annually, the City Manager will submit a recommended five-year CIP for review by the Governing Body pursuant to the timeline established in the annual budget preparation calendar.
    - i. If changes are made from the CIP Committee recommendation, the CIP Committee will be notified by the City Capital Projects Coordinator.
  - b. The recommended CIP will include the following elements:
    - i. Project name, project number and description;
    - ii. Justification of need for the identified project, anticipated public engagement plan, and alignment to the strategic plan;
    - iii. Estimated annual operating cost or savings;

- iv. Anticipated funding sources and cash flow projections;
    - v. Additional FTE requirements, if appropriate; and
    - vi. Total estimated budget including a contingency and using an escalation factor, if appropriate.
  - c. The recommended CIP will be presented to the Planning Commission, which will assess if the recommended CIP is consistent with the adopted Comprehensive Plan.
  - d. The Governing Body will revise the recommended CIP as appropriate before adopting the five-year CIP each year.
    - i. If changes are made from the CIP Committee recommendation, the Committee will be notified by the City Capital Projects Coordinator.
  - e. Once the CIP is adopted by the Governing Body, the project budget is entered into the financial system and the Finance Director (or designee) will prepare a bond authorizing resolution for the projects that were identified to be debt financed for the Governing Body's consideration.
  - f. Departments will be responsible for adding the ongoing operating costs related to the approved capital projects to future budget requests to ensure projects are appropriately maintained.
- C. Retainage
- a. In all construction contracts for CIP projects, retainage of at least 5% shall be used and paid once the project is substantially completed.
- D. Change Orders
- a. During the planning, design, and construction of capital projects, change orders may be necessary to account for unforeseen issues. These changes are identified by staff and cost is negotiated with the vendor. All change orders will comply with the City's Purchasing Policy.
- E. CIP Amendments (see Exhibit C for a visualization)
- a. The adopted five-year CIP includes a list of projects with an identified scope and budget.
  - b. An amendment is required if any of the following occur:
    - i. The project scope has increased.
    - ii. The project budget has increased with the exception noted in section E.b.ii.2.
      - 1. During each phase of the project, the project budget shall be reviewed for accuracy. At the time of bid award, an amendment may be considered to incorporate project contingency if needed.
      - 2. The Project Manager has the ability to increase the budget by up to 1% with a maximum of \$25,000 if operating funds or other capital funds can be

