



# FY 2021 CAPITAL IMPROVEMENT PLAN OF THE CAPITAL IMPROVEMENTS ELEMENT

## **Introduction**

A Capital Improvement Plan (CIP) is a multi-year planning instrument used to identify needs and financing sources for public infrastructure maintenance and improvements. Martin County provides necessary and desired public services to the community and the purpose of the CIP is to facilitate the orderly planning of maintaining, preserving, and protecting the infrastructure system that is utilized for those public services. The CIP is a proposed schedule for the expenditure of funds to maintain, acquire, or construct these necessary improvements over the next ten-year period. This plan provides the public, residents, and stakeholders transparent information on how the County plans to address significant capital needs over the next ten fiscal years.

The CIP offers a comprehensive outlook of countywide needs by:

- Maximizing the uses of revenue to reduce burden of the taxpayers
- Encouraging efficient government by interdepartmental coordination
- Maintaining a fiscally sound and consistent financial program
- Guiding anticipated growth and development needs
- Enhancing opportunities for federal or state grant awards

The CIP represents a comprehensive and direct statement of the physical development policies of Martin County. The County has a comprehensive process for capital improvement planning and budgeting. This process is guided by the Capital Projects Policy.

## **Capital Projects Policy**

The County will adopt a Capital Improvement Element/Capital Improvement Plan annually (CIE/CIP). Capital projects to be included in the plan are those with a life span of at least three years and a total cost of more than \$60,000. All capital improvements will be made in accordance with the CIE/CIP as adopted.

Adopted budgets for CIE/CIP projects will be based upon the adopted CIE/CIP for the year applicable. The County will coordinate adoption of capital budgets with adoption of operating budgets.

Funding issues will be discussed with the Board during review of the CIE/CIP. Increases above the continued level of funding will identify the additional revenue source(s) required to fund the projects. The Board recognizes the need for a capital improvement planning process that is fully integrated with county financial planning and debt management.

## **Capital Improvement Program and the Budget Process**

The CIP plays a significant role in the implementation of the County's comprehensive plan by providing the link between planning and budgeting for capital projects. The CIP process precedes the budget process and is used to develop the capital project portion of the annual budget. Approval of the CIP by the Board does not equate to a final approval of all projects contained within the plan. With approval of the CIP, the Board acknowledges that the projects contained in the plan represent a reasonable interpretation of the anticipated needs for the County and that projects contained in the first year of the CIP are suitable for inclusion for the current fiscal year's budget.

The Board reviews the County's ten-year Capital CIP on an annual basis. The CIP is designed to balance the need for public facilities as expressed by population projections with the fiscal capability of the County to meet those needs. Projects within the CIP are prioritized in accordance with the criteria in Section 14.4 of the Martin County Comprehensive Growth Management Plan (MCCGMP). Priority rankings do not necessarily correspond to funding sequence. For example, a road-widening project which is ranked lower than a park project may be funded before the park project because the road project has access to a restricted revenue source, whereas a park project may have to compete for funding from other revenue sources.

**RANKING CRITERIA** - Pursuant to Policy 14.1A.10, capital improvements should be evaluated on the following criteria and considered in the order of priority listed below:

1. New public facilities and improvements to existing public facilities that eliminate public hazards.
2. Repair, remodeling, renovation or replacement of obsolete or worn-out facilities that contribute to achieving or maintaining standards for levels of service adopted in this Comprehensive Growth Management Plan in accordance with standards.
3. New or expanded facilities that reduce or eliminate deficiencies in levels of service for existing demand.
4. Improvements to existing and new facilities that significantly reduce the operating cost of providing a service or facility or otherwise mitigate impacts of public facilities on future operating budgets.
5. New or expanded facilities that provide the adopted levels of service for new development and redevelopment during the next 10 fiscal years, as updated by the annual review of the Capital Improvements Element. The County may acquire land or right-of-way in advance of the need to develop a facility for new development. The location of facilities constructed pursuant to this subsection shall conform to the Future Land Use Element, and specific project locations shall serve projected growth areas within the allowable land use categories. In the event that the planned capacity of public facilities is insufficient to serve all applicants for development orders, the capital improvements will be scheduled in the following priority order to serve:
  - (a) Previously approved orders permitting redevelopment;
  - (b) Previously approved orders permitting new development;
  - (c) New orders permitting redevelopment; and
  - (d) New orders permitting new development.
6. New or expanded public facilities that are contained in a Community Redevelopment Plan and scheduled in the next five years.
7. New facilities that exceed the adopted levels of service for new growth during the next five fiscal years by either:
  - (a) Providing excess public facility capacity that is needed by future growth beyond the next five fiscal years; or
  - (b) Providing higher quality public facilities than are contemplated in the County's normal design criteria for such facilities.
8. Facilities not described in Policy 14.1A.10.(1) through (6) above but that the County is obligated to complete, provided that such obligation is evidenced by a written agreement approved by the Board of County Commissioners.
9. All facilities scheduled for construction or improvement in accordance with this policy shall be evaluated to identify any plans of State agencies or the South Florida Water Management District that affect or will be affected by the proposed County capital improvement.
10. Project evaluation may also involve additional criteria that are unique to each type of public facility, as described in other elements of this Comprehensive Growth Management Plan.

