Commission Policy Statement

Commission Policy Statements on Capital Projects Budget and Debt Service Budget Development and Approval

POLICY OBJECTIVE:
The district’s plans for capital expenditure and financing are intended to effectively develop and maintain the district’s infrastructure assets to meet the demands of growth and timely repair and replacement. The “Capital Projects Budget and Debt Service Budget Development and Approval Policy” is intended to ensure that the district’s capital project expenditure and financing plans are developed and approved by the commission under a defined schedule that will provide for stakeholder review and engagement. The district will control expenses and service charge rates consistent with our mission to protect public health and the environment. This policy clarifies when staff must obtain approvals for changes to the capital projects and debt service budgets.

POLICY STATEMENT

I. Definitions

In this policy, the following words and phrases (listed alphabetically) have the meanings indicated below.

A. “Capital Projects Budget” is the annual financing plan for the budget year’s anticipated capital projects fund expenditures.

B. “Capital Improvements Plan” (CIP) is the six-year plan identifying projects, total project costs and the estimated project costs for each year of the plan. The plan provides information on the level and type of future capital expenditures and identifies sources of funds and anticipated capital expenditures in each year of the plan.

C. “Debt Service Budget” is the annual plan for transfers to and disbursements from the debt service fund.
D. **“Debt Service Plan”** is the six-year plan identifying planned transfers to and scheduled disbursements from the debt service fund.

E. "**Project**" means any of several activities that are integrally related to and may result directly in the creation of or modifications to a district asset. Such activities include, but are not limited to, feasibility studies, facilities planning studies, engineering and design studies and plans, and construction. A single project may consist of one or more of these activities and may or may not include construction, and, in general, has a cost of $100,000 or more.

F. **“Proposed Capital Projects Budget”** is the chief engineer and director’s annual budget recommendation for the upcoming calendar fiscal year. The proposed capital projects budget becomes the capital projects budget after review and adoption by the commission.

G. **“Proposed Debt Service Budget”** is the chief engineer and director’s annual budget recommendation for the upcoming calendar fiscal year. The proposed debt service budget becomes the debt service budget after review and adoption by the commission.

H. "**Total Project Cost**" includes all estimated costs for activities to complete a single project over one or more years.

II. Capital Projects Budget and Debt Service Budget Development

A. The chief engineer and director shall annually submit to the commission the following for commission action:

1. **Total Project Costs** – A list of all projects previously approved, all projects new to the current budget year, and a list of all existing projects that have changed estimates of previously approved total project cost along with the estimated costs to complete each project.

   Commission action on the total project costs and the capital projects budget allows expenditures of project funds subject to other pertinent statutory or policy requirements including policies related to commission approval of contracts and other transactions and the district’s procurement policy.

2. **Capital Improvements Plan** - The plan identifies projects and anticipated sources of funds for capital expenditures in each year of the six-year plan. Commission action on the capital improvements plan approves capital projects, expenditures and the financial plan for planning purposes only. It does not authorize expenditures, sources of funds, the tax levy, or the amount of the tax levy to be abated in subsequent years. Commission
Attachment 1

approval of the capital projects plan records an indication of the projects the commission plans to move forward with in the future.

3. Capital Projects Budget - The annual financing plan for a fiscal year’s anticipated expenditures. The budget identifies projects, expenditures and sources of funds for capital expenditures for the budget year. It also includes a summary of actual revenues and expenditures for the preceding calendar year and an estimate of revenues and expenditures based on the first six months (or most current actual data) for the current calendar year.

Commission approval of the capital projects budget identifies the amount of the tax levy and other sources of funds anticipated for the budget year’s capital expenditures. Approval of the capital projects fund budget by the district’s commission authorizes expenditures of funds subject to other pertinent statutory or policy requirements including policies related to commission approval of contracts and transactions and the district’s policy for procurements.

4. Debt Service Budget - The annual plan for a fiscal year’s anticipated transfers to and disbursements from the debt service fund to meet district debt obligations.

Commission approval of the debt service budget authorizes the amount of operating fund transfers to and debt service payments for the budget year’s debt service obligations.

5. Debt Service Plan - The plan identifies planned transfers to and scheduled disbursements from the debt service fund for a six-year period.

Commission action on the capital improvements plan approves the plan for incurrence of debt obligations and servicing for the budget year and the next five years required to support the district’s capital projects plan.

