



CAPITAL  
IMPROVEMENT  
PLAN

2004 – 2009

INTRODUCTION

## Reader's Guide to the Capital Improvement Plan (CIP)

The Capital Improvement Plan is divided into five sections: Introduction, CIP Summary, General Capital Projects, Roads Capital Projects and Surface Water Capital Projects. The following is a brief explanation of the major items included in each section.

### Introduction

Impacts of Growth Management – A brief overview of the impact of the State of Washington's Growth Management Act on the City's capital planning process.

Capital Planning, Programming and Budget System - Graphical representation of the City's capital planning process.

Capital Budget Criteria – Criteria used as guidelines during the development of the capital budget.

Advantages of Capital Planning – Discussion of the advantages provided by the development of a long-range capital plan.

Capital Improvement Program Plan Policies – Capital policies adopted by the City Council.

Steps in the Capital Improvement Process – Steps used in the capital planning process.

Project Phase Definition – A brief description of the five project phases that may occur in each project.

Capital Project Criteria – A set of criteria used to determine if a project should be included in the Capital Improvement Plan

### ***Capital Improvement Program Summary***

Capital Resources by Category – Graphic of all of the resources available to fund the CIP.

Capital Projects by Category – Graphic of the distribution of the projects by category.

Program Summary - listing of each project within the three capital funds – General Capital, Roads Capital and Surface Water Capital.

### *General, Roads, and Surface Water Capital Projects*

Capital Fund Summary – A summary is included for each capital fund. The summary includes a map highlighting the locations of each project, a list of all projects and their costs, a discussion of the projected current year project costs, and a comparison of changes from the prior CIP.

Capital Project Detail – A project sheet is included for each capital project included in the CIP. Each sheet may contain the following sections as appropriate:

- Fund – The associated capital fund (General Capital, Roads Capital, or Surface Water Capital Fund).
- Project Category – Each fund has several project categories. This section identifies the appropriate category for the particular project. These categories are also used in the CIP Summary and the Capital Fund Summary.
- Critical Success Factor – Each project (where applicable) is linked with a critical success factor from the City's Strategic Plan. Currently, the City has seven critical success factors:
  - ❖ Healthy, vibrant neighborhoods
  - ❖ Economic vitality and financial stability
  - ❖ Quality services and facilities
  - ❖ Innovative leadership and strategic planning
  - ❖ Community alliances and partnerships
  - ❖ Effective community and partnerships
  - ❖ Professional and committed workforce
- Strategies – If linked with a Critical Success Factor – the appropriate strategy from the City's Strategic Plan is displayed.
- Council Goal – Each project (where applicable) is linked with a City Council Goal. Currently, the City Council has nine goals:
  - ❖ Work toward the completion of the Aurora Corridor and Interurban Trail projects
  - ❖ Implement an active economic improvement plan
  - ❖ Enhance our program for safe and friendly streets
  - ❖ Update the elements of the Comprehensive Plan including Environmental Element and Surface Water, Transportation and Parks Master Plans
  - ❖ Improve storm drainage system at Ronald Bog and 3<sup>rd</sup> Avenue N.W.
  - ❖ Implement City Hall project
  - ❖ Implement Gateway Master Plan to enhance community identity
  - ❖ Review and act on Bond Committee recommendations
  - ❖ Support and pursue King County's proposed improvements to the solid waste transfer station
- Project Map – The map reflects the location of the project. If the project location is unknown at this time or affects the city in general, a city-wide map has been included.

- Project Description – A brief description of the project
- Service Impact – A brief description of the project’s impact on Shoreline citizens or others that use the public facility and any impact to maintenance and operating costs.
- Total Project Budget - This includes all costs associated with the project. This will include prior expenditures, current year estimates and projected costs included in the six-year plan.
- Funding Sources – This displays all of the anticipated revenue sources for the project.
- Critical Milestones – A list of all of the most important project milestones with their expected completion dates.
- Project Costs – This spreadsheet displays actual expenditures from prior periods and projected future costs by project phase. It also displays the specific revenue sources used to fund the project. Funding for the Public Art program is displayed. It should be noted that these costs are included in the construction budget of eligible projects. Any impact on the operating budget is also displayed.
- Project Time Line – The projected timing for each phase of a project is displayed.

Projects To Be Completed in the Current Year - A project sheet is included for each project that will be completed in the current year. The projected costs and timeline are included.