The CIP serves as the planning guide for the construction of public facilities in the County, and the CIP process provides a framework for careful development of reliable capital expenditure and revenue estimates. The CIP is an integral element of the County's budgeting process. The first year of the ten-year CIP is the foundation for the Capital Budget. The remaining nine years in the CIP serve as a plan for the future provision of capital facilities. The first five years of the CIP are required to be fully funded. Consistent with the MCGMP policy 14.4.A.2.b(2), CIP projects that provide new level of service for growth will normally not be funded with countywide ad valorem.

The CIP is supported partially through long-term borrowing, grants, General Fund revenues, and impact fees on a pay-as-you-go basis. Fiscal Policy restrictions on the issuance of general obligation bonds are designed to keep combined general fund supported debt service expenditures to not more than ten percent of the total combined general fund disbursements. Since the debt service (which is the repayment of principal and interest) on the County's bonded debt must be included in annual operating budgets, the amount of required debt service relative to the size of the annual budget is an important indicator of fiscal obligations. Since debt service expenditures restrict the amount of funds available for other uses, it is important that the ratio of debt service to the total operating budget not increase beyond the ten percent established.

#### **Capital Project Budget**

The first year of the CIP, as adopted by the Board, represents the budget for the upcoming fiscal year. Once the project has been adopted in the budget, the budget will remain constant unless changes are approved in accordance with the Fiscal Policy. This procedure will allow allocation of fund balance and re-appropriation of the budget as necessary from year to year.

#### **Capital Program Debt**

When the County finances capital improvements, other projects, or equipment by issuing debt it will establish a maximum maturity of the earlier of: (i) the useful life of the capital improvement being financed; or (ii) thirty (30) years; or (iii) in the event they are being issued to refinance outstanding debt obligations, the final maturity of the debt being financed.

The County's fiscal policy also includes a self-imposed restriction to maintain the ratio of net bonded indebtedness to the market value (assessable base) of taxable property in the County at less than three percent. The relationship between the size of bonded indebtedness and the true market value of taxable property is a commonly accepted measure of capacity for bonded indebtedness. Using the value of taxable property as an indicator of the County's ability to service its debt is based on the premise that the larger the assessable tax base, the larger the tax collections available to support the construction of essential facilities.

#### **Evaluate Capital Acquisition Alternatives**

Martin County shall develop specific capital project options for addressing capital needs that are consistent with financial, programmatic, and capital policies and should evaluate alternatives for acquiring capital assets.

Capital planning is necessary to give adequate consideration to longer range needs and goals, evaluate funding requirements and options, and achieve consensus on the physical development of the community. An evaluation of alternative techniques helps ensure that the best approach for providing use of a capital asset or facility is chosen based on the policies and goals of the County.

#### **Annual Capital Improvement Budget**

The program recommended by the County Administrator is used by the Board to develop the annual budget which becomes effective October 1 of each year. The Board formally adopts the first year of the Ten-Year Capital CIP as the Capital Budget with the following nine years showing projected requirements. The CIP is an important tool for implementing the County's Comprehensive Plan. The Board uses the CIP to analyze the County's fiscal capability to finance and construct capital improvements.

There are many features that distinguish Martin County's operating budget from the capital budget. The operating budget includes expenses that are generally of a recurring nature and are appropriated for one year only. It provides for the provision of all County services, but does not result in major physical assets for the County. Year

to year changes in the operating budget are expected to be fairly stable and represent incremental changes in the cost of doing business, the size of the County and in the types and levels of services provided. Taxes, user fees, and inter-governmental payments that generally recur from year to year provide resources for the operating budget.

The capital budget, on the other hand, includes one-time costs for projects that may last several years. The projects result in major physical assets in the County. Bond proceeds, impact fees, grants, and taxes generally provide resources for the capital budget. In spite of these differences, the operating and capital budgets are closely linked. The most obvious connection is the fact that the operating budget assumes the cost of maintaining and operating new facilities that are built under the capital budget.

The Capital Improvement budget is developed based upon the CIP as proposed and adopted by the Board pursuant to F.S.163.3177 (3). The Capital Improvement budget sets forth those land acquisitions, new construction projects, and reconstruction projects recommended for funding during each year of the succeeding budget period.

