



CITY OF HOUSTON

Administrative Procedure

Subject: **Five Year Capital Improvement Plan**

A.P. No:

4-5

Effective Date:

January 4, 2011

1. AUTHORITY

1.1 Article VI, Section 7a, of the City Charter of the City of Houston.

2. PURPOSE

2.1 To document the process for preparation, review and approval of annual five-year Capital Improvement Plans (CIP).

3. OBJECTIVE

- 3.1 To describe the process for preparing the annual five-year CIP.
- 3.2 To provide written guidelines for the annual preparation of the CIP.
- 3.3 To define responsibilities in the process for annual preparation of the CIP.

4. SCOPE

4.1 This administrative procedure is applicable to all City departments responsible for the initiation and management of capital projects proposed for, or to be included in, the CIP.

5. DEFINITIONS

3-1-1 CIP Module – A system enabling the 3-1-1 Division of the Administration & Regulatory Affairs Department (ARA) to receive and direct requests and proposals received from citizens and related to the City's capital improvement plan (defined below) to the appropriate city department, City Council district office, or both.

Capital Improvement Plan ("CIP") – A plan setting forth proposed capital projects and related expenditures to be incurred in the succeeding fiscal year, and each fiscal year following, over a rolling period of five (5) years, describing each project, its source of funding and the amounts allocated to the various stages, phases or aspects of the project.

Program Category – Category used to identify the specific use of funds typically synonymous with a department name or division.

Approved:

Date Approved:

01/04/2011

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6. RESPONSIBILITIES

- 6.1 The City Council shall review and approve the five-year CIP concepts, processes, criteria for project selection, and adopt the CIP.
- 6.2 The City department responsible for a project requiring the expenditure of capital funds and proposed to be included in the CIP shall, with respect to such project, prepare project requests in accordance with guidelines established as set forth in the Council Resolution 83-91 (Attachment B). Long-range departmental planning will be used to determine the feasibility of requests for capital projects, for developing cost estimates and schedules for proposed capital projects, and for rating capital projects based on established departmental criteria.
- 6.3 For departments that utilize the General Services Department (GSD) for implementation of CIP projects, GSD shall assist the departments in (1) developing master plans; (2) conducting facility needs assessments to develop and prioritize departmental project requests; (3) analyzing the cost impact of renovating versus replacing facilities; (4) reviewing all departmental project requests as a whole for future consolidation opportunities; and (5) reviewing projects' feasibility, cost estimates and scheduling of activities and the City's capacity to construct the projects within the time frames estimated by the departments. Public Works & Engineering Department and Houston Airport System will perform similar tasks for their departments.
- 6.4 The Finance Department (Finance) shall have the responsibility for coordination of all procedures necessary to prepare the annual five-year CIP.

7. PROCEDURES

- 7.1 The currently adopted five-year CIP will serve as the base for each departmental program. This includes projects in year one that will not be appropriated during the current fiscal year and projects detailed in years two through five. For each project, the implementing department will review and, if necessary, update the project details including feasibility, scope, justification, cost estimate and project ranking.
- 7.2 Finance will annually initiate the CIP update and will provide to each department: (1) a detailed timeline of milestones including submittal deadlines; (2) instructions for submission of project requests; and (3) all required submission forms.
- 7.3 Finance will set the preliminary CIP budget for Public Improvement Bond (PIB) supported program categories. Upon department receipt of the Finance capital budget, enterprise Fund administrators will develop preliminary CIP budgets for categories supported by enterprise funds.
- 7.4 Programs to ensure and accommodate public participation in the CIP update process shall be provided and managed by the Mayor's Citizens' Assistance Office (CAO) in a manner to support the timeline established by Finance. The CAO shall ensure that provisions are in place to effect public comment and participation in the process via the following methods:
 - 7.4.1 Citizens may provide input and request projects year-round via the 3-1-1 CIP Module. This information will be routed to appropriate departments for handling through existing 3-1-1 processes and procedures;

7.4.2 City Council Members or their offices; and

7.4.3 At the request of a Council Member, neighborhood meetings may be held in each of the council districts, generally in January or February. Council districts with significant geographic regions may request two neighborhood meetings. At the meetings, departments will provide updates on the implementation of projects in the adopted CIP. Citizens shall be given the opportunity to voice concerns about capital projects in the adopted CIP and to propose projects or highlight problem areas for consideration and ranking in future CIP planning efforts.

