

CAPITAL INVESTMENT

Guilford County's capital investment program is comprised of two parts: the Capital Investment Plan and the County's current capital projects. Together these represent the county's long-term investment in its facilities and infrastructure, including schools, and other major assets.

The **Capital Investment Plan (CIP)** is a ten-year plan for the funding of major purchases, construction and renovation projects, and land acquisitions. It is only a planning process, not a funding or project authorization process, and is intended to accomplish the following:

- Identify all capital needs anticipated for ten years
- Plan, schedule, and implement capital projects
- Develop revenue plans and policies for funding planned projects
- To estimate the impact of capital projects on the operating budget
- To inform the public about proposed investments

Generally, projects included in the CIP are expected to cost at least \$100,000, have an expected life of at least 10 years, and are expected to take more than one year to complete. Other projects may be included in the CIP if they represent a substantial investment of public funds. Typical CIP projects include the construction of emergency medical services bases, schools, and parks.

Other large expenditures such as the replacement of roofs or the acquisition of software or other technology items are not usually included in the CIP unless they represent a substantial investment of funds and are implemented over an extended time period. Although these expenditures may be significant, most do not meet the capital project requirements and are more appropriately accounted for in the operating budget. Because an accurate assessment of these types of expenditures over a multi-year period is necessary for prudent fiscal planning, the county conducts separate planning processes for major facility, equipment, and technology needs.

The CIP presents project cost and cash flow estimates for a rolling 10-year period. As the plan moves forward each year, one year of data is removed and another year is added. Expense and revenue estimates for previously included projects are also adjusted based on the latest information available at the time the plan is updated. Finally, projects completed or cancelled in the prior fiscal year are removed from the plan.

DEVELOPING THE CAPITAL PLAN

The County's capital planning process begins each fall with the submission of project requests by departments. Budget Department staff receive requests and work with departments to prepare expense and revenue estimates. Once all requests are received, they are reviewed and prioritized based on multiple factors including:

- Adherence to county or department goals and objectives
- Urgency of need

- Scope of service
- Community priority and impact
- Financial feasibility

The Budget Department then makes a recommendation to the County Manager on projects to be included in the final CIP. A proposed CIP is presented to the Board of Commissioners at their annual retreat in February for initial approval. The initial CIP is refined and projects to be funded in the new fiscal year are selected by the Board during the budget process. Actual project ordinances are generally adopted early by the Board in the new fiscal year.

IMPLEMENTING THE CAPITAL INVESTMENT PLAN

A **capital project ordinance** must be approved by the Board of Commissioners to initiate each capital project. While the CIP includes descriptions of each project, as well as financial data regarding planned expenditures and revenues, it does not authorize projects or appropriate funds for them.

A project ordinance establishes the complete budget for a capital project including revenue sources and total expenditures. Unlike the County's annual operating budget, the ordinances are authorized for the life of the project and do not need to be re-approved each year though they can be amended by the Board if a project later exceeds the initial budget estimate or is completed under-budget.

FUNDING THE CAPITAL INVESTMENT PLAN

Capital Improvement Projects are funded through a combination of annual cash transfers from the General Fund to the County Building Construction and, when appropriate, debt financing in the form of General Obligation bonds or capital debt loans. Because the CIP is a plan and not a project authorization or funding process, there are projects in the plan that are not yet fully funded.

Projects that require Board action, either to initiate or to adjust project budgets for new or additional phases, are considered "planned" projects. Projects already approved by the Board of Commissioners through the establishment of a capital project ordinance (i.e., the action that officially initiates and budgets for a particular project) are considered "active" projects.

IMPACT OF CAPITAL INVESTMENT ON THE ANNUAL OPERATING BUDGET

In addition to planning for the construction of new projects, the County must also plan for new operating expenses related to new facilities proposed in the CIP. A new Emergency Medical Services base, for instance, will require additional expenses beyond those used to construct the facility. Additional personnel, equipment, and facility expenses will be required to operate the new base. These anticipated expenses are included on the CIP project pages and are incorporated into the County's annual operating budget planning process where the Board has initiated/approved related projects.