

## MEMORANDUM

**TO:** Board of Trustees

**THROUGH:** Indra S. Winqest  
General Manager

**FROM:** Paul Navazio  
Director of Finance

**SUBJECT:** Final report - Assessment of Board Policies and Practices related to Multi-Year Capital Planning, Capital Budgeting and Capital Expenditures prepared by Moss Adams, LLC representative Stephen Bacchetti (Requesting Staff Member: District General Manager Indra Winqest)

**DATE:** January 12, 2022

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### **I. ACTION, IF ANY, REQUIRED**

There is no action required by the Board of Trustees as this is a report item that provides, in a publicly noticed meeting, the final report regarding the District's capital planning policies and procedures prepared by Moss Adams, LLC and presented by Moss Adams LLC representative Stephen Bacchetti. Mr. Bacchetti will be present in order to answer any questions that the Board of Trustees may have.

### **II. BACKGROUND**

The Board of Trustees and District management have prioritized the review and update of Board Policies and Practices, to include policy framework for fiscal administration, budgeting, contract management and capital project planning and delivery. The current budget included funding specifically to engage consultants, as needed, to support this effort.

As part of the initiative, the General Manager executed a professional services contract with Moss Adams, LLP, for an amount not-to-exceed \$40,000. Moss Adams, LLP was engaged to specifically review and provide recommendations related to:

Board Policy 12.1 – Multi-Year Capital Planning

Board Policy 13.1 – Capital Project Budgeting  
Board Practice 13.2 – Capital Expenditures

In addition, the scope of services provided for Moss Adams to also review and provide feedback on management's draft updates to:

Board Policy 8.1.0 – Capitalization Thresholds  
Board Policy 9.1.0 – Useful Life of Capital Assets  
Board Practice 2.9.0 – Useful Life of Capital Assets

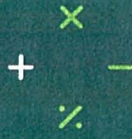
The recommendations included in this report will assist the District in identifying opportunities to improve policies and practices capital program planning, budgeting, project delivery and reporting. *(A preliminary draft update of applicable Board policies and practices is included as an attachment to this agenda item).*

The report prepared by Moss Adams, LLC includes specific findings and recommendations informed by industry best practices, to include:

- Government Finance Officers' (GFOA) Best Practices
- Roles and Responsibilities
- Master Planning and Budgeting
- Advisory Committee
- Capital Project Status Reporting

Attachments:

- 1) IVGID Board Policies and Practices Assessment, prepared by Moss Adams, LLP, dated January 6, 2022
  - a. Scope of Services, amended August 13, 2021
- 2) DRAFT Update of Board Policies and Practices (prepared by Management)
  - a. Capital Planning and Budgeting Flow Chart
  - b. Capital Planning Roles and Responsibilities Matrix
  - c. Capital Planning, Budgeting and Project Delivery Reporting Matrix
- 3) Current Board Policies and Practices
  - a. Board Policy 12.1 – Multi-Year Capital Planning
  - b. Board Policy 13.1 – Capital Project Budgeting
  - c. Board Practice 13.2 – Capital Expenditures



FINAL REPORT

**Incline Village General Improvement District**  
**BOARD POLICIES AND PRACTICES ASSESSMENT**

January 6, 2022

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# I. BACKGROUND, SCOPE, AND METHODOLOGY

## A. BACKGROUND

Moss Adams LLP (Moss Adams) was contracted by the Incline Village General Improvement District (the District) to perform an assessment of the current state of the District's Board Policy 12.1.0, *Multi-Year Capital Planning*; Board Policy 13.1.0, *Capital Project Budgeting*; and Board Practice 13.2.0, *Capital Expenditures*. The assessment was performed between July and October 2021, and initial draft report with recommendations was provided to District Management in October 2021. The objective of this review was to provide recommendations to inform the District's efforts to update of Board Policies to align with best practices around capital planning, budgeting, project delivery, and reporting. Additionally, the District requested that we review an updated draft of Board Policy 8.1.0, *Capitalization of Fixed Assets* to provide feedback on whether GFOA best practices and Governmental Accounting Standards Board (GASB) requirements had been implemented.

## B. SCOPE AND METHODOLOGY

Moss Adams met with District management, Board Trustees, and staff involved with the capital budgeting, capital planning and capital expenditure functions of the District. We obtained a high-level understanding of each applicable area, such as the current systems, processes, and the overall structure and condition of the three Policy and Practice documents. We used this understanding to develop recommendations for District management's consideration.

Although the District has 19 Board Policies and eight Board Practice documents, Moss Adams, along with District management, determined the highest priority focus areas to be Board Policy 12.1.0, *Multi-Year Capital Planning*; Board Policy 13.1.0, *Capital Project Budgeting*; and Board Practice 13.2.0, *Capital Expenditures*. For these three priority areas, we performed the following:

- Conducted interviews with Board Trustees, District management, and relevant District personnel in the Finance and Public Works departments (see Appendix A). Interviews were conducted to gain insights into the flow of information and communication between the Board of Trustees and District management, evaluate the use and purpose of the Board Policies/Practice documents, and to understand the various roles and responsibilities as it relates to the areas of focus.
- Reviewed relevant documentation and performed other information gathering procedures to gain an understanding of each area.
- Assessed the District's current processes and identified what was working well, what was not working, whether there was a lack of clarity between roles and responsibilities for staff and the Board of Trustees, and what best practices could, should, or have been implemented in capital planning, budgeting, and expenditure processes, as well as what could be streamlined for Board of Trustees review and approval.
- Compared the three Policy and Practice documents to the GFOA best practice documentation to determine if the District had included relevant best practice into their existing processes.
- Reviewed the updated capitalization policy for compliance with GFOA and GASB.
- Developed detailed recommendations to ensure coverage of best practices and other requirements as well as increase consistency, efficiency, and effectiveness.