7.5 Each department will propose a draft five-year CIP that takes the base, adjusts for annual funding limitations and incorporates new candidate projects that have been selected based on on-going departmental planning efforts and public input as described in Council Resolution 83-91 (Attachment B).

7.6 For departments that utilize GSD for implementation of CIP projects, GSD will evaluate proposed projects based on: (1) master planning efforts; (2) facility needs assessments; (3) cost impact of renovating versus replacing a facility; (4) consolidation opportunities; and (V) feasibility of the requested project.

7.7 Finance will compile each department's proposed CIP to ensure that it meets annual funding limits supported by City debt models.

7.8 Upon completion of the tasks set forth in 7.7, Finance shall review the proposed plan with the appropriate City departments.

7.9 Upon completion of departmental reviews of the proposed CIP, the proposed CIP will be transmitted to the Mayor for review. Input from the Mayor will be communicated to the departments for response and, if necessary, revisions to the proposed CIP.

7.10 Upon final approval by the Mayor, Finance will distribute the proposed CIP to all Council Members, present a copy to the fiscal affairs committee of City Council, and coordinate meetings with each Council Member to review the proposed CIP with GSD and PWE.

7.11 Any suggested changes to the proposed CIP by a Council Member will be subject to review by the Administration. Any accepted changes will be submitted as amendments to the proposed CIP and distributed by the Finance Department to the Mayor, all Council Members, and the City Secretary.

7.12 The City Council will formally review and take action on the CIP.

7.13 Finance shall make the adopted CIP available on the City of Houston website.

8. CONFLICT AND REPEAL

8.1 This Administrative Procedure supersedes Administrative Procedure No. 2-7, signed 9/26/2001, which shall be of no further force or effect.

9. PROGRAM CATEGORIES

9.1 Programs supported by Public Improvement Bonds

9.1.1 Code C - Fire Protection Facilities Improvements

9.1.2 Code D - General Government Facilities Improvements

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- 9.1.3 Code E - Library Facilities Improvements
- 9.1.4 Code F - Parks and Recreation Facilities Improvements
- 9.1.5 Code G - Police Protection Facilities Improvements
- 9.1.6 Code H - Public Health Facilities Improvements
- 9.1.7 Code L - Solid Waste Facilities Improvements
- 9.1.8 Code M - Storm Drainage Systems Improvements
- 9.1.9 Code N - Street and Traffic Control Facilities Improvements

