

BUDGET POLICES

Capital Improvement Program



Budget Policies

Capital Improvement Program

Background

The City of Mercer Island separates the Capital Improvement Program (CIP) into two parts: the Capital Reinvestment Plan (CRP) and the Capital Facilities Plan (CFP). The CRP contains all major maintenance projects for existing public assets. The CFP consists of proposed new capital facilities.

Capital Reinvestment Program (CRP)

The CRP's purpose is to organize and schedule repair, replacement and refurbishment of public improvements for the City of Mercer Island. The CRP is established as a six-year program setting forth each of the proposed maintenance projects, including the cost and funding source. The individual six-year plans for capital reinvestment serve as the City's capital planning documents as required by the City's Comprehensive Plan (Capital Facilities Element) and the State Growth Management Act. CRP projects are generally paid from existing City resources, in other words "pay as you go".

The program emphasis in a reinvestment plan is timely repair and maintenance of existing facilities. To this effect, while new equipment and improvements are made to some older fixed assets, the intent is to design a program, which will preserve and maintain the City's existing infrastructure. The maintenance and enhancement of the taxpayer's investment in fixed assets remains the City's best defense against the enormous cost of the replacement of older but still very valuable public improvements.

The CIP is intended to be a public document. For this purpose, it is organized by functional area. Hence, any individual who wishes to gain knowledge about a project need not know the funding source or any other technical information but only need to know the general type of improvement in order to find the relevant information. The Capital Reinvestment Program is divided into four functional programmatic areas: streets -- including pedestrian and bicycle facilities, park and recreational facilities - including open space, general government -- including building repairs, technology and equipment, and utilities -- sewer, storm water, and water.

CRP projects are typically "pay as you go", -- funded from the current operations of the City Street Fund, Capital Improvement Fund, Technology and Equipment and the Utility Funds (Water, Sewer, and Stormwater).

Capital Facilities Plan (CFP)

The CFP is also a six-year plan to outline proposed new capital projects. The CFP is divided into the same four component parts: streets - including pedestrian and bicycle facilities, parks/recreation and open space facilities, general government, and utilities - water, sewer and storm drainage. Like the CRP, the CFP plan for new facilities is intended to provide easy reading. Each project in the plan is described briefly and the total cost and appropriation for a six-year period is stated. Like the CRP, the CFP serves the capital planning requirements for six-year plans as outlined in the Comprehensive Plan and State Growth Management Act.

As it is with the CRP, the CFP is organized by category of project.

Funding for CFP will generally be decided simultaneously with the approval of the project. This may involve a bond issue, special grant or a source of revenue that is outside the available cash resources of the City.

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Nomination Process

As a part of each biennial budget process, the CIP Committee receives proposals for needed capital projects submitted by the affected department managers, team leaders, advisory bodies, City Council, and others. The CIP Committee compiles and reviews the project proposals, their associated costs and funding sources. Based upon Council priorities of government and staff-developed project evaluation criteria, the Committee makes a recommendation on project funding priorities to the City Manager. Council-appointed boards and commissions, such as the Utility Board, also provide input to project funding requests.

Priorities of Government

Building on the success of using local Priorities of Government to plan the 2005-2006 operating budget, the City Council asked that a similar prioritization scheme be developed for the City's CIP. For the 2007-2008 CIP, proposed projects have been evaluated based on six important purposes for capital maintenance and building projects on Mercer Island. These are specifically projects that promote:

1. Community safety
2. Efficient/effective delivery of service
3. Reliable public infrastructure
4. Protection of the community character of the island
5. Enhancement of the general well being of the island
6. Open and informed public involvement processes

Routinely CIP projects have been sorted and presented by category, year of construction and revenue source. In this budget we have added an additional matrix showing projects by priority of government.

Conclusion

Together the CRP and the CFP provide a planning tool for the maintenance of existing public improvements and the construction of new public facilities. While all capital plans require annual updating this process will provide a solid foundation for Council planning and decision-making.

Management Policies for 2007-2008

- Increase public involvement in the planning and design of capital projects.
- Improve public information about pending construction projects and their impacts (detours, delays, and effects on neighborhoods).
- Use signage and the City's website to highlight certain projects.