The assessment of the agreed upon focus areas was not all-encompassing but addressed priority improvement areas as it related to the selected Board policies and practices. Based on our assessment, we have consolidated recommendations into the following broad categories to allow for the District to efficiently and effectively address or implement those that they elect to:

- GFOA Best Practice Observations and Recommendations
- Overall Observations and Recommendations
- Draft Board Policy 8.1.0, *Capitalization of Fixed Assets*, Recommendations



## II. GFOA BEST PRACTICE OBSERVATIONS AND RECOMMENDATIONS

<b>1. Observation</b>	Although GFOA best practices related to capital/master planning and budgeting have been incorporated into the Board policies and practice documents, in most cases, they were directly copied/pasted with little or no tailoring to address how they apply to the District and how they will be implemented.
<b>Recommendation</b>	Update and expand Board Policy 12.1.0 and 13.1.0, and Board Practice 13.2.0, to address how the District will implement GFOA best practices including defining key specific roles and responsibilities.

Based on the assessment performed, there are opportunities for the District to further adapt and develop the policy and practice documents where GFOA best practices have been incorporated. The District's Board policies and practice documents could be expanded to better detail Board of Trustees and District management requirements, policies, and procedures for capital planning, budgeting, management and communication.

As part of the assessment, we reviewed the GFOA best practices related to the following focus areas/topics:

- Multi-Year Capital Planning
- Master Plans and Capital Improvement Planning
- Capital Planning Policies
- Communicating Capital Improvement Strategies
- Capital Asset Management

While some GFOA best practices have been incorporated into each of the District's policy and practice documents at some level, in many cases, they were copied and pasted directly into the documents with little to no tailoring for the specific needs of the District. In most cases, limited or no additional detail had been added to the documents to explicitly state how the Board of Trustees and District staff were to carry out the best practices. For example, Board Policy 12.1.0 (Section 2.0, Determine Costs), the District copied and pasted a large portion of the GFOA best practice for *Multi-Year Capital Planning, Determine Financial Impacts*). Minimal/No updates or tailoring had been made to make the information fit the needs of the District. However, within the same Policy (Section 3.0, *Prioritize Capital Requests*) the GFOA best practice was tailored specifically for the District's needs. The use and tailoring of GFOA best practices is inconsistent, resulting in a lack of clarity on how they should be implemented.



In addition, there were limited details defining roles and responsibilities, what documentation should be provided to the Board of Trustees, and the role of the Board of Trustees in providing approval. The Board policies are vague, and while the Board practice document specifies generic roles and responsibilities, it does not cover, in sufficient detail, the expectations of each role in a way that it is clearly implementable. Although Board Practice 13.2.0 describes roles and responsibilities for each phase of a project, as defined by the District, it does not include adequate details to address how those roles and responsibilities are carried out such as addressing what reports are prepared and presented to the Board of Trustees, who prepares the reports and when, and what specifically requires the Board's review and approval.

The District should consider reviewing the Board policies and practices to ensure that GFOA best practices are not just incorporated, but that those best practices are tailored specifically for the purposes of the District. Specifically, the Board policies and practices should:

- Identify how, when, and by whom each best practice is to be carried out.
- Define the Board of Trustees role in the capital planning and budgeting process including what they are responsible for reviewing and approving.
- Identify the key specific District management (positions) that are responsible for preparing and presenting capital planning and budgeting information to the Board of Trustees and what information/reports are required. In addition, identify what situations warrant contacting the Board of Trustees for additional guidance.

The table below identifies specific GFOA best practices that either have not been incorporated into the District's Board policy or practice documents, or that have been incorporated, but either as a direct copy/paste or with very minimal tailoring. The District should utilize this table to update and expand on the existing Board policies and practice documents, where appropriate.





GFOA Best Practice	Board Policy/Practice Coverage	Report or Documentation to Support Best Practice [1]	Roles and Responsibilities Defined (Y/N)	Report Timing Defined (Y/N)
<b>Multi-Year Capital Planning</b>				
<p>The GFOA recommends that state and local governments prepare and adopt comprehensive, fiscally sustainable, and multi-year capital plans to ensure effective management of capital assets. A prudent multi-year capital plan identifies and prioritizes expected needs base on a strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. A capital plan should cover a period of at least three year, preferably five or more.</p>	Board Policy 12.1.0	5 Year CIP	N/A	N/A
<p>Identify Needs: The first step in capital planning is identifying needs. Governments should develop capital asset life cycle for major capital assets. The capital asset life cycle should include costs to operate, maintain, administer and renew or replace the capital asset. This will assist in identifying the need and schedule for capital asset replacement or major renewal. In addition, using information such as development projections, strategic plans, comprehensive plans, facility master plans, and region plans; governments should identify present and future service needs that require capital infrastructure equipment. In this process, attention should be given to:</p> <ul style="list-style-type: none"> <li>• Infrastructure improvements that support private development and the good of the public</li> <li>• Changes in policy or community entity needs</li> <li>• Incorporating input and participation from major stakeholders and the general public</li> <li>• Projects with revenue-generating potential</li> <li>• Analyze the non-financial impacts of the project (e.g., environmental) on the community</li> </ul>	Board Policy 12.1.0 Board Practice 13.2.0	20 Year CIP	Y	N