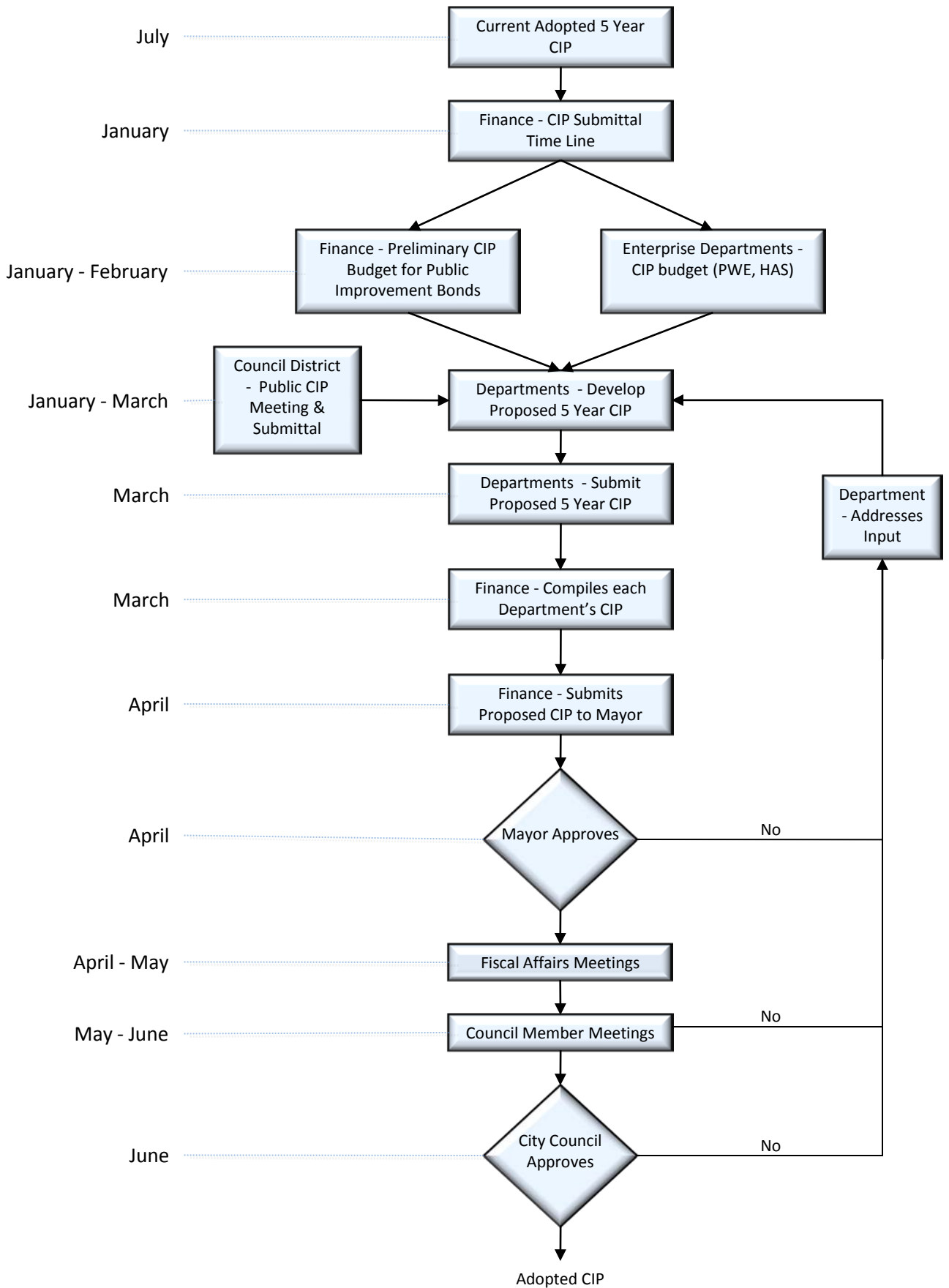
9.2 Programs supported by Enterprise Funds

- 9.2.1 Code A - Airport Facilities Improvements
- 9.2.2 Code B - Convention and Entertainment Facilities Improvements
- 9.2.3 Code R - Wastewater Treatment Systems Improvements
- 9.2.4 Code S - Water System Improvements
- 9.2.5 Code U - Combined Utility (Drainage) Improvements

10. ATTACHMENTS

- 10.1 Attachment A – CIP Flowchart
- 10.2 Attachment B – Council Resolution 83-91

Attachment A
CIP Flowchart



Attachment B
Resolution 83-91

83-91

A RESOLUTION

ESTABLISHING THE POLICY OF THE CITY OF HOUSTON, TEXAS TO ENGAGE IN A FIVE YEAR CAPITAL IMPROVEMENT PLANNING PROCESS; PROVIDING FOR ANNUAL REVIEW AND REVISION OF THE FIVE YEAR CAPITAL IMPROVEMENT PLAN; PROVIDING FOR AN ANNUAL IMPROVEMENT BUDGET; MAKING OTHER PROVISIONS RELATED TO THE SUBJECT.