## Introduction

The Capital Improvement Plan provides a multi-year list of proposed major capital expenditures and associated operating costs for the City. This plan attempts to set funding strategies not only for the current year, but also to project future needs for major construction, land acquisition and equipment needs that improve the cultural environment, capital infrastructure and recreational opportunities for the citizens of Shoreline. Capital expenditures are viewed not only in the context of how much the new project will cost, but also what impact the project will have on the City's operating budget.

## **Impacts of Growth Management**

Capital facilities planning and financing is now subject to the State of Washington Growth Management Act of 1990 (GMA). The GMA requires communities to adopt comprehensive plans designed to guide the orderly development of growth over the next twenty years.

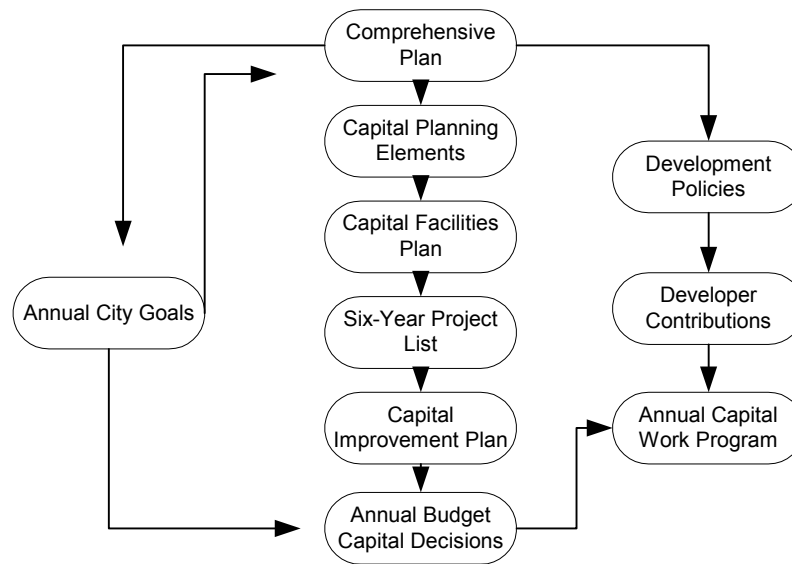
To comply with GMA, the City prepared a comprehensive Capital Facilities Plan (CFP). The CFP provides long range policy guidance for the development of capital improvements. The purpose of a CFP is to identify and coordinate those capital improvements deemed necessary to accommodate orderly growth, set policy direction for capital improvements and ensure that needed capital facilities are provided in a timely manner.

The GMA requires that the CFP contain the following elements:

1. An inventory of existing public owned capital facilities showing locations and capacities.
2. A forecast of the future needs for such capital facilities.
3. The proposed locations and capacities of expanded or new capital facilities.
4. A minimum six-year plan that will finance such capital facilities within projected funding capacities and clearly identifies sources of public money for such purposes.
5. A requirement to reassess the land-use element if probable funding falls short of meeting existing needs.

Capital facilities are defined as mandatory elements for inclusion in the comprehensive plan.

## Capital Planning, Programming and Budget System



### *Capital Budget Criteria*

Capital improvement programming and budgeting involves the development of a long-term plan for capital expenditures for the City of Shoreline. Capital expenditures include expenditures for buildings, land, major equipment, and other commodities which are of significant value (greater than \$10,000) and have a useful life of at least five years.

The capital improvement plan (CIP) lists each proposed capital item to be undertaken, the year in which it will be started, the amount expected to be expended in each year and the proposed method of financing these expenditures. Based on these details, summaries of capital activity in each year can be prepared as well as summaries of financial requirements such as amounts of general obligation bonds to be issued, amounts of general operation funds required and any anticipated intergovernmental support, etc.

The capital improvement budget is enacted annually based on the capital improvement plan. It encompasses enacting appropriations for the projects in the first year of the capital improvement plan.

Flexibility is built into the capital improvement plan to allow for delay of projects when financing constraints make it impossible to allow for funding of the entire array of projects and to move future projects forward when financial availability makes it possible. The point is that the CIP is required to be updated at a minimum annually to:

- Make any adjustments in future program years when changes occur in funding or cost.
- Add a year of programming to replace the current year funded.

## Advantages of Capital Planning

In addition to the Growth Management Act (GMA) which requires communities to establish a long-range capital plan, there are several advantages to the community from capital planning.