GFOA Best Practice	Board Policy/Practice Coverage	Report or Documentation to Support Best Practice [1]	Roles and Responsibilities Defined (Y/N)	Report Timing Defined (Y/N)
<p>Determine Financial Impacts: GFOA recommends that the full extent of the capital project/asset and the associated life cycle costs be determined when developing the multi-year capital plan. In this process, attention should be given to:</p> <ul style="list-style-type: none"> <li>• The scope and timing of a planned project should be well defined in the early stages of the planning process</li> <li>• Governments should identify and use the most appropriate approaches when estimating project costs and potential revenues</li> <li>• If a government's internal resources are not sufficient to estimate a capital project's cost, revenues and/or life cycle costs, outside assistance should be procured</li> <li>• For projects programmed beyond the first year of the plan, governments should adjust cost projections based on anticipated inflation</li> <li>• A clear estimate of all major components required to implement a project should be outlined, including land acquisition needs, design, construction, contingency and post-construction costs</li> <li>• The ongoing life cycle costs associated with each project should be quantified, and the sources of funding for those costs should be identified</li> <li>• Life cycle costs will impact future annual operating budgets</li> </ul>	<p>Board Policy 12.1.0 Board Practice 13.2.0</p>	<p>20 Year CIP 5 Year CIP</p>	<p>Y</p>	<p>N</p>
<p>Prioritize Capital Requests: Though the initial prioritization process may be impacted by legal requirements and/or mandates, GFOA recommends that, when evaluating capital requests, governments should first prioritize based on:</p> <ul style="list-style-type: none"> <li>• Health and Safety – Priority should be given to high risk safety issues that require a capital project to correct</li> <li>• Asset Preservation – Capital assets that require renewal or replacement based on capital asset life cycle</li> <li>• Service/Asset Expansion/Addition – Infrastructure improvements needed to support government's policies, plans, and studies</li> </ul>	<p>Board Policy 12.1.0</p>	<p>CIP Data Sheets</p>	<p>N</p>	<p>N</p>



GFOA Best Practice	Board Policy/Practice Coverage	Report or Documentation to Support Best Practice <sup>[1]</sup>	Roles and Responsibilities Defined (Y/N)	Report Timing Defined (Y/N)
<p>In this process, attention should be given to:</p> <ul style="list-style-type: none"> <li>• Coordination with related entities</li> <li>• Allow submitting agencies to provide an initial prioritization</li> <li>• Incorporate input and participation from major stakeholders and the general public</li> <li>• The impact on operating budget impacts resulting from capital projects</li> <li>• Apply analytical techniques, as appropriate, for evaluating potential projects (e.g., net present value, payback period, cost-benefit analysis, life cycle costing, cash flow modeling)</li> <li>• Use a rating system to facilitate decision-making</li> </ul>				
<p>Develop a Comprehensive Financial Plan: GFOA recommends that governments develop a viable overall multi-year financing plan covering the multi-year period of the capital plan to ensure that the proposed capital plan is achievable within expected available resources. Financing strategies should align with expected project requirements while sustaining the financial health of the government. Governments undertaking a capital financing plan should:</p> <ul style="list-style-type: none"> <li>• Anticipate expected revenue and expenditure trends including their relationship to multi-year financial plans and ongoing impacts to the operating budget due to the capital plan</li> <li>• Prepare cash flow projections of the amount and timing of the capital financing</li> <li>• Continue compliance with all established financial policies</li> <li>• Recognize appropriate legal constraints</li> <li>• Consider and estimate funding amounts from all appropriate funding alternatives</li> <li>• Consider sources and uses for debt service</li> <li>• Ensure reliability and stability of identified funding sources</li> </ul>	Board Policy 12.1.0	5 Year CIP	N	N



GFOA Best Practice	Board Policy/Practice Coverage	Report or Documentation to Support Best Practice <sup>[1]</sup>	Roles and Responsibilities Defined (Y/N)	Report Timing Defined (Y/N)
<ul style="list-style-type: none"> <li>Evaluate the affordability of the financing strategy, including the impact on debt ratios, applicable tax rates, and/or service fees</li> </ul>				
<b>Master Plans and Capital Improvement Planning</b>				
<p>A long-range Master Plan, governments utilize Capital Improvement Plans (CIP) to identify present and future needs requiring capital infrastructure. Such plans operate for a shorter duration, often three- to five year, and list the projects and capital programs planned for the community with corresponding revenue and financing sources. Paying attention to financial factors during the development of master plans allows for smoother transition of long-range plans to implementation and lessens the impact on the CIP and future operating budgets. Subsequently, to adequately guide the fiscal, operating, and land use needs of the community, finance officers should use Master Plans as a Framework for capital project requests that go into the CIP.</p>	Board Policy 13.1.0	20 Year CIP 5 Year CIP	Y	N
<p>Master Plans should provide a vision for capital project plans and investments. Master Plans provide a vision for the government that should be supported by realistic planning documents, solid financial policies targeted for the implementation of stated goals, and trends on the governments accomplishments and progress toward these goals. Such plans forecast the outlook for the government, illustrating the alignment between demand generators, capital improvement programs, and funding policies. In doing so, Master Plans help address the management factors that are critical in rating analysis and investor communication.</p>	Not incorporated	None	N	N
<p>Governments should make capital project investment decisions that are aligned to their long-range Master Plans. The list of potential projects for inclusion in the CIP comes from a variety of sources, including department requests, plans for facility construction and renovations, long-term capital replacement programs, citizen requests, neighborhood plans and projects for which grant funds are available. These projects should always be reviewed for consistency</p>	Board Policy 13.1.0	20 Year CIP 5 Year CIP	N	N



GFOA Best Practice	Board Policy/Practice Coverage	Report or Documentation to Support Best Practice [1]	Roles and Responsibilities Defined (Y/N)	Report Timing Defined (Y/N)
<p>with the governments Master Plan(s). The CIP should be viewed as a financial blueprint that helps prioritize needs to achieve implementation of the public improvements identified in the Master Plan. The level of funding in the CIP defines the financial capacity to reach the desired goals set forth in the Master Plan.</p>				
<p>The finance officer should play an active role in the early planning process. Master Plans can be useful for projecting long-range service demand generators, facility capacity needs, and stakeholder communication. Knowledge of facility capacity needs coupled with financial policies and revenue comparisons allows for the development of a more fiscally prudent Master Plan.</p>	Not incorporated	None	N	N
<p>Financial factors should be considered as part of the development of Master Plans. The master planning process should be an in-depth analysis, incorporating the financial factors that bridge the gap between planners and finance officials. When integrating plans with financial policies, governments should consider both the costs and revenue streams. Possible revenue streams include bond programs, pay as you go alternatives, grants, impact fees, and public private partnership alternatives. Reviewing the revenue generating potential under the plan assumptions will help identify the capability to finance needed capital projects as well as any gaps in the ability to do so. Moreover, the plans vision should be balanced between the financial capacities to meet the stated goals, or at a minimum, should be balanced between the financial implications of a vision that may conflict with the jurisdiction should, at a minimum, understand the plan cost drivers, alternative scenario outcomes (from both need and revenue generating potential) and options for meeting the desired goals.</p>	Board Practice 13.2.0	1 Year CIP / Popular Report	N	N