Budget Policies for 2007-2008

- CRP projects take priority over CFP projects in recognition of the desire to maintain and improve existing assets before acquiring new assets. Acquisition of major new capital assets should generally be funded with new revenues.
- For "macro-financial" issues, staff should use at least a 10-year time frame and extend the financing period out to as much as 20 years for some capital items.
- Use debt financing only when the following conditions exist:
 1. Object of the expenditure is a major new capital asset.
 2. Object of expenditure can be used by residents/taxpayers in the future.
 3. There are insufficient existing capital revenues available.
 4. All the revenue is needed at the same time (i.e. the project cannot be phased over time.)

Budget Policies

- Major impacts on the City's operating funds will be identified and budgeted before projects are approved.
- The CIP is a dynamic plan subject to changes in City Council policy, financial environment, design information, emergencies, and unique opportunities that can arise over a multi-year planning period.
- The CIP will be developed in accordance with requirements of the State Growth Management Act and will be consistent with Capital Facilities Element of the City's Comprehensive Plan.
- Within the context of a biennial budget, the City will develop a six-year plan for capital improvements. The six-year plans contained in the CIP fulfill the City's six-year planning requirements outlined in the Growth Management Act and Comprehensive Plan.
- The City will enact a two-year capital budget based on the CIP.
- The City will attempt to maintain its assets at a level adequate to protect capital investment and minimize future maintenance and replacement costs.
- The City will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to the City Council for approval.
- Capital projects are budgeted and funds allocated in the year that the project is acquired or constructed.
- Whenever possible, capital improvements will be scheduled and completed in the same year.
- Prior to City Council funding commitments on major capital projects, the City will conduct detailed and professional cost estimating analyses.
- In general, the City will plan and implement capital improvement projects so that the spring-summer-fall construction season is used to the community's greatest advantage.
- Technology projects will be budgeted and accounted for in the Technology Fund.
- When the City receives unanticipated or extraordinary capital revenue, the City Council will consider transferring it to the Capital Reserve Fund, or:
 1. Complete a previously identified, unfunded project;
 2. Add funds to a capital program category (such as parks) for a specific desired project;
 3. Advance an already programmed and budgeted capital project (such as pedestrian and bicycle facilities); or
 4. Complete a project that will decrease maintenance and operating costs.

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Street Maintenance and Construction

Background

As part of each biennial budget cycle, City staff develops and prioritizes street, pedestrian and bicycle facilities maintenance and construction projects. The proposed projects are reviewed annually during the Six-Year Transportation Improvement Program (TIP) and biennially during the Capital Improvements Program (CIP) planning processes. Both the TIP and the CIP plans are submitted to and ultimately approved by the City Council.

As prescribed by state law, the City Council adopts a "Six-Year Transportation Improvement Program" as part of the budget process. (The Six-Year Plan covering the 2007-2008 biennium is included below as part of this budget policy.) Adoption of the program also serves to implement portions of the City Comprehensive Plan (Transportation and Capital Facilities Elements).

Since 1988, the City Council has prescribed a street maintenance and construction financing policy that has steadily increased funding; more than doubling the amount of funds dedicated to street projects. This strategy has enabled the City to make significant investments in the community's street system.

In all, the City has increased its Street Fund revenues from approximately \$600,000 in 1985 to an annual revenue stream of approximately \$1.5 million. This level of reinvestment in the City's streets and pedestrian and bicycle facilities systems will ensure that the City's arterial and residential streets will be maintained at safe and efficient levels within twenty or thirty year life cycles.

Assuming implementation of the following budget policies, this level of funding will also support completion of the highest priority street projects in the upcoming biennium, including implementation of projects identified in the 1996 Pedestrian and Bicycle Facilities Plan.

Management Policies for 2007-2008

- Street construction and maintenance planning will take into account current and anticipated land development plans. Annual production of the Six-Year Transportation Improvement Plan will make explicit projects that are programmed to service private development and public capital facilities.
- The City will continue to analyze intersections to measure the traffic impacts associated with development proposals to maintain the City's adopted traffic level of service standard. Project impacts determined by this analysis will be mitigated through the SEPA process.
- Whenever possible, construction of pedestrian and bicycle facilities will be coordinated with arterial and residential street construction projects. This will allow best use of Street Fund expenditures and reduce reliance on City Maintenance crews to do actual construction of pedestrian and bicycle facilities.
- Staff will coordinate development of additional segments of roadway shoulder on the Mercer Ways as part of and in addition to adjacent arterial construction projects and utility improvements.
- Safety remains the first consideration among the existing implementation criteria for the Pedestrian and Bicycle Facilities Plan. As with residential streets, private contribution may be considered as a factor, although of lower importance than any of the other seven criteria in the adopted Plan.
- From time to time staff may recommend departure from the adopted Pedestrian and Bicycle Facilities Plan design standard for a walkway associated with a particular street improvement. In such cases, the Council will review the project and proposed walkway standard during a pre-design phase. Recognizing the Council's desire to facilitate access to public open spaces, an update to the plan may be advisable.

