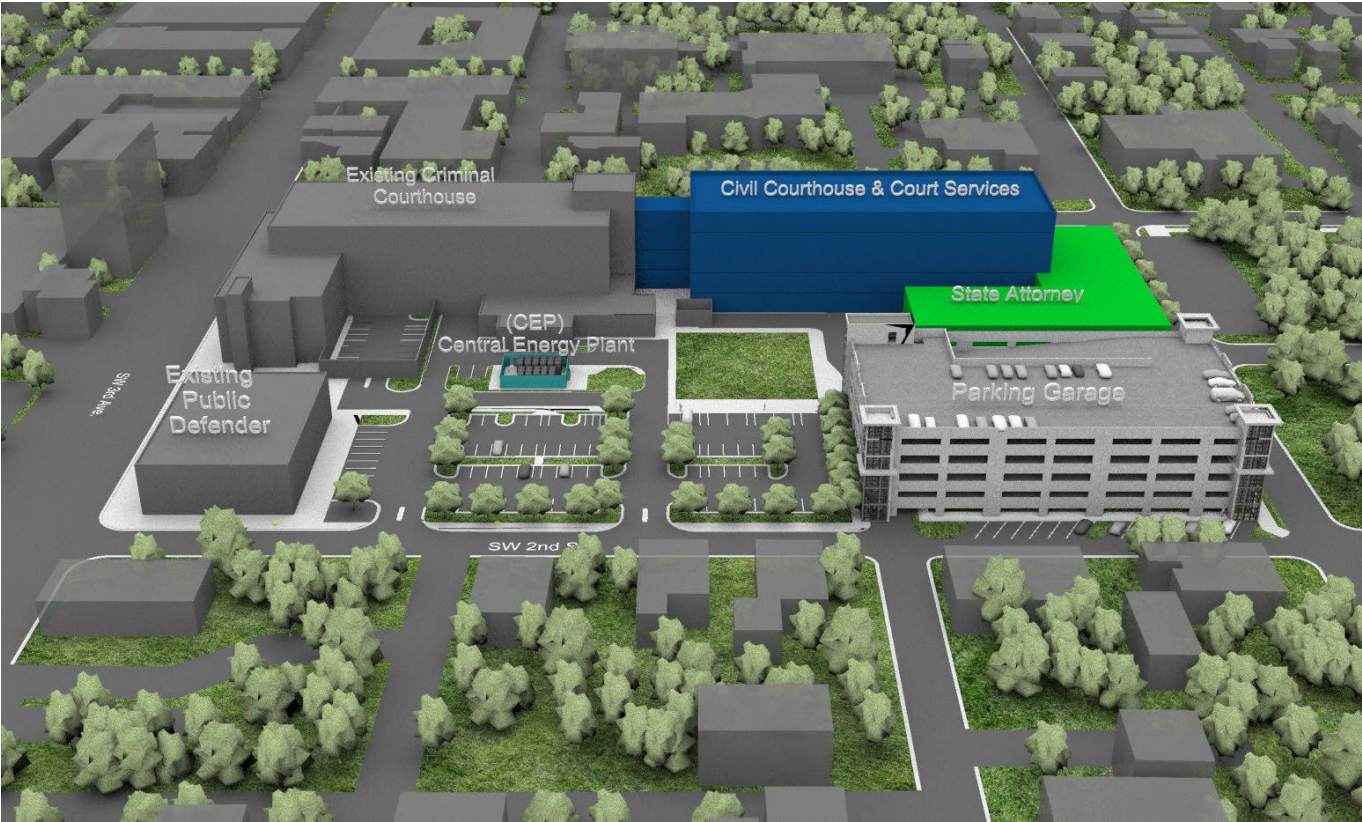


# Capital Budget and Financial Plan



## PURPOSE OF THE CAPITAL BUDGET & FINANCIAL PLAN

The Capital Budget and Financial Plan (CBFP) serves as a strategic tool for Alachua County to efficiently manage its financial resources to meet its service and facility needs. The five-year capital budgeting process aims to achieve several objectives:

1. Streamlining departmental requests to minimize delays and ensure alignment with departmental improvement programs.
2. Establishing evaluation procedures and priorities to assess proposals based on public needs, comprehensive planning, project interrelationships, and cost considerations.
3. Planning proposals over an extended period to achieve the Capital Improvements Budget and Financial Plan.
4. Anticipating necessary projects and aligning them with the county's existing and projected fiscal capacity.