GFOA Best Practice	Board Policy/Practice Coverage	Report or Documentation to Support Best Practice <sup>[1]</sup>	Roles and Responsibilities Defined (Y/N)	Report Timing Defined (Y/N)
<b>Capital Planning Policies</b>				
<p>The GFOA recommends that governments should develop and adopt capital planning policies that take into account their unique organizational characteristics including the services they provide, how they are structured, and their external environment.</p>	Board Policy 13.1.0	N/A	N	N
<p>Capital planning policies should provide, at a minimum:</p> <ul style="list-style-type: none"> <li>• A description of how an organization will approach capital planning, including how stakeholder departments will collaborate to prepare a plan that best meets the operational and financial needs of the organization.</li> <li>• A clear definition of what constitutes a capital project.</li> <li>• Establishment of a capital improvement program review committee and identification of its members (for example, the finance officer or budget officer, representatives from planning, engineering, and project management, and, as deemed appropriate, operations departments most affected by capital plans, along with a description of responsibilities of the committee and its members).</li> <li>• A description of the role of the public and other external stakeholders in the process.</li> <li>• Identification of how decisions will be made in the capital planning process including a structured process for prioritizing need and allocating limited resources.</li> <li>• A requirement that the planning process includes an assessment of the government's fiscal capacity so that the final capital plan is based on what can realistically be funded by the government rather than being simply a wish list of unfunded needs.</li> <li>• A procedure for accumulating necessary capital reserves for both new and replacement purchases.</li> </ul>	Board Practice 13.2.0	N/A	N	N



GFOA Best Practice	Board Policy/Practice Coverage	Report or Documentation to Support Best Practice <sup>[1]</sup>	Roles and Responsibilities Defined (Y/N)	Report Timing Defined (Y/N)
<ul style="list-style-type: none"> <li>• A policy for linking funding strategies with useful life of the asset including identifying when debt can be issued and any restrictions on the length of debt.</li> <li>• A requirement that a multi-year capital improvement plan be developed and that it include long term financing considerations and strategies.</li> <li>• A process for funding to ensure that capital project funding is consistent with legal requirements regarding full funding, multi-year funding, or phased approaches to funding.</li> <li>• A requirement that the plan include significant capital maintenance projects.</li> <li>• Provisions for monitoring and oversight of the CIP program, including reporting requirements and how to handle changes and amendments to the plan.</li> </ul>				
<b>Communicating Capital Improvement Strategies</b>				
<p>The GFOA recommends that organizations develop a communications plan for public participation focused on explaining capital needs, options, and strategies and facilitating feedback in advance of any major capital program. Capital programs gain from the support of the community both to ensure that capital projects will deliver expected and desired outcomes as well as to ensure there is adequate support for investment. Organizations should consider and address the following in any communication plan on capital assets.</p> <p>Stakeholder Engagement: Communications should be directed at appropriate stakeholder audiences including:</p> <ul style="list-style-type: none"> <li>• Citizens</li> <li>• Public officials</li> <li>• Officials from other jurisdictions such as special service districts and neighboring organizations</li> <li>• Businesses</li> <li>• Community Groups / Neighborhood associations</li> </ul>	Not incorporated	N	N	N



GFOA Best Practice	Board Policy/Practice Coverage	Report or Documentation to Support Best Practice [1]	Roles and Responsibilities Defined (Y/N)	Report Timing Defined (Y/N)
<ul style="list-style-type: none"> <li>• Interest groups</li> <li>• Staff</li> <li>• Regulatory Agencies (oversight authorities)</li> </ul>				
<p>Each stakeholder group may have different interests in the project and have different concerns or expectation.</p> <ul style="list-style-type: none"> <li>• Developing the Message</li> <li>• Communication of Project Information</li> <li>• Communication Methods</li> <li>• Use of Public Feedback</li> <li>• Monitoring, Reporting, and Accountability</li> </ul>	Was not covered	N	N	N
<b>Capital Asset Management</b>				
<p>The GFOA recommends that local, state, and provincial governments establish a system for assessing their capital assets and then appropriately plan and budget for any capital maintenance and replacement needs. This recommendation includes:</p> <p>Developing policies to guide capital asset management practices that are supported by both finance and operational/engineering expertise.</p> <p>Establishing condition/functional performance standards to be maintained for each type of capital assets.</p> <p>Evaluating existing capital assets to determine if they still provide the most appropriate method to deliver services.</p> <p>Consider developing financial policies that identify and dedicate fees or other revenue sources to help maintain the expected service levels of capital assets.</p> <p>Allocating sufficient funds in the multi-year capital plan and annual operations budget for the condition assessment determination and reporting, preventative maintenance, repair, renewal and replacement of capital assets in order to continue the provision of</p>	Board Policy 13.1.0	N	N	N





GFOA Best Practice	Board Policy/Practice Coverage	Report or Documentation to Support Best Practice [1]	Roles and Responsibilities Defined (Y/N)	Report Timing Defined (Y/N)
<p>services that contribute to public health, safety, and quality of life of public.</p> <p>Monitoring and communicating progress toward stated goals and the overall condition of its capital assets with appropriate controls to ensure the validity and accuracy of the information.</p> <p>At least once every three years, providing a “plain language” report on capital assets to elected officials and made available to the general public.</p>				

[1] See Observation No. 3 for information for how each document can be enhanced to support the capital master plan.



