



Capital Improvement Policy

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1. Purpose

The Capital Improvement Policy defines capital projects and establishes the process for adopting and amending the County’s Capital Improvement Plan (CIP). The scope of this policy includes all capital projects accounted for in Buncombe County’s general fund, non-school capital related project or special revenue funds, enterprise funds, and other components. School capital is managed by the appropriate jurisdiction and is not within the scope of this policy.

Buncombe County recognizes that a capital improvement policy used in combination with a CIP can help to effectively plan and organize capital expenditures and associated operating cost when they are put into operation, as well as:

- Strengthen a government’s borrowing position by demonstrating sound fiscal management and showing commitment to maximizing public benefit within resource constraints;
- Assure sustainability of infrastructure by establishing a process for addressing maintenance and replacement; and
- Recognize interrelationships among projects to maximize resources and avoid duplication.

Both the Government Finance Officers Association (GFOA) and North Carolina Local Government Commission (NCLGC) strongly encourage the development of capital planning policies and capital improvement programs.

2. Applicability

This policy applies to all Buncombe County departments and employees. Where there is conflict with any department-specific policy, this document will supersede.

3. Policy

3.1. CIP Process

3.1.1. Capital projects requiring new funding should be identified and approved as part of the CIP process. The Board of Commissioners may choose to approve a non-CIP project due to urgency or receipt of restricted funds. The CIP will be updated annually for the purpose of reassessing capital needs. A timeframe will be identified in the annual budget calendar for departments to submit new CIP projects and update existing CIP projects.

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3.1.2. All capital project requests will be reviewed, analyzed, and presented to the Capital Review Team to develop and update the County's seven-year CIP. Prioritization of projects will be based on the alignment with criteria and any additional factors established or deemed appropriate by the Capital Review Team.

3.2. CIP Funding

3.2.1. Fiscal capacity will be considered so that the final CIP is based on what can realistically be funded, through various mechanisms such as pay-go or debt financing. This determination will be made in accordance with the County's General Fund Balance Policy and Debt Policy. Staff will consider operating budget projections, timing of cashflows, available fund balance, and other financial policies and plans.

3.2.2. To ensure funding for the County's capital program and to aid in establishing forecasted fiscal capacity, an annual transfer will be made from the General Fund to the County Capital Projects and/or Debt Service Fund(s) in a baseline amount equaling 120% of the annual General Fund debt obligation. Subsequent annual transfers will grow the baseline at a compounded growth rate ranging between a minimum of 2% and the annual reported change in CPI-U (Consumer Price Index for Urban Consumers, U.S. City Average, All Items (CPI-U), measured as of December proceeding the County's fiscal year end). In years where the annual reported change in CPI-U is less than 2%, 2% will be used to grow the baseline. Annual transfers will continue at the compounded rate until the capital program has reached the target funding mix of pay/go and debt funding, to be determined by the Finance Director and County Manager.

3.3. CIP Adoption

3.3.1. The seven-year Capital Improvement Plan will be adopted by the Board of Commissioners.

3.3.2. The County shall appropriate all funds for capital projects with a Project Ordinance in accordance with the North Carolina Local Government Budget and Fiscal Control Act. A capital project will not begin until a balanced Project Ordinance is adopted. Once adopted, a capital project may not be materially amended without Board approval.

3.3.3. Once an adopted capital project is complete, any remaining funds cannot be reallocated without Board approval. Remaining funds from Debt-Funded projects are subject to limitations set forth in the debt agreement.

3.4. Administration and Implementation

3.4.1. A Capital Review Team will convene annually to evaluate project requests and assist in the presentation of requests. The Budget Office will provide support for the CIP process, publish the annual budget calendar, maintain CIP documentation, prepare Project Ordinance information, and be a resource for capital project stakeholders as needed.

3.4.2. Project Managers are responsible for monitoring the status of their capital projects as well as identifying and communicating any changes in project status, scope, or cost to the Budget Office.

4. Policy Non-Compliance

Employees willfully violating the terms and conditions of this policy may be subject to appropriate disciplinary action, up to and including dismissal.

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5. Audit

All policies for Buncombe County may be subject to audit or review as outlined in the [Internal Auditor’s Statement](#).

6. Definitions

- 6.1. Capital Project - Construction, renovation or demolition project, or acquisition of land or other assets, valued at or above the threshold established by the Capital Review Team and with a useful life of at least five years. This includes significant capital maintenance projects. Improvements to or expansions of existing assets must increase appraised value or add to life expectancy to qualify as a capital project.
- 6.2. Capital Improvement Plan - A long-range plan for analysis and approval of proposed capital improvement projects, which includes estimated project costs and funding sources that the County expects to carry out over a set period.
- 6.3. Debt Financing – Borrowing money to fund a project, typically over its useful life.
- 6.4. General Fund Debt Obligation – The annual committed and forecasted debt service payment to be paid by the General Fund
- 6.5. Pay-Go – Using available cash or accumulated reserves to fund a project.
- 6.6. Project Manager – An employee charged with the management of a specific Capital Project.

7. Approval and Revision History

Policy Origination Date:	December 17, 2020
Requires Board Approval:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Board Approval Date:	June xx, 20xx
Revision History:	FY2024 Changes: <ul style="list-style-type: none"> • (Edit) five-year CIP now seven-year CIP • (Add) reserve transfer language, section 3.2.2 • (Edit) Board of Commissioners adopt CIP, section 3.3.1 • (Edit) Clarified Purpose • (Edit) Changed Budget Department to Budget Office

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