### **Capital Construction and Operating Expenditure Interaction**

Martin County's Capital Improvement Planning process is highly integrated with the annual budgetary process. Development of the annual ten-year Capital Improvement Plan (CIP) parallels the development of the budget with both policy documents adopted by the Board simultaneously by resolution of the Board. The ten-year CIP represents a fully funded capital plan for five-years plus an additional five year long-range planning period. The first year of the CIP becomes the capital budget for the adopted annual budget.

Operating cost impacts are shown on the CIP project detail sheet. This allows for the "total cost" evaluation of capital projects and provides the future years of operating budget impact. In some instances it is difficult to project.

To maintain a balanced budget, annual revenues are projected and operating and capital construction expenditures are identified to determine the County's overall requirements and funding availability. Funding levels for capital construction projects are based on the merits of a particular project together with the available funding from all financing sources. The Board of County Commissioners annually reviews cash requirements for capital project financing. The County's capital program has a direct impact on the operating budget particularly in association with the establishment and opening of new facilities.

### **Capital Improvement Plan Funding Mechanisms**

Because the capital improvement projects involve the outlay of substantial funds, numerous sources are necessary to provide financing over the duration of the project. Most capital funding sources are earmarked for specific purposes and cannot be transferred from one capital program to another. CIP preparation requires reasonable and feasible projections as to the expected funding that will be available. Capital funding sources can be described as either "restricted" or "unrestricted." Restricted funding sources can be defined as sources of revenue that are limited in their use/expenditures and must be used for a specific purpose. Unrestricted funding sources can be defined as sources of revenue that are free from any external constraints and available for general use. Unrestricted funding sources are available to be reallocated and may be appropriated as needed. The following is a summary of the funding sources for projects included in the CIP.

#### **❖ *Ad valorem***

Taxes are collected a percentage of the value of real and personal property in the County. Ad valorem taxes support various operating, capital, and debt funds of the local government. There are two types of ad valorem: general and municipal services taxing units (MSTUs). General ad valorem revenues may be utilized to fund general countywide expenses, free of geographical restrictions. MSTUs provide specialized services within legally specified geographic boundaries such as fire rescue, parks, stormwater, and road infrastructure maintenance.

#### **❖ *Enterprise funds (restricted)***

In enterprise financing, funds are accumulated in advance for capital requirements. Enterprise fund dollars can only be used on projects related to the particular enterprise fund. Enterprise funds in Martin County consist of Utilities and Solid Waste, Airport, and Martin County Golf Course.

- ❖ **Gas tax (restricted)**  
A fuel tax, also known as “gas tax,” is a tax imposed on the sale of fuel. In Martin County, there are three types of fuel tax, all which must be expended on various transportation-related expenses as defined in the Florida state statutes.
- ❖ **Tax Increment Financing “TIF” (restricted)**  
Tax increment financing is a public financing tool that earmarks property tax revenue from increases in assessed values within a designated TIF district. In Martin County, TIF funds are considered part of the Community Redevelopment areas (CRAs) and must be expended in the CRA in which the revenue was generated.
- ❖ **Discretionary Sales Tax (restricted)**  
A discretionary sales tax may be levied pursuant to an ordinance enacted by a majority vote of the County’s governing body and approved by voters in a countywide referendum. The proceeds of a discretionary surtax must be expended to finance, plan and construct infrastructure, acquire land for public recreation, conservation, or protection of natural resources as specified by the voter-approved referendum.
- ❖ **Tourist Development Tax “Bed Tax” (restricted)**  
This tax must be used for capital construction of tourist-related facilities, tourism and sports promotions, and beach and inlet maintenance.
- ❖ **Franchise Fee (restricted)**  
Martin County participates in a non-compete franchise agreement with Florida Power and Light (FPL) whereas FPL levies a fee on electricity customers. The revenues collected by this fee are distributed to the County and shall be used solely to plan for, maintain, repair and reconstruct existing roads, drainage and bridges pursuant to the Ordinance.
- ❖ **Federal and state funds/grants (restricted)**  
Martin County participates in a wide range of grant programs offered by the federal, state, and local governments and organizations. If planned wisely, grants can contribute invaluable financial resources to County programs identified in the CIP. Grant funds may only be used in accordance with the agreement executed by both the grantee and grantor.
- ❖ **Developer contributions/prop share (restricted)**  
Developer contributions are the fees charged by the County for extra community and network infrastructure needed as a result of development projects. The money collected from development contributions pays for the cost of public infrastructure that is needed to meet the additional demand from growth.
- ❖ **Impact fees (restricted)**  
Impact fees are assessed for public buildings, public safety, fire prevention, transportation, and culture / recreation. Impact fees must be expended on projects needed to accommodate Level of Service requirements to support growth and capacity as defined in the comprehensive plan.
- ❖ **Charges for services/fees**  
User fees and charges have a direct relationship between the services received and the compensation paid for the service. Martin County has the home rule authority to impose user fees and charges to recover the cost of providing a service or facility or regulating an activity.