### III. OVERALL OBSERVATIONS AND RECOMMENDATIONS

#### Roles and Reporting

<p><b>2. Observation</b></p>	<p>Board Policy 12.1.0, Board Policy 13.1.0, and Board Practice 13.2.0 do not clearly define the District’s specific role in capital planning and budgeting as well as the roles of the Board of Trustees and District management. Additionally, the policy and practice documents are unclear as to what reporting is required, who is to report, and what/when approvals are required from the Board of Trustees.</p>
<p><b>Recommendation</b></p>	<p>We recommend that the District update the policy and practice documents to clearly detail the role of the Board of Trustees and District management as well as consider consolidating the policy and practice documents so that all information related to capital planning and budgeting can be found in one location and easily implemented.</p>

Clearly defining roles and responsibilities for District personnel and the Board of Trustees is key to ensuring that the capital planning and budgeting processes can be carried out efficiently, effectively, and in line with best practices.

During interviews, there were inconsistencies in individuals’ understandings and opinions on the Board of Trustees versus managements roles and involvement in capital planning and budgeting. As a result, it was unclear what Board reporting s required or needed and what decisions and/or actions (i.e., information only, review, approval, etc.) are to be taken at the Board level. These inconsistencies present opportunities for formalization and streamlining to increase the efficiency and effectiveness of capital planning and budgeting functions. In addition, we identified the following:

- Many individuals were not aware of when District personnel have the authority to develop and prepare the details of the capital plan as well as when District personnel have the authority to modify project planning, design, and contracts, within a given threshold, without Board of Trustees approval.
- The policy and practice documents are not well defined and lack details specific to the who, what, and how of capital planning and budgeting. Meaning, the policy and practice documents do not specifically outline who is responsible for preparing reports and the necessary capital planning and budgeting supporting documentation, for presentation to the Board of Trustees. Additionally, the documents do not detail what these reports should include, how and when reports should be presented to the Board of Trustees, and when Board approval is required (i.e., which reports require approval and at what point approval should be obtained).

The policy and practice documents should be redeveloped and restructured to clearly define the roles of the Board of Trustees and District personnel in capital planning and budgeting to specifically describe the expectations, deliverables and outcomes from each role. For example, the District should ensure that they have a master plan that contains enough details on project planning, project scope and description, funding, timeline, and required approvals, as necessary, for each phase (see Observation No. 3).



Typically, these types of policies include details specific to the expectations of each role, reporting requirements, and timelines for every phase of a capital project. This restructure could include something similar to the following example:

• **Developing a Capital Planning Process**

- **Purpose:** The first step in building a multi-year capital plan is to gain a consensus on the goals and objectives of short-, mid-, and long-term capital plan from District citizens, Board of Trustees, and District management.
- **Roles and Responsibilities:** High-level descriptions of the expected roles of each stakeholder in the capital planning and budgeting process, with specific emphasis on Board of Trustees, staff, and potentially a capital program advisory committee (see Recommendation No. 3).
- **Procedural Steps:** Common steps include performing the following:
  - **Need assessment:** The District should assess the condition of capital assets already owned, controlled, or maintained. Many times, department heads and consulting engineers complete this step. Information is obtained through the inventory process and data should include information such as:
    - Description of the capital asset
    - Name of the controlling department
    - Location, purpose, or use, acquired or constructed dated, expected life
    - Description and date of any major renovations as well as condition of the asset including a narrative of any renovations or upgrades that will be required over the period covered by the capital plan and the year in which the asset should be replaced
  - **Funding alignment:** The purpose of this step is to determine how much resources the District has and the timing for the capital plan.
  - **Project scope and definition sessions:** The District should establish specific needs and requirements for each project. See Recommendation No. 3 regarding implementing an advisory committee to act as a liaison between the Board of Trustees and District management as well as encourage community involvement.
  - **Prioritization schedules:** Criteria should be established that will be used as a guideline for prioritizing project funding. The criteria should be documented by appropriate personnel and made available to key stakeholders. The established criteria should facilitate ranking projects on a high-, medium-, or low-priority basis. High-priority projects may be those that are required by law or improve safety. Medium-priority projects may include those that (1) prevent deterioration of assets or (2) improve delivery of services. Low-priority projects may include those that (1) support delivery of a service for which there is declining demand or (2) improve quality of life but are non-essential.
  - **Process and progress meetings:** A critical part in any planning process is to determine who will be involved in project scope and establish respective roles and responsibilities. Once parties have been determined and roles set, regular meetings, as deemed appropriate, should be conducted to outline the status of the capital planning process and execution of the projects.



- **Prioritizing Capital Projects:** Board Policy 12.1.0 has prioritization thresholds laid out clearly in section 3.0, *Prioritize Capital Requests*. However, the District could better define who is responsible for preparing a potential future projects plan that could include information about long-term projects that are not already included in the District's capital plan, when those projects should be brought to the Board of Trustees' attention, and who is responsible for ultimate priority decision-making.
- **Assessing Budgetary Impacts**
  - **Purpose:** Acquisition of capital assets can have a significant impact on future budgets. A multi-year capital plan should provide accurate, reasonable estimates of each project's budgetary impact on District funds (see Observation No. 3 for further discussion on master planning).
  - **Procedural Steps:** This should include specific steps for how budgets will be developed, how impacts will be assessed and presented, what level of budget detail is required at each step of project planning (i.e., short-, mid-, or long-term plan), and if/when approvals are required for proposed budgets.
- **Financing Capital Acquisitions**
  - **Purpose:** Capital projects can consume large amounts of financial resources over time, especially when revisited several times during planning and execution. A multi-year capital plan helps manage this process by scheduling expenditures over the short-, mid-, and long-term plan (see Observation No. 3).
  - **Procedural Steps:** This section should specifically detail where financing for capital projects is typically found, when new financing is needed and how the District will accommodate, when and how District personnel will develop a funding plan, and when and how the Board of Trustees is involved when approval is required.
- **Adopting a Capital Plan and Capital Budget**
  - **Purpose:** Once all aspects of the capital plan (e.g., policies, needs, priorities, costs, and financing) have been addressed, the District can formally adopt the capital plan. The District should seek public input on at least part of the capital plan (i.e., public input may not be required for all ranges of the capital plan).
  - **Procedural Steps:** This section should specifically lay out what range of plans must be presented to the Board of Trustees and what details must be included (i.e., the further out the plan the less specific detail is required and as a project gets closer to design and execution the detail and specificity of the plan should increase). Additionally, this section should lay out what plans should have public input and what level of detail will be presented, as well as when/if public approval is required. For example, this may include instances where there are restricted funding sources for a specific use/project. In addition, as many projects start planning several years before commencing, the District should ensure defined and documented processes are in place for changes to approved projects, including when to utilize these procedures (e.g., thresholds), who is responsible for each activity, and procedures for final approval. Documentation requirements for project concept and/or design changes should include, but not be limited to, information surrounding the proposed design change, basis for design change, estimated design change revenue and cost impact, estimated schedule impact, and design change initiator and approver.