- Capital planning facilitates repair or replacement of existing facilities before they fail. Failure is almost always costly, time consuming and more disruptive than planned repair or replacement.
- It focuses the community and City Council's attention to priority goals, needs and capabilities. There are always more needs and competing projects than the available funds. A good capital plan forces the City to consciously set priorities between competing projects and interests. New projects and good ideas can then be ranked against the established project priority array.
- A CIP provides a framework for decisions about community growth and development. Long-range planning for infrastructure needs allows the community to accommodate reasonable growth without being overwhelmed.
- A CIP promotes a more efficient government operation. Coordination of capital projects can reduce scheduling problems and conflicts between several projects. Related projects such as sidewalks, drainage and roads can be planned simultaneously.
- A CIP enhances opportunities for outside financial assistance. Adequate lead-time allows for all avenues of outside grant funding of government agency assistance to be explored.
- A CIP serves as an effective community education tool, that conveys to the public that the City Council has made decisions that affect the future of the City and is guiding the development of the community.

Capital project activity is funded with cash made available by the issuance of General Obligation debt, by grants, by general tax allocation, and by transfers from other funds as may be approved by the City Council.

Annual contributions may be used in whole or in part to fund capital projects as cash assets are accumulated, or the annual contributions may be allowed to remain in reserve until funds, along with accrued interest have grown sufficiently to permit larger projects to be undertaken and paid for with cash.



## Capital Improvement Program Plan Policies

A number of important policy considerations are the basis for the Capital Improvement Program (CIP) Plan. These policies provide guidelines for all financial aspects of the CIP, and ultimately affect the project selection process.

**A. Relationship of Long-Range Plans to the CIP**

The CIP will be updated annually as part of the City's budget process. The City Council may amend the CIP Plan at any time as required.

Virtually all of the projects included in the CIP are based upon formal long-range plans that have been adopted by the City Council. This ensures that the City's Capital Improvement Program, which is the embodiment of the recommendations of these individual planning studies, is responsive to the officially stated direction of the City Council as contained in the Comprehensive Plan, Council work goals, and supporting documents. Examples of these supporting documents: Pavement Management System Plan and the Parks and Open Space and Recreation Services Plan. There are exceptions, but they are relatively small when compared to the other major areas of expenditure noted above.

**B. CIP Coordination Team**

A CIP Coordination Team is a cross-departmental team which participates in the review and recommendation of the CIP program to the City Manager. The Team will review proposed capital projects in regards to accurate costing (design, capital, and operating), congruence with City objectives, and prioritize projects by a set of deterministic criteria. The Finance Director, or his/her designee, will serve as the lead for the team.

**C. Establishing CIP Priorities**

The City uses the following basic CIP project prioritization and selection process:

1. Each CIP program area establishes criteria to be used in the prioritization of specific projects submitted for funding. These specific criteria are developed by staff in conjunction with City Council priorities and input from citizens, associated City boards and commissions. The City has divided its CIP projects into the following program areas: General and Parks Capital Projects, Roads Capital Projects, and Surface Water Capital Projects.
2. Designated personnel within City departments recommend project expenditure plans to the Finance Department. The project expenditure plans include all capital costs and any applicable maintenance and operation expenditures along with a recommended funding source.

3. The CIP Coordination Team evaluates the various CIP projects and selects those with the highest priority based on input from citizens, project stakeholders, appropriate advisory committees, and City Council goals.
4. A Preliminary CIP Plan is developed by the Finance Department and is recommended to the City Council by the City Manager.
5. The City Council reviews the Preliminary CIP Plan, holds a public hearing (s) on the plan, makes their desired alterations, and then officially adopts the CIP and establishes related appropriations as a part of the City's budget.
6. Within the available funding, the highest priority projects are then selected and funded in the CIP.

**D. Types of Projects Included in the CIP Plan**

The CIP Plan will display, to the maximum extent possible, all major capital projects in which the City is involved. It is difficult to define precisely what characteristics a project should have before it is included in the CIP Plan for the public's and City Council's review and approval. While the following criteria may be used as a general guide to distinguish among projects which should be included or excluded from the CIP Plan, there are always exceptions which require management's judgment. Therefore, the City Manager has the administrative authority to determine which projects should be included in the CIP Plan and which projects are more appropriately contained in the City's operating budget.