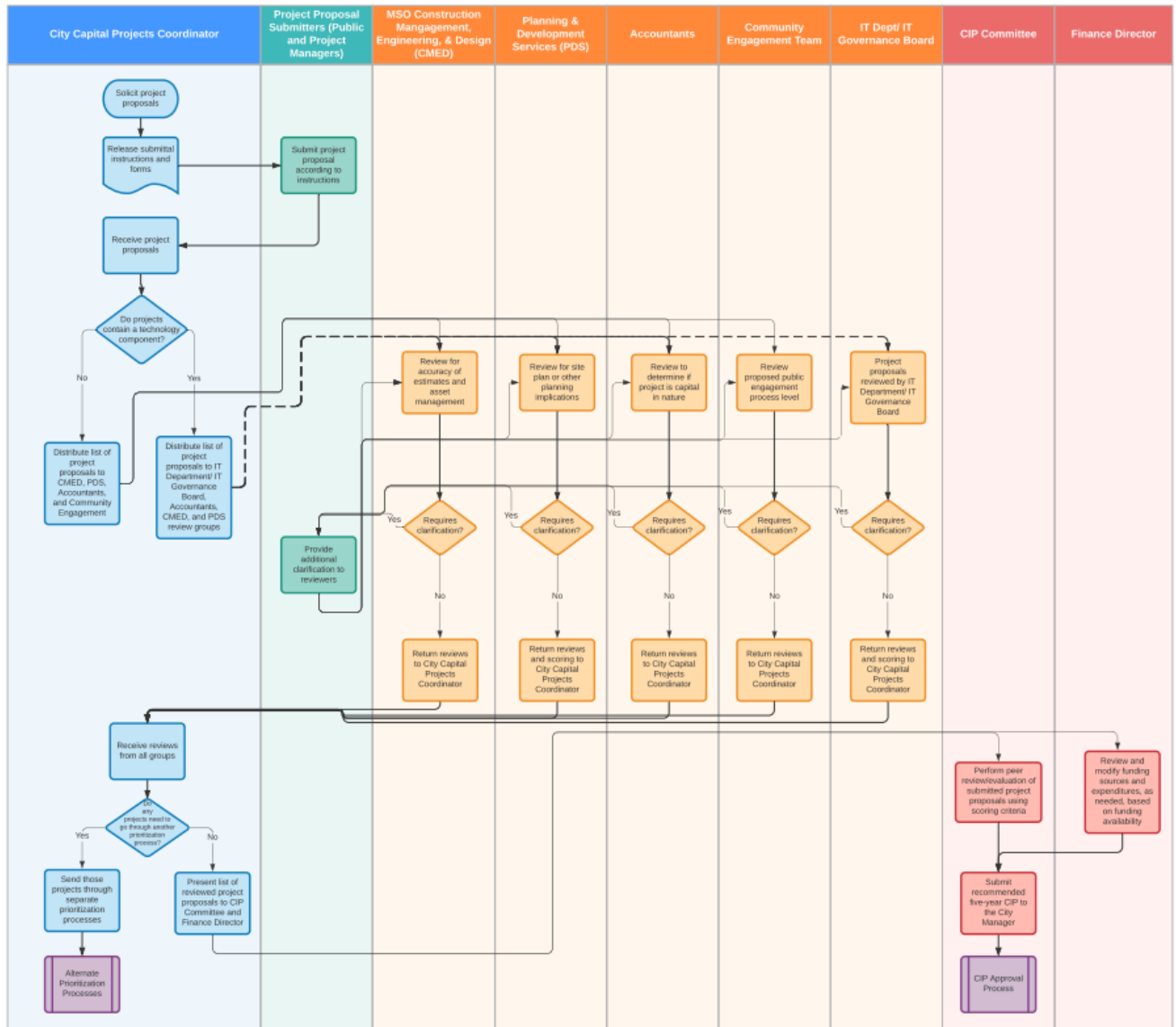
identified without going through the CIP amendment process outlined in Section E.

- iii. A new request for a project not considered in the original CIP.
  - c. The following process should be followed for all CIP amendments:
    - i. All CIP amendments will need to be reviewed by the CIP Committee.
    - ii. The CIP Committee will review the request and make a recommendation, by majority vote, to the City Manager for approval, denial, or revision.
    - iii. The City Manager will review the recommendation and approve or deny the recommended action.
      - 1. The City Capital Projects Coordinator will notify the Committee of the final decision made by the City Manager.
    - iv. When the CIP amendment is brought forward to the City Commission for consideration, the agenda item should note the action taken by the CIP Committee.
    - v. The City Manager's Office or City Commission may waive the review of the CIP Committee for projects that require immediate action.
  - d. If a project is scheduled to be a one-year project, but is incomplete within the identified year, the Departmental Capital Projects Coordinator will work with the City Capital Projects Coordinator to roll forward the appropriate project budget<sup>1</sup> and take it to the City Commission for consideration and re-allocation.
- F. Project Closeout and Reporting
- a. Upon completion of a project, the project manager will close out all open contracts and notify the Finance Director (or designee) of the project completion. The Finance Director (or designee) will transfer the remaining budget authority out of the project. Those unspent proceeds may be reallocated to other projects, with prior Governing Body approval, or reprioritized in the following year's CIP.
    - i. All projects shall be closed out within one (1) year from the date that retainage is paid unless authorized to be extended by the appropriate department head. The department shall notify the Finance Director (or designee) of the extension.
    - ii. If open purchase orders exist after retainage is paid, they will be reviewed semi-annually to determine if encumbrances can be released and project may be closed.
  - b. The City Capital Projects Coordinator will provide the Governing Body an annual report on the proceeds spent by project.

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<sup>1</sup> Project budgets that will need to be re-authorized by the Governing Body include project budgets that have not been spent in the identified year or encumbered in the identified year.