As per the Capital Budget and Financial Plan Policies, all capital improvement

## WHAT IS THE DIFFERENCE BETWEEN A CAPITAL ASSET AND A CAPITAL PROJECT?

The following definitions for a capital asset and capital project help distinguish the difference between the two types of capital items and how they are handled in the budget process.

**Definition of a Capital Asset** – An item with a value of \$15,000 or more and an expected life of more than one year, such as equipment, furniture, and automobiles. These items are included in the operating budget.

**Definition of a Capital Project** – A project expected to have a useful life greater than five years and an estimated cost of \$150,000 or more. Capital projects include the construction, purchase, or major renovation of buildings, utility systems, or other structures, purchase of land and major machinery and equipment. Projects meeting the above definition will be included in the Capital Budget Financial Plan and will be tied to the operating budget within each identified fund and department/division.

## WHAT ARE CAPITAL IMPROVEMENTS?

Capital improvements comprise the essential infrastructure that counties require to deliver vital services to residents and accommodate new growth and development. They aim to maintain and enhance the existing infrastructure, as well as anticipate future county expansion. These projects involve significant non-routine capital expenditures, typically exceeding \$150,000. They include the acquisition of equipment and land, as well as the design, construction, renovation, rehabilitation, or expansion of capital assets. Capital projects typically have a useful life expectancy of at least ten years. A wide range of projects include capital improvements, as illustrated by the examples below:

- Fire, court and sheriff buildings.
- parks, trails, open space, recreation centers, and other related facilities.
- water and wastewater treatment plants, transmission pipes, storage facilities, and pump stations.
- roads, bridges, traffic signals, and other traffic control devices.
- water control structures and stormwater retention ponds.

## GUIDELINES AND POLICIES USED IN DEVELOPING THE CAPITAL BUDGET AND FINANCIAL PLAN

The County's Strategic Vision Plan, along with its budget and financial policies, provides broad parameters for the development of the annual capital plan. Considerations include the following:

- Does a project support the County Commission's strategic priority?
- Does a project qualify as a capital project, i.e., cost more than \$150,000 and has an expected useful life of at least ten years?
- Does a project prevent the deterioration of the County's existing infrastructure, and respond to and anticipate future growth in the County?
- Does a project encourage and sustain quality economic development?
- Can a project be financed through growth in the tax base or development fees, when possible, if constructed in response to residential or commercial development?
- Is a project responsive to the needs of residents and businesses within the constraints or reasonable taxes and fees?

Master plans help determine which projects should be included in the Capital Budget Financial Plan and the timeframes in which the projects should be completed. For example, the Parks and Open Space Plan and the Fire Rescue Master Plan provide valuable guidance.

Economic forecasts are also a critical source of information and guidance throughout the capital planning process. These forecasts assess external factors such as whether the local economy is growing or contracting, population growth, inflation in construction materials, the value of land, and other variables that may affect the County's ability to finance needed services and capital projects.

The County policies that are followed include the Capital Budget and Financial Plan and the Debt policies. Each serve as a set of guidelines and principles that an organization follows to manage its finances effectively. It outlines the strategies, procedures, and rules governing various aspects of financial management.

### **CAPITAL BUDGET AND FINANCIAL PLAN ASSESSMENT PROCESS**

The CBF process entails an assessment of many valid competing needs, a determination of priorities, an evaluation of costs and financing options, and an establishment of achievable completion timeframes. The analysis process involves many familiar questions:

- Do we need it?
- Can it wait?
- Are there other options?
- What must wait if we proceed with it?
- Can we afford it?
- Do we need financial help to attain it?