For purposes of the CIP Plan, a CIP project is generally defined to be any project that possesses all of the following characteristics:

1. Exceeds an estimated cost of \$10,000;
2. Involves totally new physical construction, reconstruction designed to gradually and systematically replace an existing system on a piecemeal basis, replacement of a major component of an existing facility, or acquisition of land or structures; and
3. Involves City funding in whole or in part, or involves no City funds but is the City's responsibility for implementing, such as a 100% grant-funded project or 100% Local Improvement District funded project.
4. Involves the skills and construction needs beyond those needed for a general repair and maintenance project.

These should be considered general guidelines. Any project in excess of \$25,000 meeting the criteria of (2), (3) and (4) above, or various miscellaneous improvements of a like nature whose cumulative total exceeds \$25,000 (i.e., street overlays) should be considered as part of the CIP process.

Program area managers are responsible for the cost estimates of their proposed programs, including future maintenance and operations costs related to the implementation of completed projects.

E. **Scoping and Costing Based on Predesign Study:**

For some projects it is difficult to develop accurate project scopes, cost estimates, and schedules on which no preliminary engineering or community contact work has been done. To address this problem, some projects are initially proposed and funded only for preliminary engineering and planning work. This funding will not provide any monies to develop final plans, specifications, and estimates to purchase rights-of-way or to construct the projects. Future project costs are refined through the predesign study process.

F. **Required Project Features and Financial Responsibility:** If a proposed project will cause a direct impact on other publicly-owned facilities, an equitable shared and funded cost plan must be coordinated between the affected program areas.

G. **Predictability of Project Timing, Cost and Scope:**

The predictability of timing and costs of projects is important to specific private developments, such as the provision of street improvements or the extension of major sewer lines or water supply, without which development could not occur. These projects generally involve significant financial contributions from such private development through developer extension agreements, LIDs, and other means. Once a project has been approved by the City Council in the CIP, project scheduling is a priority to maintain.

The City Council authorizes the City Manager to administratively approve the acceleration of projects schedules so long as they can be accomplished within budgeted and any allowable contingency expenditures, with the understanding that all controversial issues will be brought before the City Council. All project additions or deletions must be approved by the City Council.

H. **CIP Maintenance and Operating Costs:**

CIP projects, as approved by the City Council, shall have a funding plan for maintenance and operating costs identified in the project description. These costs will be included in the City's long-term financial planning.

I. **Local Improvement Districts (LID)**

Examples of when future LIDs may be formed are as follows: 1) where old agreements exist, committing property owners to LID participation on future projects; 2) when a group of property owners wish to accelerate development of a certain improvement; 3) when a group of property owners desire a higher standard of improvement than the City's project contemplates; or 4) when a group of property owners request City assistance in LID formation to fund internal neighborhood transportation facilities improvements, which may or may not have City funding involved. If City funding is proposed by the project sponsors (property owners), they shall so request of the City Council (through the City Clerk) in writing before any LID promotion activity begins. The City Manager

shall analyze such request and report his conclusions and recommendation to Council for their consideration. The Council shall by motion affirm or deny the recommendation. The Council's affirmative motion to financially participate shall expire in 180 days, unless the project sponsors have submitted a sufficient LID petition by that time.

In the event that the request is for street resurfacing in advance of the City's normal street resurfacing cycle, the City's contribution, if any, will be determined based on a recommendation from the Public Work's Department and a financial analysis of the impact of completing the project prior to the City's original timeline.

On capital projects whose financing depends in part on an LID, interim financing will be issued to support the LID's portion of the project budget at the same time or in close proximity to the issuance of the construction contract. The amount of the interim financing shall be the current estimate of the final assessment roll as determined by the administering department.

In the event that the project is 100% LID funded, interim financing shall be issued either in phases (i.e., design phase and construction phase) or up front in the amount of the entire estimated final assessment roll, whichever means is estimated to provide the lowest overall cost to the project as determined by the Finance Department.

The City will recapture direct administrative costs incurred by the City for the LID project by including these in the preliminary and final assessment roles.

**J. Preserve Existing Capital Infrastructure Before Building New Facilities:**

The City's policy to ensure that adequate resources are allocated to preserve the City's existing infrastructure before targeting resources toward building new facilities that also have maintenance obligations. This policy addresses the need to protect the City's historical investment in capital facilities and to avoid embarking on a facility enhancement program which, together with the existing facilities, the City cannot afford to adequately maintain.

**K. New Facilities Should Be of High Quality, Low Maintenance, Least Cost:**

The intent of this policy is to guide the development and execution of the CIP Plan through an emphasis on lowest life-cycle cost. Projects should only be built if the necessary funding to operate them is provided. Also, priority is given to new facilities that have minimal ongoing maintenance costs so as to limit the impact upon both the CIP and the operating budget.

