

**POLICY FOR FUNDING
MARATHON COUNTY'S CAPITAL IMPROVEMENT PROGRAM
April 2004**

INTRODUCTION

Marathon County recognizes the need to create and maintain the County's capital assets and infrastructure and fund both the operating and capital sides of the budget. Through Resolution R#124-89 the County set up the five year Capital Improvement Program with the following goals:

1. Protect the County's investment in its buildings, equipment, improvements and infrastructure.
2. Recognize the need to preserve and maintain existing assets over acquiring new assets.
3. Develop the most cost effective way to manage the County's assets through a comprehensive process the cuts across departments, boards and committees.
4. Acknowledge that certain services cannot be compromised. The services provided and capital investments made must undergo a rigorous scrutiny to ensure that investments in these areas meet the needs of the County in the most cost effective manner possible.
5. Provide equipment that is essential to do the work of the County.
6. Where possible, the County needs to examine the long term operating and capital costs prior to instituting any new program.

In order to accomplish these goals, the CIP must have the funding to complete projects as ranked by the CIP Team. This policy will establish the funding mechanism that is associated with the CIP budget.

POLICIES

Policy on reporting all Capital Projects

The intent of the CIP is to identify in one document all capital projects that the County and its many related agencies are undertaking in the next several years regardless of funding mechanism. Capital projects included in the CIP are defined as:

1. An expenditure that is for a County department or operation,
2. Generally non-recurring,
3. Has a cost of over \$25,000,
4. Has a service life of seven years or more, and
5. Rolling stock and equipment replacement that is of critical importance to the functioning of the department involved.

All projects that meet this definition must be reviewed by the CIP Team regardless of funding source. For example, 100% grant funded projects will still need to be reviewed by the CIP Team. Such items as long term operational costs, exploring alternatives that provide the most cost effective use of resources and consistency with the County's mission statement are elements that should be reviewed by the CIP Team prior to any project's acceptance. The CIP Team may direct the Conservation, Planning and Zoning Director and Finance Director to explore additional cost effective alternatives.

CIP funding sources

The following funding sources are available for CIP projects:

Undesignated Fund Balance

Undesignated fund balance of several County funds is transferred to the Capital Improvement Fund to fund CIP projects that are approved and ranked by the CIP Team. The procedure for determining the timing and amount of those funds is as follows:

At the end of the year, the Finance Department closes out all of the funds of the County in accordance with generally accepted accounting principals. Those funds that use tax levy to support programs are part of a calculation to establish a Working Capital Reserve as per Resolution R#104-89. What is "left over" is considered undesignated fund balance. This amount is recorded, audited and reported in Marathon County's Comprehensive Annual Financial Report (CAFR). The amount is then available and used to fund the next year's CIP (i.e., the 2002 books are closed, 2002 working capital is calculated, the 2002 undesignated fund balance is recorded, audited and reported and is available to fund 2004 CIP projects).

Repayment of debt from agencies outside of the Primary Government

In certain cases, Marathon County may receive annual debt service payments. These are repayments of Marathon County debt that was issued for joint or for Discretely Presented Component Unit projects and may be used to fund the County's CIP projects. This is particularly true in the case where Marathon County has defeased a portion of the outstanding debt. Historically, the County has transferred debt services payments from Central Wisconsin Regional Airport and North Central Health Care to the CIP budget to fund projects.

Use of Sales Tax Revenues to fund CIP

The County may apply a portion of the budgeted sales tax revenue directly to the CIP fund to assist in funding County projects.

Tax Levy

Property Tax levy is used to fund specific parts of the CIP. The following projects are tax levy funded on an annual basis and recorded in the department budget: rolling stock for the Highway and Sheriff's Department, County highway, bridge and bituminous projects.

Debt Proceeds to Capital Projects

The County's debt policy states that the County may use long term financing for the acquisition, replacement or expansion of capital assets or infrastructure.

Grant Funding

Marathon County receives public and private grants to assist us in the acquisition, replacement or expansion of capital assets or infrastructure. The grants are used to finance the designated project(s) and are reported as required by the grantor agency.

Operating Revenues

The proprietary funds of Marathon County, and its Discretely Presented Component Units, charge a fee that is set to cover the costs of operations and even the cost to acquire, replace or expand current capital needs. In these cases, revenues will be available to pay for the cost of the CIP projects.

Other Revenue Sources

In some cases, the County will receive funding for capital projects from outside parties. These funds are to be used in accordance with the guidelines as stated by the funding agency.

Approval of the Capital Improvement Plan

CIP projects are submitted annually by the departments. The department must state the total cost per year, the proposed method of financing and estimated future recurring costs. If the original application is not complete or submitted on time, the application may not be considered by the CIP Team. The CIP Team then ranks each project. After the CIP Team has ranked all of the projects for the upcoming year, the five year capital improvement program is approved by the County Board at their September meeting. This approval is to accept the projects and ranking of the CIP not for the funding of the individual projects.

After the County Board's approval in September, the Finance Director then funds the projects based on the allocations for using fund balance, tax levy, grants, debt and department revenues, and other funding sources.

Funding goes through this sequential process for approved projects:

1. All designated revenue, other revenue or grant based funding is added to the CIP budget.
2. Tax levy funding is applied as stated above. The County Administrator's recommended budget, through the departmental budget process, dictates the level of tax levy dollars allocated to each CIP project.
3. Based on the dollars available from fund balance, the Finance Director then applies the fund balance dollars to projects based on ranking in the CIP.
4. Lastly, those projects that qualify for borrowing are then funded by borrowing.

The funding sources, by type, are then incorporated into the annual CIP budget. The County Board votes on the CIP as part of the November budget resolution. Any County Board member may offer a budget amendment to change the funding for any project.

Closure of Projects

Funding allocated for a project in the CIP budget is specific for that project. After the completion of the project any remaining project funds can not be used to fund other projects unless approved by the CIP Team and Finance Committee in accordance with the interdepartmental transfer procedures established for Marathon County.

Amendments to the CIP

During the year, changes may occur and amendments to the CIP will need to be made. The CIP Team will review new projects that come up during the year. If a project is approved by the CIP Team, a resolution will go to the Finance and Executive Committees to approve amending the annual CIP budget. If approved by the Finance and Executive Committee, the resolution would go to the full County Board for adoption.

Conclusion

Marathon County has maintained its commitment to protect the County's investment in its capital assets and infrastructure. The process started in 1989, has allowed the County the needed flexibility to maintain its capital assets while allowing County services to continue to serve the needs of the citizens.