* * * * *

Section 1. Findings:

The City Council finds and determines that:

1. The growth and development of the City of Houston, Texas, (the "City") requires the provision of extensive capital improvement; and,
2. The City is principally responsible for the provision of these required capital improvements; and,
3. The cost of providing capital improvements, together with borrowing costs, have increased dramatically in recent years.
4. The City can provide the needed capital improvements in the most efficient and effective manner if it establishes a systematic, structured financial and management planning process.
5. The need for an efficient and effective financial and management planning process for City capital improvements can be met through the establishment of a Five Year Capital Improvement Plan (the "Plan").
6. The Plan will continue and reinforce the existing City financial practices to maintain the City credit ratings and thereby minimize the City's interest costs in financing capital improvements.
7. In order to implement the Plan will, each year, be reviewed and revised so that it will continue to meet the City's current and anticipated needs for capital improvements.

8. As a result of the annual review and revision and in order to provide for effective and efficient implementation of the Plan, an annual capital improvement budget should be prepared and adopted by the City Council.

Section 2. Declaration of Policy

The City Council hereby declares and establishes the following policy:

1. The City, through the Mayor, shall develop and submit to the City Council a continuous Five Year Capital Improvement Plan (the "Plan").

2. Each year the Mayor shall prepare a review and submit to City Council a revised Plan, together with proposed revisions, for adoption by the City Council.

3. Each fiscal year following the adoption of the Plan the Mayor shall submit to the City Council an annual capital budget (the "Capital Budget") which shall be derived from the most recently adopted Plan.

Section 3. Standards for Preparation and Review of Plan.

It shall be the policy of the City that capital improvements proposed for inclusion in the Plan shall be examined to determine if they meet the expected capital improvement needs of the City. The criteria shall include, but not be limited to, the following matters:

- A. Public health and safety
- B. External requirements such as law, regulations, or court mandates or agreements with other jurisdictions.
- C. Protection of capital stock
- D. Operating budget impact

- E. Citizen support
- F. Interest group support
- G. Economic development
- H. Life expectancy of project
- I. Relation to adopted plans
- J. Scheduling
- K. Potential for duplication
- L. Environmental impact
- M. Percentage of population served by project
- N. Council districts served (no. of districts)
- O. Frequency of use
- P. Intensity of Use
- Q. Benefit/Cost
- R. Availability of financing
- S. Energy Consumption
- T. Special need
- U. Timeliness/External (external influences which may affect the timeliness of the project.

It is the intention of the City Council to review these criteria on at least an annual basis, together with the process for the preparation of the Capital Budget to meet the City's capital improvement needs. The Mayor, in the exercise of the authority granted by the Charter, shall promulgate all appropriate Administrative Procedures to implement the Capital Improvement Process established by this Resolution.

Section 4. Procedure for Five Year Capital Improvement Review.

The Mayor shall submit an initial Plan and each year thereafter the Mayor shall submit in writing to the City Council a report analyzing capital improvements using the criteria established in Section 3 hereof. The report shall

be submitted prior to the submission of the Capital Budget. The Mayor shall include recommended revisions for the Plan and a proposed Capital Budget.

Section 5. Annual Capital Budget.

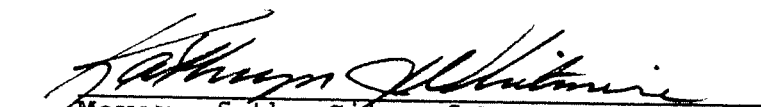
Upon completion of the review provided by Section 4 the City Council shall, in compliance with applicable law, consider and adopt a Capital Budget for the ensuing fiscal year. The capital budget shall be submitted to City Council no later than the date of the submission of the Operating Budget.

Section 6. Nature of Undertaking.