**L. Public Input at All Phases of Projects:**

The City makes a serious commitment to public involvement. The City's long-range plans are developed through an extensive citizen involvement program.

**M. Basis for Project Appropriations:**

During the City Council's CIP Plan review, the City Council will appropriate the full estimated project cost for all projects in the CIP Plan. Subsequent adjustments to appropriation levels for amendments to the CIP Plan may be made by the City Council at any time.

**N. Balanced CIP Plan:**

The CIP Plan is a balanced six-year plan. This means that for the entire six-year period, revenues will be equal to project expenditures in the plan. It is anticipated that the plan will have more expenditures than revenues in single years of the plan, but this imbalance will be corrected through the use of interim financing, if actually needed. Over the life of the six-year plan, however, all planned interim debt will be repaid and all plan expenditures, including interest costs on interim debt will be provided for with identified revenues. Any project funding plan, in which debt is not retired within the current six-year plan, must have specific City Council approval.

**O. Use of Debt in the CIP:**

The CIP is viewed as a long-term program that will continually address capital requirements far into the future. As such, the use of long-term debt should be minimized, allowing the City to put money into actual projects that benefit Shoreline residents and businesses rather than into interest payments to financial institutions. There may be exceptions to this policy for extraordinary circumstances, where voted or non-voted long-term debt must be issued to achieve major City goals that otherwise could not be achieved, or would have to wait an unacceptably long time. Issuance of long-term debt must receive City Council authorization.

Staff monitors CIP cash flow regularly and utilizes fund balances to minimize the amount of borrowing required. Funds borrowed for cash flow purposes are limited to short-term obligations. Projected financing costs are included within a project in the administrative program area.

**P. Finance Director's Authority to Borrow:**

The Finance Director is authorized to initiate interim and long-term borrowing measures, as they become necessary, as identified in the CIP Plan and approved by the City Council.

**Q. CIP Plan Update and Amendment:**

The CIP Plan will be updated at least annually. The City Council may amend the CIP Plan at any time if a decision must be made and action must be taken before the next CIP review period. All project additions or deletions must be approved by the City Council.

R. **Usage of County-Imposed Vehicle License Fees:**

The City's share of the King County-imposed Vehicle License Fees is a component of "Transportation Funding" and can therefore be assumed to be part of the annual Transportation Funding contribution to the CIP Plan as pursuant to State Law.

S. **Formalization of Monetary Agreements:**

All agreements between the City and outside jurisdictions, where resources are exchanged shall be in writing specifying the financial terms of the agreement, the length of the agreement, and the timing of any required payments (i.e., Joint CIP projects where the City is the lead agency, grant funded projects, etc.). Formalization of these agreements will protect the City's interests. Program areas shall make every effort to promptly request any reimbursements that are due the City. Where revenues from outside jurisdictions are ongoing, these requests shall be made at least quarterly, unless alternative arrangements are approved by the City Manager or City Council.

T. **Applicable Project Charges:**

CIP projects should reflect all costs that can be clearly shown to be necessary and applicable. Staff charges to CIP projects will be limited to time spent actually working on those projects and shall include an overhead factor to cover the applicable portion of that person's operating cost.

## Steps in the Capital Improvement Process

The capital improvement process is built around the following eight steps:

1. **Establishment of the administrative and policy framework for capital programming and budgeting.** The first step in implementing an effective capital improvement planning and budget process is to establish the underlying organizational and policy framework within which the process operates.
2. **Prepare inventory of existing facilities.** Each governmental unit should compile an inventory of its own physical plant. This will help to indicate the eventual need for renewal, replacement, expansion or retirement of some of the physical plant. This can be accomplished through a master plan process.
3. **Determine by review the status of previously approved projects.** Prepare a report showing the status of previously approved programs. The estimated costs of these projects should be reviewed to ensure accuracy and the funding sources which would be needed to finance the completion of the project. This status review also allows the legislative body the opportunity to stay informed of projects approved in previous years.
4. **Perform financial analysis and financial programming.** Financial analysis involves the determination of the City of Shoreline's financial capability for major expenditures by examining past, present and future revenue, expenditures and municipal debt. The selection and scheduling of funding sources of these major expenditures is known as financial programming. Some of the important objectives of financial programming include:
  - Smoothing out the tax rate
  - Maintaining a preferred balance of debt service and current expenditures
  - Determination of debt capacity and appropriate debt service levels
  - Maximizing intergovernmental aid relative to local expenditures

The intent is to come up with a level of capital expenditures by fund, which the municipality can safely afford over the next several years while maintaining a minimal impact of the property tax rate and other municipal revenues.