#### • **Monitoring Results**

- **Purpose:** Follow-up on project progress, budget to actual reporting, and other project monitoring reporting helps to ensure that projects remain on schedule and within budget. The District should also monitor external factors that may help anticipate changes that might impact future years of the capital plan (i.e., changes in technology or equipment becoming obsolete).
- **Procedural Steps:** This section should specify which reports are required to be prepared, how often these monitoring reports are required to be updated, and when they must be presented to the Board of Trustees. Additionally, this section should clearly state what threshold District management may approve variations to an approved plan and when Board of Trustee approval is required.

These restructured sections, whether using the examples outlined above or not, could easily combine the policy and practice documents to provide one place for Board of Trustees and District personnel to reference during the capital planning and budgeting process. Consolidating these documents would create greater clarity and connection between each policy statement (the musts and whys) and the practice document (the how to comply).

Additionally, we the District should work to specifically update the policy and practice documents to clearly detail and explain the role of the Board of Trustees and District management. Examples of Board of Trustees roles and responsibilities could include:

- Approving long-, mid-, and short-term master plans and additions or major alterations to existing facilities
- Determining the method of financing that will be used
- Approving contracts for design and construction in accordance with policies and procedures and approved master plan documents

Examples of District management responsibilities could include:

- Assessing the District's short-, mid-, and long-term needs
- Determining, in collaboration with the advisory committee (see Recommendation No. 3), what new facilities should be built or what existing facility upgrades are necessary as well as when, where, and what equipment should be purchased
- Directing the preparation of updates to the District's Capital Improvements Plan (CIP) and master plans
- Overseeing the preparation of bids and award of contracts in accordance with policies and procedures and state and local requirements
- Supervising the implementation of the District's CIP in accordance with the master plan, policy, and state and local requirements, including collaboration with architects and contractors on any new constructions or existing facility upgrades
- Supervising the preparation of all project status updates (i.e., status of project planning/execution, budget to actuals, and delays) to the Board of Trustees



## Master Planning and Advisory Committee

<b>3. Observation</b>	<p>The policy and practice documents do not address specific details related to the CIP and master budgeting and planning processes, including when Board involvement, review and approval is required, deferred maintenance considerations and what specific reports and information must be presented. In addition, the CIP and master planning reporting could be improved.</p>
<b>Recommendation</b>	<p>The District should update the existing policy and practice documents to include specific processes and procedures related to phased and detailed master planning and consider implementing an advisory committee (see Recommendation No. 3) to act as a liaison between the Board of Trustees and District management as well as encourage community involvement.</p>

The policies and practice documents assessed included some elements of the capital improvement plan (CIP) and master budgeting and planning processes. The District utilizes several reports/plans to support these processes including the One-Year CIP and “Popular Report”, the Five-Year CIP, and the 20-Year CIP. However, in our assessment of the policies and practice documents, as well as the reports/plans utilized by the District to support capital planning and budgeting, we found that there were opportunities to improve and expand on the content of the policies and practice documents, as well as the content and use of the supporting reports/plans, and to implement a more efficient decision-making and reporting process through establishing an advisory committee.

### CIP Reporting

The policies and practice documents include limited details on what the CIP or a master plan should include, who is responsible for preparing the reports, for example a collaborative effort between Public Works and Finance, what is presented to the Board of Trustees for review and approval, and at what project phase those approvals are required. As a result, throughout interviews, there were inconsistencies and a lack of clarity between the Board of Trustees and staff on what the roles and responsibilities of the Board of Trustees is, as it relates to capital budgeting and planning, and varying expectations of what should be presented to the Board and when.

The “Popular Report” Excel file appears to be the primary report that is focused on for presenting the status of capital projects to the Board of Trustees. It is utilized as the District’s one-year CIP and includes information such as the project description, original budget, prior year carryforward, and any adjustments or reallocation for the year.



The following table identifies what is currently included in each of the District's CIP reports as well as best practices that could be implemented to improve reporting.

Report	Currently Includes	Best Practice Recommendations
<b>One-Year Capital Improvement Plan and "Popular Report"</b>	<ul style="list-style-type: none"> <li>• Project Title</li> <li>• Project Description</li> <li>• Project Number</li> <li>• Original Budget</li> <li>• Prior Year Carry Forward</li> <li>• Current Year Budget</li> <li>• Projects Cancelled</li> <li>• Adjustment</li> <li>• Reallocation</li> <li>• Future Reservation Bund Balance</li> <li>• Fiscal Year Adjusted Balance</li> <li>• Fiscal Year Expenditures</li> <li>• Variance</li> <li>• Status</li> </ul>	<ul style="list-style-type: none"> <li>• Priority Level</li> <li>• Department Description</li> <li>• Project Title</li> <li>• Total Prior Year Funded/Used</li> <li>• Total Project Budget</li> </ul>
<b>Five-Year Capital Improvement Plan</b>	<ul style="list-style-type: none"> <li>• Department Description</li> <li>• Project Number</li> <li>• Project Title</li> <li>• Project Manager</li> <li>• Funding Source(s)</li> <li>• Fiscal Years 1-5</li> <li>• Total</li> <li>• Project Type</li> </ul>	<ul style="list-style-type: none"> <li>• Priority Level</li> </ul>
<b>20-Year Capital Improvement Plan</b>	<ul style="list-style-type: none"> <li>• Department Description</li> <li>• Project Number</li> <li>• Project Title</li> <li>• Project Manager</li> <li>• Funding Source(s)</li> <li>• Fiscal Years 1-20</li> <li>• Total</li> </ul>	<ul style="list-style-type: none"> <li>• Priority Level</li> </ul>