If the purchase plan progresses, a decision regarding the initial cost must be made. However, the County also needs to secure longer-term financing to cover certain expenses for capital improvements. For instance, loan repayments add to the overall cost of a capital improvement project. Since most major capital improvements cannot be funded solely from revenue generated in a single year or by adjusting income and expenses, it's crucial to consider the long-term financial implications.

As part of the annual budget process, the Office of Management and Budget oversees the County-wide effort to revise and update the County's capital plan. Staff from all County departments participate in a thorough review of existing projects and the identification of new projects for inclusion in the Capital Budget Financial Plan. Throughout this capital planning process, adherence to legal requirements and available financial resources is crucial, with the County Commission carefully considering citizen input.

While only the first year of the plan is formally appropriated by the Commission, the following four years serve as planning guidelines. The County Commission retains authority over funding decisions for future years. Once projects are chosen for inclusion in the capital plan, decisions are made regarding which ones should be prioritized for the

initial five years. The County Commission then assesses the recommended Capital Budget Financial Plan during budget workshops, considering staff recommendations before reaching a final decision.

## **IMPACT OF THE CAPITAL BUDGET FINANCIAL PLAN ON THE OPERATING BUDGET**

The operating budget of Alachua County is directly impacted by the Capital Budget and Financial Plan (CBFP). Most new capital improvements entail ongoing expenses for routine operation, maintenance, and repairs once completed. Additionally, the creation of new capital facilities may require the establishment of new staff positions. Meanwhile, existing county facilities and equipment, once considered state-of-the-art, now require rehabilitation, increased maintenance, renovation, or upgrades to accommodate new uses and address safety and structural concerns.

Each department provides estimates for future operations and maintenance costs associated with new projects in the CBFP. These operating costs play a crucial role in determining which projects move forward within the CBFP. Implementation timelines are established to stagger projects over time, allowing for the funding of large-scale projects that have significant impacts on the operating budget.

The Office of Management and Budget assesses both current and future debt obligations and available resources for funding the planned projects. The majority of capital projects are financed through revenue-backed financing, impact fees, and the Infrastructure Surtax Fund.

## **REVENUE PROCEEDS**

County revenue proceeds typically include property tax, sales, tax, state shared revenues, fees for service and investment income. These sources are pledged as collateral for financing.

## **IMPACT FEES**

Impact fees are an imposed fee on new development as a total or partial reimbursement for the cost of additional facilities made necessary for growth. Impact fees are restricted to use on capital projects that are necessary to add infrastructure capacity. Currently, the County imposes three impact fees: 1) Fire; 2) Transportation (Mobility); 3) Parks.

## **SURTAX**

On November 8, 2022, Alachua County voters passed the ten-year one-cent surtax. One-half cent of the tax is restricted for use related to conservation lands and parks and

one-half cent for roads and affordable housing. The County receives a portion of the tax proceeds based upon a distribution formula developed by the Florida Department of Revenue. Population is the key component to the calculation.

## **AMENDING THE CAPITAL BUDGET AND FINANCIAL PLAN**

Throughout the fiscal year, circumstances may necessitate amending the approved Capital Budget and Financial Plan to address unforeseen needs. A systematic procedure has been established to facilitate the submission and assessment of each requested amendment.

Amendments to the project list, as originally adopted by the Board of County Commissioners in the Capital Budget and Financial Plan, require approval through a budget amendment process. An amendment to the Capital Budget and Financial Plan becomes necessary under the following conditions:

- The project was not initially included in the adopted CBFP.
- The project is removed from the approved CBFP.
- Project costs exceed those outlined in the adopted CBFP.
- There is a change in the proposed financing method for the project compared to what was initially indicated in the CBFP.
- There is a fundamental alteration in the project's scope and focus compared to what was outlined in the CBFP.