5. **Compile and evaluate project requests.** Once the Finance Department has completed reviewing and summarizing the CIP requests, the CIP Review Committee will review and prioritize each project based on the criteria contained in the Capital Project Criteria Section. A draft CIP is then developed and submitted to the City Manager for review. The City Council then reviews, modifies and adopts the CIP.
6. **Adoption of the capital program and budget.** The City Council, which has been involved in the CIP process from the beginning by establishing policy guidelines under which the CIP was developed, has the final responsibility to adopt the CIP.
7. **Monitoring the CIP.** Lead departments are responsible to monitor the actual development of a project against the approved budget to complete the project.
8. **Modifications.** Significant changes in project scope, time or costs, requires a CIP amendment by the City Council.



## PROJECT PHASE DEFINITIONS

Each of the projects within the Capital Improvement Program have five distinct phases. Those phases are described below.

**Planning** occurs prior to the actual design of the project and involves directing, coordinating, budget control, maintaining and adjusting schedule as work varies, project detail decision making, and reports such as agenda items.

**Pre-Design** is also called "design report", this work identifies and evaluates project alternatives resulting in a selected improvement. This phase begins with the inception of the design and continues until the 30% design plan has been completed. Costs are called planning level, they are often estimated using average unit costs/foot for the work such as curb and gutter. Survey work is minimal and often determined using aerial photography. Environmental work involves permitting and mitigation requirements for wetlands, streams, and other sensitive areas. HPA permits for streams, CORPS of Engineer 404 permits for wetlands, Fish & Wildlife permits, and sensitive area permits can take in excess of two years to obtain. Preliminary project plans, with work descriptions, are submitted. Agency reviews can take a year or more to identify areas of impact. A mitigation plan is developed and submitted for review and approval which again goes through the permitting agency queue of applications, and the approved permit conditions are incorporated into the project design and project specifications. Environmental work is often included in the pre-design or design phase.

**Design** is also called "PS&E" (Plans, Specifications, and Estimates) in which survey work, geo-technical work, measurements of water, traffic, and the location are more detailed to determine quantities for bidding. This phase generally begins after the completion of the 30% design plan and continues until the 100% design plan has been completed. For example unsuitable soils are identified, the amount of soils to remove, the geo-technical soil structural design determined and quantities of materials determined. The drawings (plans) and specifications (materials, construction) determine a higher level project cost estimate from the increased project knowledge.

**Real Estate Acquisition** is the identification of property needed for the project, obtaining title reports, developing legal descriptions of the property to be acquired, obtaining appraisals, negotiating and purchasing; all in accord with federal acquisition guidelines.

**Construction** includes the contract award process and the actual construction work from clearing/grubbing the area through installing traffic markings and landscaping for a typical street project.

## Capital Project Criteria

<b>Legal</b>	State or Federal mandate may require that a particular project be implemented. Court orders and judgments concerning annexation property owners rights environmental protection, etc. are also legal requirements that may affect how projects are prioritized.
<b>Safety</b>	The benefit to the environment, safety or public health of the community should be evaluated. For example, all street projects concern public safety, but streets for which documented evidence of safety hazards exists should be given higher priority treatment.
<b>Comp Plan</b>	Consistency with the City's Comprehensive Plan is important. Capital projects may directly or indirectly implement the comprehensive plan. Projects should not be inconsistent with the comprehensive plan.
<b>Funds</b>	The extent to which outside funding is available for the project or purchase should be evaluated.
<b>Need</b>	The project should alleviate identified problems or deficiencies.
<b>Related Project</b>	Often projects in one category are essential to the success of those in others. Related projects proposed by other departments or governmental jurisdictions may even effect a savings to a particular project.
<b>Efficiency</b>	Projects which substantially improve the quality of service at the same operating cost, or eliminate obsolete and inefficient facilities should be identified using this category.
<b>Economic Impact</b>	A project may affect the local economy. Increases or decreases in property valuations may occur. Rapid growth in the area may increase the City's land acquisition costs if the project is deferred.
<b>Public</b>	Projects are generally more easily implemented if there is public demand and support for them. Such public support should be gauged in terms of its strength and the depth of understanding it represents.