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- To the greatest possible extent, improvements to substandard residential streets and pedestrian and bicycle facilities will be made according to current City construction standards. Customized design to suit individual homeowner preference will be discouraged in order to make highest and best use of scarce construction dollars and implementation resources.
- Streets located within public rights-of-way, opened to the public, previously maintained by either the County or the City, serving more than one residence are public roadways. Starting in 1998 previously unmaintained or limited maintenance residential streets (so-called “substandard streets”) serving more than one residence began to be maintained by the City to at least a public safety standard. In addition to the assumption of their maintenance, substandard streets will continue to be upgraded on a regular basis.
- All residential streets (with exception of those described in the next paragraph below) will be regularly evaluated and prioritized for improvement based on a technical review and other criteria (review of safety, maintenance and implementation). The criteria are not weighted in order to maintain flexibility needed to accommodate unexpected needs or opportunities. However, the result will provide predictability for when particular streets are expected to be improved. Private contributions may be considered as a factor, although of lower importance than any of the other criteria.
- At times residents wish to change the maintenance status of their street. Occasionally, residential streets have been granted deviation from City street standards and were granted City Council resolutions of “no maintenance” will remain unmaintained and unimproved for now. On a case-by-case basis they may be considered by the Council for future improvement and maintenance.
- Staff will continue to provide more effective and meaningful public involvement opportunities on the subject of street maintenance and construction.

Budget Policies for 2007 - 2008

- 100% of annual fuel tax revenues will be used for pavement marking, patching, residential street overlays and substandard residential street upgrades.
- \$100,000 of annual Real Estate Excise Tax revenues (2nd quarter-cent) is used for pedestrian and bicycle facility maintenance and construction projects.
- The balance (\$615,000 in 2007) from annual Real Estate Excise Tax revenues (2nd quarter-cent) is dedicated to major street construction projects. The Storm Water Utility will absorb an appropriate share of the costs of adding drainage systems to some residential streets. This will allow certain residential streets in need of repair to move up on the priority list for the residential street repair program.
- Prior to the 2001-2002 Budget, the General Fund contributed \$285,000 annually to uses of street maintenance and the Street Fund. With voter-limited property tax revenues and historic high levels of real estate transactions, the Council decided that in years that REET receipts surpass historical funding levels, the General Fund contribution to the Street Fund will be offset by an equal level of REET 2.
- Funding for street maintenance and construction will be maintained on an inflation adjusted basis. Using 2002 as the revenue benchmark, funding will be increased by an annual factor of inflation (the Annual Average ENR Construction Cost Index for Seattle) plus one percent.

2007 - 2008 Budget Impact

See the following "Six-Year Transportation Improvement Program" spreadsheet for specific revenues and project expenditure details.

Information Technology

Local governments, like Mercer Island, are increasingly expected to provide accurate, timely and comprehensive information on services and initiatives impacting the businesses and lifestyles of their citizens. The City is required to streamline business practices while adhering to complex and rapidly changing regulatory requirements. In addition, citizens expect the City to collect and process their input and comments as well as interpret and convey information about programs, services, regulatory impacts, geographic/land features, emergency alerts and more. To do so, City staff must store and supply an immense amount of information to perform their duties.

A primary and significant City business function is communicating information - creating, disseminating and archiving diverse and rapidly changing information and data for staff and citizens. To do so efficiently and effectively within the City, Information Technology services support:

- 250 telephone handsets, extensions and business lines
- 19 network servers
- 192 workstations servicing over 230 users
- 9 diverse business-specific applications
- 7 satellite/independent City facilities and associated infrastructure
- Remote network access and wireless network applications

This infrastructure services financial, payroll and utility billing systems, geographical mapping services, citizen and customer maintenance requests, internal and external websites, electronic newsletters and ListServes, security systems, maintenance management tools, building permit systems, water and waste water monitoring, facility scheduling and recreational activity registration, irrigation and ballfield lighting controls and more.