## **WHAT IS IMPORTANT TO KNOW WHEN REVIEWING THE CAPITAL BUDGET FINANCIAL PLAN PROGRAM?**

The Capital Budget Financial Plan serves as a long-term planning tool, but only the funding allocated for the first year is officially approved by the County Commission. Future appropriations are reviewed by the Commission in subsequent years.

Key points about the Capital Budget Financial Plan:

- It offers a comprehensive view of capital planning, covering projects funded from all sources.
- It complements the Operating Budget document and is intended to be used in conjunction with it.
- It reflects the current goals and intentions of the County Commission.
- It's a dynamic process subject to changes over time, influenced by factors such as organizational shifts, funding uncertainties, emergencies, delays, or plans from other entities. Despite inevitable changes, the thorough long-term planning and analysis involved in developing the Capital Budget Financial Plan offer numerous benefits.
- Summaries of Capital Budget Financial Plan data, presented in tables and graphs, help readers grasp the Countywide impact of the plan.

## WHAT ARE THE KEY ELEMENTS OF THE CAPITAL BUDGET FINANCIAL PLAN?

The following describes key elements of the details included in the CBFP:

**Capital Improvement Element (CIE)** – Includes information on the project’s impact on the County’s Comprehensive Plan, which assists the County in determining if the project meets state statutory requirements.

**Capital Budget Financial Plan Category** – The Department and/or Function within the County that is responsible for the project. The categories may include the Department and/or Function based on direction from County Commission.

**Capital Budget Financial Plan Status** – Identifies if the project is an Existing CBFP Project, Existing CBFP Project – Revised Request, Existing CBFP Program, or New Request.

**Cost Center** – Includes account segments for Fund, Department, Division, Activity, and Sub Activity.

**Expenditure Type** – Groups of expenditures separated into the following categories:

- Planning/Design/Engineering – any outside contractual service needed to complete a project.
- Land Acquisition – any purchase of land needed to complete a project.
- Construction – any outside contractual service of construction crews needed to complete a project.
- Equipment/Materials/Furniture – any purchase of these items needed to complete the project.
- Professional Fees – services procured as independent professional services, such as architectural or consulting services needed to complete a project.
- Technical Software/Hardware – any purchase of these items needed to complete the project.

**Funding Strategy** – Includes the proposed funding source(s) and amounts for the project. Some of the County’s new asset expansion projects include funding from Developer Agreements. These projects are noted as such in project detailed information. Typically, a Developer Agreement provides for the County to reimburse costs associated with the new asset over a period of years.

**Object Code** – Includes the last four digits of the accounting code that are considered the line items, which describe the type of expenditure being made.

**Operating Budget Impact** – Provides narrative on the impact to the operating budget and includes the estimated project cost by expenditure category.

**Operation Budget Impact** – A narrative of the anticipated impact the project has on the operating budget is included in the CBFP Detail Sheets. Many projects can significantly impact the operating budget such as maintenance, staffing, utilities, and equipment. It is important to consider these issues prior to adopting the project so additional savings or costs are factored into the decision-making process.

**Programmed Funding** – CBFP project funding that has been appropriated in prior years, appropriated in the current year budget, and/or Un-Appropriated but planned during the next four fiscal years.

**Project Number** – The number/letter sequence used primarily for tracking the project.

**Project Description** – Includes a description and specific justification for the project.

**Project Rationale** – If the project is needed to meet service demands, environmental impacts, health, or safety issues, or is mandated by law, it will be discussed in this part of the form. Also, the location and type of work performed will be included.

**Schedule of Activities** – This table breaks out the Project Activities (see Expenditure Type) with Timeline (From-To) and Amount (Programmed Funding) for the project.

**Title** – A descriptive name given to each project.

## **CAPITAL BUDGET AND FINANCIAL PLAN QUESTIONS AND ANSWERS**

### **1. What type of costs are included in the Capital Improvement Project?**

All expenses related to design, construction, and any other preparations necessary for facility use are encompassed within the project.