The City Council has adopted this Resolution in order to establish policies intended to provide an orderly process of planning needed capital improvements and as a policy guide to the City Council in carrying out its duties and responsibilities. The City Council expressly reserves its right to amend, revise, repeal or supplement the procedures set forth in this Resolution or in actions taken under the policy established in this Resolution. The procedures and policies set forth herein shall not be deemed to constitute covenants with the holders of any bonds payable from any revenue of the City nor shall they be deemed to be a promise or covenant with persons voting in an election to authorize any form of debt of the City.

PASSED this 1st day of November 1983

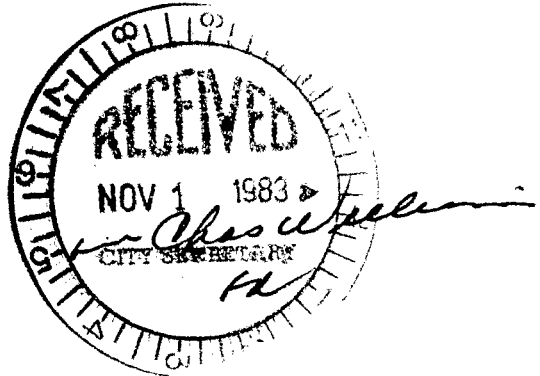
APPROVED this 1st day of November 1983


Mayor of the City of Houston, Texas

CAPTION PUBLISHED IN DAILY COURIER
NOV 8 1983

AYE	VOTE NO	
/		MAYOR WHITMIRE
/		<u>COUNCIL MEMBERS</u>
/		McKASKLE
/		McGOWEN
/		GREANIAS
/		HALL
	ABSENT	MANCUSO
/		GOODNER
/		HARTUNG
/		GORCZYSNKI
/		REYES
/		WESTMORELAND
/		TINSLEY
/		GREENWOOD
/		██████ GOYEN
/		ROBINSON

CAPTION ADOPTED



REQUEST FOR COUNCIL ACTION

Reso 1

TO: Mayor via City Secretary		Agenda Item # # 43
SUBJECT: Resolution setting forth requirements for a five-year capital improvement plan with annual reviews and annual capital budgets.		Page 1 of 1
FROM (Department or other point of origin): Finance and Administration	Origination Date October 28, 1983	Agenda Date NOV 1 1983
DIRECTOR'S SIGNATURE: <i>[Signature]</i> WRB, Jr.	Council District affected: All <i>83-91</i>	
For additional information contact: Dewayne Huckabay Phone: 222-5141	Date and identification of prior authorizing Council action:	

RECOMMENDATION: That the resolution establishing the policy of a five-year Capital Improvement Planning process be approved.

Amount and Source of Funding:

City Council adopted the 1980-84 Capital Improvements Program on October 4, 1983, which details all capital expenditures by the City through June 30, 1984. The City needs to establish and formally adopt a systematic, structured, long-range financial planning process to determine needed capital expenditures and associated bond fund requirements on a multi-year basis.

The proposed resolution establishes a Continuous Five-Year Capital Improvement Plan as an annual requirement to be submitted by the Mayor for Council adoption. This resolution will place in motion a major change to existing policy, and annual Council review of the capital program. This annual review will increase dramatically Council's awareness of the capital program as well as provide additional guidance to departments as to the directions of the Council and Mayor through specified selection criteria and weightings.

In addition, the resolution requires a five-year planning timeline for proposed capital projects, with annual review and revisions of subsequent years to reflect current situations and environments and changing capital needs. It will be updated annually with a new fifth year added. Based on the annual review, the annual capital budget will be prepared and adopted as an appropriation of City capital funds. The resolution requires that the annual capital budget be submitted at the same time as the annual operating budget, so Council can determine both capital and operating costs of specific programs and services. It should be noted that Council will still be required to approve each contract and bid award on capital construction projects.

It is recommended that Council adopt the resolution establishing the Capital Improvement Planning process.