B. The chief engineer and director, with the commissioners’ approval, shall establish a calendar for public hearings and the commission’s review of the proposed capital projects budget and debt service budget. The proposed capital project budget and proposed debt service budget are subject to a public hearing preceded by a public notice pursuant to Wisconsin Statutes chapter 65.90. The district’s proposed capital project expenditure and financing plans shall be made available for public inspection at least 15 days before the public hearing. These plans consist of the district’s: (1) capital improvements plan, (2) debt service plan, (3) proposed capital projects budget and (4) proposed debt service budget (collectively referred to as the district’s “capital projects expenditure and financing plans”). A notice of the public hearing shall be published at least 15
days before the hearing. The chief engineer and director will also send written notice of the proposed budget and budget hearing to the district’s customer communities in advance of the public hearing.

1. The chief engineer and director may provide for additional public hearings or meetings with interested stakeholder groups to review the proposed capital project expenditure and financing plans at his/her discretion, subject to compliance with the commission approved public hearing schedule.

C. The commission shall review the proposed capital improvements plan and may amend it through normal budget deliberations.

D. The proposed capital projects budget and the proposed debt service budget are subject to change either through commission-sponsored or staff-sponsored amendments. The proposed capital projects budget becomes a capital projects budget for the succeeding fiscal year when the commission adopts an approving resolution(s) following consideration of the proposed capital projects budget; comments of the public following the noticed public hearing on the proposed capital budget; staff-proposed amendments; and commissioner-sponsored amendments. The same procedure holds for the debt service budget review and adoption.

III. Commission Action, When Required

A. Commission action is required for the following with a simple majority vote unless otherwise noted:

1. Approval of the annual capital projects budget and the debt service budget.

2. Amendments to the adopted capital projects budget that increase the capital projects budget total: The resolution presented to the district commission for approval must include the sources and uses of funds in the amendment.

Approval of amendments to an adopted budget requires a two-thirds vote of all commissioners and the publication of a class one notice of the change within 10 days per Wisconsin Statutes chapter 65.90.

3. The addition of a new project not included in the adopted capital projects budget. The resolution presented to the commission for approval must describe the total project cost, including the amount estimated to be spent in the current year and over the life of the project.

   a. If funds are available within the capital projects budget without increasing the capital budget total.
b. If funds are transferred from the operating fund a two-thirds vote is required in accordance with State law.

4. Approval to increase a previously approved total project cost.

5. The combining or consolidation of individual projects for bidding of construction contracts.

6. The issuance of bonded debt and notes or promissory notes to finance the capital projects budget.

7. The issuance of municipal obligations in anticipation of receiving proceeds from Clean Water Fund Program loans.

8. The levying of property taxes.

IV. Force Account

Approval of the capital projects budget authorizes force account expenditures (district staff time and expenses) upon the effective date of the budgets adopted by the commission.

V. Project Cost Carry-over

Project costs approved for expenditure in the previous year’s capital projects budget but not expended in that year can be carried over and expended in the succeeding budget year without additional approval by the commission. The approved total project cost shall not be exceeded without prior approval of the commission.

VI. Project Consolidation for Bidding

Individual CIP projects may be combined and bid as a single construction project when advantageous. When projects are so combined the combined total project cost cannot exceed the sum of the individual project costs as previously approved by the commission. For purposes of meeting the total project cost requirements of this policy the previously approved total project cost for the formerly separate projects are no longer controlling, rather, the new combined total project cost applies. Costs for each individual project shall be tracked throughout construction and shall be provided in the CIP for informational purposes. Combining projects shall be approved by the commission prior to advertising for bids for construction contracts.

VII. Chief Engineer and Director Responsibility
A. The chief engineer and director shall ensure that capital projects expenditures do not exceed the total funds budgeted (as may be amended) for the year and that the total project costs for a project do not exceed the approved amount.

1. When it is apparent that budgeted total capital projects expenditures will be exceeded a request for a budget amendment shall be brought to the commission before an overrun.

2. When it is apparent that the approved total project costs for a project will be exceeded a request for a project cost amendment shall be brought to the commission before an overrun.

B. The chief engineer and director shall ensure that required debt service payments are made as required to meet district debt obligations.

None of the specific provisions of this statement shall be interpreted to require actions that will frustrate accomplishment of the stated policy objective.

Adopted by commission action June 13, 2013
Amended by commission action April 11, 2019