Wise City investment in technology tools (hardware, software, networks, phone systems, etc.), regional technology partnerships and strategic innovation enables the City to maximize its limited human and financial resources. In addition, as one of the nine regional founding partners in the eCityGov Alliance, now a consortium of 13 member agencies, the City can capitalize on the pooling of resources and leadership skills to provide more seamless and easy to use on-line services for citizens and businesses through one website portal.

The City will continue to replace and upgrade its Information Technology systems, support business specific applications and pursue pilot projects where innovations may improve service delivery or provide services more efficiently.

Initiatives

- Increase response for public disclosure/public information through a web-based searchable public document management system for citizens and staff;
- Enhance user functionality, navigability and search capabilities by upgrading and enhancing the City's website;
- Pursue wise and economically feasible investments/replacement of technology tools, systems and equipment through the development of a new Information Technology/Geographic Information Systems (GIS) strategic plan;
- Investigate methods to more efficiently disseminate critical incident and emergency information to citizens and emergency workers using the City's website and Geographic Information Systems (GIS);

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- Replace antiquated telephone (voice), network (data) and computer equipment and database systems to better support rapidly changing business systems and their operating requirements;
- Facilitate improved communications with DSG Pre-Application clients, staff and emergency workers through the installation of projection equipment and interactive whiteboards in City Hall conference rooms;
- Conduct more accurate measurements and analysis of roadways and shoulders, utilities, residential and business building footprints, utilities, trees and vegetation and property line delineations by updating the 7 year-old aerial mapping data with high accuracy (within 1 foot) color aerial photos of the Island;
- Facilitate production of the City's budget and fixed asset accounting process by upgrading the City's financial system to allow web-based budgeting and capital project management;
- Consolidate social service client data, referrals and follow-up tracking by implementing a single centralized database with user friendly features;
- Integrate additional park facilities into the City's maintenance management system by conducting a second phase of park asset inventorying using the City's Geographical Information Systems (GIS) tools;
- Eliminate duplication of data entry associated with maintaining the City's four separate address databases and improve accuracy by creating a single unified address database for all City business systems;
- Improve customer access to park and trail information through the development of web-based navigation tools and print-from-home functionality

Strategies

The City's strategies for implementing these initiatives include:

- Consolidating GIS and IT services organizationally to maximize limited technical resources and more efficiently support the City's diverse business systems;
- Insuring 24/7 reliability of the City's core business systems through timely upgrades, patches and redundant infrastructure configuration as well as prompt vendor and IT support response;
- Supporting further low-cost/high benefit development of eCityGov Alliance products and services (e.g. on-line access to building permit status; utility billing and payment; park and trail search engine, etc);
- Focusing Information Technology investments on core business needs and pursuing inexpensive solutions otherwise;
- Prioritizing and promptly responding to customer work order requests and regularly evaluating and analyzing trouble-shooting requests for patterns of system unreliability or user errors;
- Pursuing reputable and reliable off-the-shelf software systems and standardizing custom development whenever possible;

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2007 - 2008 Budget Impact

Description	2005 Actual	2006 Forecast	2007 Budget	2008 Budget
RESOURCES				
Budgeted				
Beginning Fund Balance	\$ 0	\$ 105,800	\$ 509,000	\$ 196,000
Contributions / Grants / Misc	4,946	46,450	270,000	0
Debt Proceeds - Fire Fleet	0	0	1,801,000	0
Interest	37,768	0	0	0
Interfund Transfers	250,000	482,000	265,000	250,000
Total Budgeted Resources	\$ 292,714	\$ 634,250	\$ 2,845,000	\$ 446,000
Not Budgeted				
Beginning Fund Balance (Reserved)	1,086,313	1,197,405	810,405	614,405
TOTAL RESOURCES	\$ 1,379,027	\$ 1,831,655	\$ 3,655,405	\$ 1,060,405
USES				
Budgeted				
Technology Improvements	\$ 63,779	\$ 345,500	\$ 357,000	\$ 110,000
Phone System Replace/Improve	0	0	250,000	0
Fire and EMAC Equipment	12,043	49,600	369,000	54,000
NORCOMM Regional Dispatch	0	0	18,000	232,000
Fire Apparatus Replacement	0	0	1,801,000	0
Other Small Technology & Equip	0	117,150	50,000	50,000
Total Budgeted Expenditures	\$ 75,822	\$ 512,250	\$ 2,845,000	\$ 446,000
Not Budgeted				
Ending Fund Balance	1,303,205	1,319,405	810,405	614,405
TOTAL USES	\$ 1,379,027	\$ 1,831,655	\$ 3,655,405	\$ 1,060,405

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