## Exhibit A: CIP Development Process



## Exhibit B: CIP Approval Process

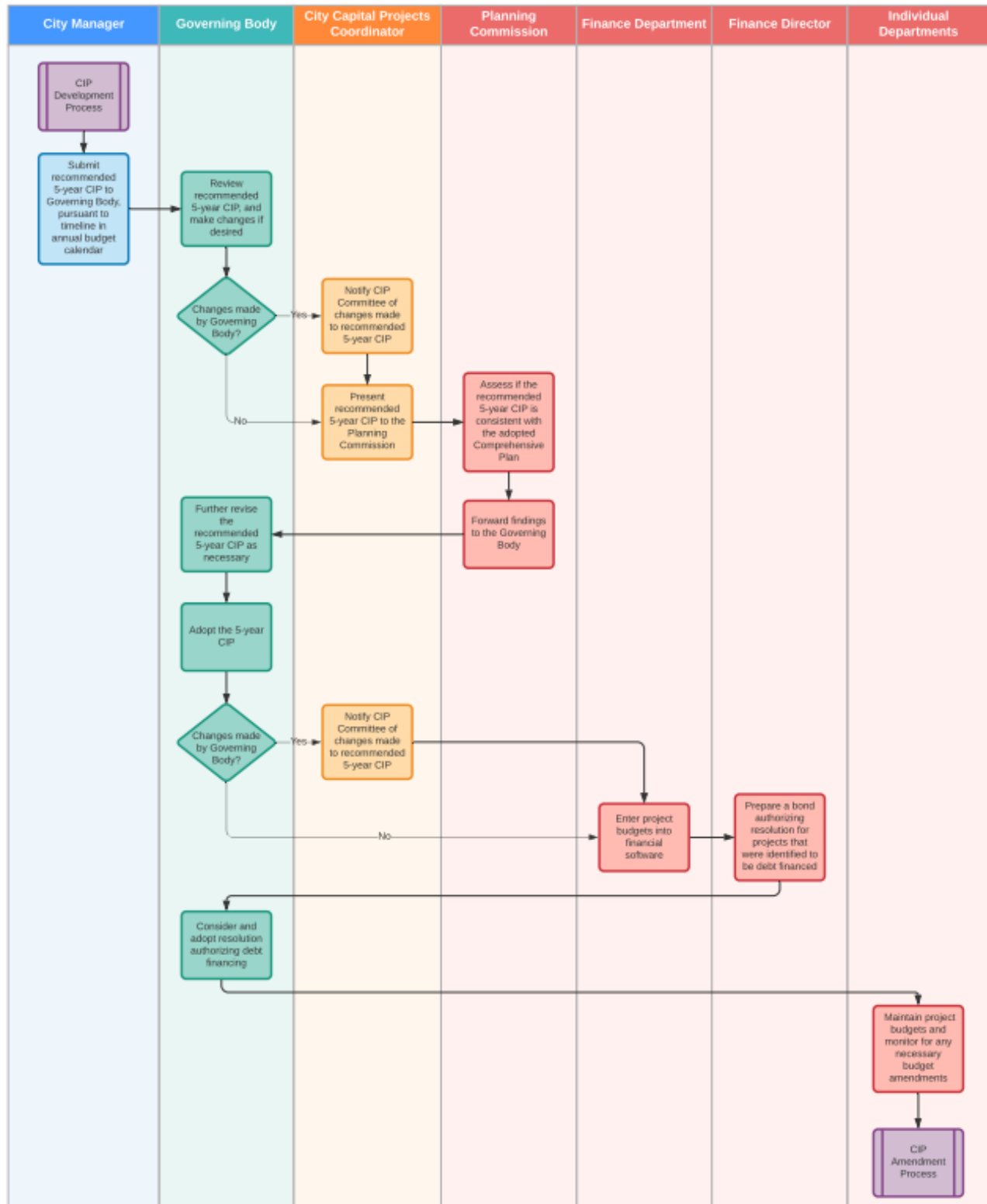


Exhibit C: CIP Amendment Process