## Master Planning

Typically, we see master plans grouped into several categories; this is an example of a master plan with several categories that could be used by the District for updating and their current processes:

- Long-Range Planning
  - District personnel will identify facilities that are in need of upgrade. The District will capture basic information such as project title, project scope and description, budget estimate, timing, and other preliminary information. This high-level estimate will be presented to the Board of Trustees for review prior in the long-range (10-20 year) capital plan; however, full approval and specific details of the plan are not required at this time.



- Mid-Range Planning
  - District personnel will continue to refine the plan around mid-range projects (three-to-five year CIP), gathering additional information to refine the details, budget, and timeline of the project. The plan will be presented to the Board of Trustees for approval and official inclusion in the District's mid-range capital plan. At this time, estimates will be further refined into final estimates and ranges when the plan is reviewed and included in the short-range plan (one-year CIP). Board of Trustees approval is required for the District to begin full commitment to the project. Once the project has been approved at this point, it will remain on track to be executed. This plan should be included in Board of Trustees meeting minutes and made available for public review and comment.
- Short-Range Planning
  - This is the District's one-year CIP. At this point, District management should have close to final estimates for the budget, timeline, and project requirements before beginning the contracting process. The estimates presented at this time are still subject to change and will allow for any unknowns during the execution phase. Any approved plan that is included in the short-range CIP should not be drastically modified to reduce any unexcepted costs or delays. Additionally, projects added or removed at this time should be seriously considered for impact on the CIP and District resources prior to addition or removal. This plan should be included in Board of Trustees meeting minutes and made available for public review and comment.

## Capital Project Status Reporting

The District's current policy and practice documents do not address what reporting is required to communicate the status of projects that are ongoing or in the short-range master plan. The District's "Popular Report" has some content that could be utilized in preparing a comprehensive project status report, as it currently more aligned with capital project status report rather than a master plan. A capital project status report could include detailed information on the progress made, for each ongoing project in the District, as well as information on:

- Project description
- Project staffing
- Project status (i.e., what is completed, what is ongoing, and timeline updates)
- Budget and financial information review (high-level budgetary detail)
- Encumbered vs unencumbered funds
- Forecast timeline and expenditures by year
- What details are required from the Board of Trustees (e.g., new contracts)

In alignment with best practices, this type of a capital project status report should be presented to the Board of Trustees at least quarterly, and it should include sufficient detail so that the Board of Trustees feels comfortable with the progress and status of each project. Ultimately, streamlining and improving the status and progress reporting for capital projects will reduce the amount of time and effort spent on back-and-forth communication between District management and the Board of Trustees regarding the minute details of each project and could reduce the number of late changes made, which could result in both time and money savings for the District.



## IV. DRAFT BOARD POLICY 8.1.0, CAPITALIZATION OF FIXED ASSETS, RECOMMENDATIONS

District management requested that we complete a review of the draft Board Policy 8.1.0, *Capitalization of Fixed Assets*, which was updated in August 2021. As part of this review, we completed the following:

- Compared the draft policy to similar policies from other municipalities for completeness and attempted to identify where gaps may exist;
- Verified whether prior consulting report audit findings had been closed, including updates for GFOA best practice implementation and GASB and whether these were tailored to the specific needs of the District; and,
- Provided feedback based on our expertise and best practices.

Based on our review of the updated Board Policy 8.1.0, the District has consolidated Board Policy 8.1.0, Board Policy 9.1.0, and Board Practice 2.9.0 into one more in-depth policy document. This approach is consistent with the recommendation provided in Observation No. 2 above. Additionally, the updated policy appears to have incorporated the applicable GFOA best practices and GASB Codification.

The current draft of the policy discusses the classification of capital assets, capitalization thresholds, cost basis and useful lives, and the criteria for capitalization; however, it does not discuss the accumulated depreciation of capital asset additions and disposals. Additionally, while the updated Board Policy 8.1.0 is significantly improved, it lacks specific details around defining the process for capitalization, including who is responsible for each activity, including not specifically outlining who is responsible for completing capitalization of fixed assets, who reviews additions and disposal of fixed assets, and whether any reporting is prepared and presented to District management and/or the Board of Trustees. The District should review the current draft policy and compare it to other capitalization policies (examples to be provided) when making final updates to the draft.

## APPENDIX A: LIST OF INTERVIEWEES

The Board of Trustees members and District management and other staff interviewed during this assessment are listed in the following table.

Individual	Role	Interview Date
Tim Callicrate	Board of Trustees, Chairman	8/3/2021
Michaela Tonking	Board of Trustees, Treasurer	8/12/2021
Sara Schmitz	Board of Trustees, Secretary	8/4/2021
Kendra Wong	Board of Trustees Member	8/12/2021
Indra Winquest	General Manager	7/29/2021
Paul Navazio	Director of Finance	7/29/2021
Martin Williams	Controller / Accounting Manager	8/3/2021
Diana Robb	Accountant (CIP / Fixed Assets)	8/3/2021
Brad Underwood	Public Works Director	9/2/2021
Kate Nelson	Public Works, Engineering Manager	9/2/2021
Ronnie Rector	Public Works, Contracts Administrator	9/2/2021
Samantha Kurashewich	Public Works	9/2/2021

*Note: We were unable to contact Matthew Dent for interview during the period of this assessment.*





**Master Services Agreement Statement of Work  
CONSULTING SERVICES**

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT**

AMENDED: AUGUST 13, 2021  
(Supersedes Scope of Work dated June 8, 2021)

This Statement of Work ("SOW") is issued pursuant to the Master Services Agreement (the "MSA" or "Agreement") between Moss Adams and you. This SOW incorporates all terms and conditions of the Agreement as if fully set forth herein. Any term not otherwise defined shall have the meaning specified in the Agreement.