### **2. What happens if a department is not able to expend/encumber funds by year-end that were approved in the budget for that fiscal year?**

Any capital project funding previously approved but not spent or committed in the prior fiscal year can be reallocated through a budget amendment.

### **3. Some departments customarily forecast what will not be expended/encumbered during the current fiscal year and budget the unexpended funds estimate in a “reserve for future capital outlay” or “provision for re-budgets” account.**

This account will grant the department access to funding through a capital project amendment in the upcoming fiscal year, prior to the completion of the actual budget reconciliation.



#### **4. How much money/funds are available for projects?**

Each year, available funds are determined based on projected tax revenue and financing strategies.

#### **5. What is the process for amending a Capital Project budget?**

Any alteration to a capital project that affects its total cost or involves transferring funds from a reserve account necessitates an Amendment and approval from the Board of County Commissioners (BoCC). However, changes solely related to adjusting funding timing between years do not require BoCC approval.

#### **6. How are operating expenditures associated with a Capital Project handled?**

When a capital project is requested, all costs, including future operating impacts, are evaluated. Once the project is completed and operational, the operating and maintenance costs must be funded with operating revenues. Departments include in their budgets the operating expenses that are needed when the capital project is completed and becomes operational.

#### **7. If a project won't begin for three (3) years, would it be included in the Five-Year Capital Budget and Financial Plan?**

All projects requiring funding over the next five years are part of the Five-Year Capital Budget and Financial Plan. If there are known costs or projects extending beyond this timeframe, they should be listed as future funding needs. These estimates can then be incorporated into long-term financial planning models.

## POTENTIAL REVENUE SOURCES FOR CAPITAL PROJECTS

The following are potential sources of revenue for capital improvements. If the source of funding is restricted to items/departments, these restrictions are indicated.

| Fund Name                                 | Fund          | Use  |
|---|---------------|--|
| Transportation Trust Fund                 | 341           | Restricted for use for transportation operating costs and infrastructure needs.  |
| Constitutional (2nd) Gas Tax              | 353           | Restricted for use by the Public Works Department, further restricted for use by F.S. 206.411, 206.47, 335.075, 336.41 |
| Local Option Gas Tax                      | 350           | Restricted for use by the Public Works Department, F.S. 336.025.   |
| MSBU Fire Assessment                      | 011           | Fire Services  |
| MSBU Solid Waste Assessment               | 400           | Solid Waste Services   |
| MSBU Stormwater Assessment                | 146           | Stormwater Services  |
| MSTU Law Enforcement Unincorporated       | 009           | Sheriff Law Enforcement Services   |
| Tree Mitigation Fund                      | 264           | Restricted for the purchase and/or planting of trees/landscaping for community enhancement.                            |
| Fire Impact Fee                           | 340           | Restricted for use for growth related Fire capital equipment and structures.   |
| Parks & Recreation Impact Fee             | 339           | Restricted for use for Parks growth related capital expenditures.  |
| NW Transportation District Impact Fee     | 336           |  |
| East Transportation District Impact Fee   | 337           |  |
| SW Transportation District Impact Fee     | 338           |  |
| Multi Modal Transportation Mitigation     | 354, 355, 356 | Restricted to NW, SW and East Districts  |
| Court Technology Fund                     | 076           | Restricted for County Courts use for technology needs. Created under the provisions of Article V, revision 7.          |
| State Court Facility Capital Preservation | 037           |  |
| Wild Space Public Places                  | 021           | Restricted Recreation & Land Acquisition   |
| One Cent Infrastructure Surtax            | 140           | Restricted Recreation & Land Acquisition   |
| One Cent Infrastructure Surtax            | 142           | Restricted Road & Work Force Housing   |
| Boating Improvement Program               | 043           | Boating Ramps, Access & Facilities   |
| Capital Projects - General                | 300           |  |