**Scope of Services:**

Based on our understanding of Incline Village General Improvement District's (District) needs and recommendations from the Capital Program Assessment Report and the Evaluating Certain Accounting and Reporting Matters Report, we have developed the approach presented below to assist the District in evaluating and updating/developing select policies and procedures (P&Ps). This project will focus on P&Ps related to three key areas which are (1) Capital Planning (Policy 12.1), (2) Capital Budgeting (Policy 13.1), and (3) Capital Expenditures (Practice 13.2), to support addressing recommendations provided in the capital program assessment project performed in 2020.

- 1) **Phase One – Information Gathering:** At project initiation, we will evaluate existing policies and procedures covering these three areas, including the relevant portions of the Board Policies, Board Practices, and the Accounting Procedures / Financial Practices internal procedures, as well as the current updates to any of these documents that are being drafted/proposed internally. We will also identify District personnel involved in these three areas and significant stakeholders (including members of the Board of Trustees and Audit Committee) that could provide input and develop an interview schedule. For each of the three areas (Capital Planning, Capital Budgeting, and Capital Expenditures) we will conduct in-depth interviews with employees and stakeholders identified, likely in group settings, to gain an understanding of:
  - a. The processes and procedures currently in place including the flow of information, reviews, and approvals;
  - b. What is working well or not working with the current process, structure and overall function;
  - c. Where inefficiencies may exist, or improvements could be made;
  - d. What systems, reports, forms, or other tools are used; and;
  - e. Any other significant input for the area.
- 2) **Phase Two – Recommendations:** We will utilize the information gained in Phase One above to assess the current processes and controls. We will evaluate relevant functions for alignment with generally accepted accounting principles (GAAP), best practices, and a solid internal control environment. We will identify opportunities for improvement, areas for incorporation of recommendations from the Capital Program Assessment Report and the Evaluating Certain Accounting and Reporting Matters Report, and areas where efficiency or effectiveness could be increased. We will present all recommendations to management, by 12.1, 13.1 and 13.2 policy area, for consideration. We will rely on Management to determine how our specific recommendations for 12.1, 13.1, and 13.2 need to be incorporated and/or cross-referenced within other IVIGID policy documents to prevent potential duplication, conflicts, or gaps between policy documents.
- 3) **Phase Three – P&P Update/Development:** Based on decisions made by management during Phase Two above and based on the knowledge gained in phase one, we will define an approach to assist the District in updating/drafting the new policies specific to 12.1, 13.1, and 13.2. the existing policy and procedure documents related to these three areas. Our services may include providing example policies or sections of policies and reviewing and policies drafted by management.

In addition, we will review the Capitalization Policy currently being updated/drafted by management and provide feedback and recommendations, as appropriate, to support addressing recommendations provided in the capitalization project performed in 2020.

We will perform the services in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants. Accordingly, we will provide no opinion, attestation, or other form of assurance with respect to our work or the information upon which our work is based. The procedures we will be performing will not constitute an examination or a review in accordance with generally accepted auditing standards or attestation standards.

**Management Responsibilities:**

Our professional standards require that we remain independent with respect to our attest clients, including those situations where we also provide nonattest services such as those identified in the preceding paragraphs. As a result, Client management must accept the responsibilities set forth below related to this engagement:

- Assume all management responsibilities.
- Oversee the service by designating an individual, preferably within senior management, who possesses skill, knowledge, and/or experience to oversee our nonattest services. The individual is not required to possess the expertise to perform or reperform the services.
- Evaluate the adequacy and results of the nonattest services performed.
- Accept responsibility for the results of the nonattest services performed.

It is our understanding that Mr. Paul Navazio, Director of Finance, has been designated by the District to oversee the nonattest services and that in the opinion of the District is qualified to oversee our nonattest services as outlined above. If any issues or concerns in this area arise during the course of our engagement, we will discuss them with you prior to continuing with the engagement.

**Your Responsibilities:**

You are fully responsible for your financial statements, including the establishment and maintenance of adequate records and effective internal controls over financial reporting. Moss Adams assumes no responsibility to provide you with assurance about the accuracy of financial statements, or whether such financial statements are free of misstatements due to fraud or in compliance with applicable laws or regulations.

**Responsibility for Financial Statements:**

You are fully responsible for your financial statements, including the establishment and maintenance of adequate records and effective internal controls over financial reporting. Moss Adams assumes no responsibility to provide you with assurance about the accuracy of financial statements, or whether such financial statements are free of misstatements due to fraud or in compliance with applicable laws or regulations.

**Charges for Services:**

We estimate that our fees for these services will not exceed \$40,000. You will also be billed for expenses, if applicable.


Our timing will be mutually agreed upon with management; however, we are prepared to begin the project shortly after the contract is executed. Additional services, extended delays, and out of scope work will be billed at our standard hourly rates. Expenses will be billed separately at cost.

The efficient and timely completion of the Services is based on the anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered. If we find that significant additional time is likely to be necessary to complete our Services, we will discuss it with you and arrive at a new fee estimate before we incur significant additional fees or costs.

This SOW is effective as of the date set forth above.

**ACCEPTED AND AGREED:**

**INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT**

Signature: 

Print Name: Indra Winquist

Title: General Manager

Date: 8/16/2021

**MOSS ADAMS LLP**

Signature: 

Print Name: Halie Garcia

Title: Director

Date: August 13, 2021



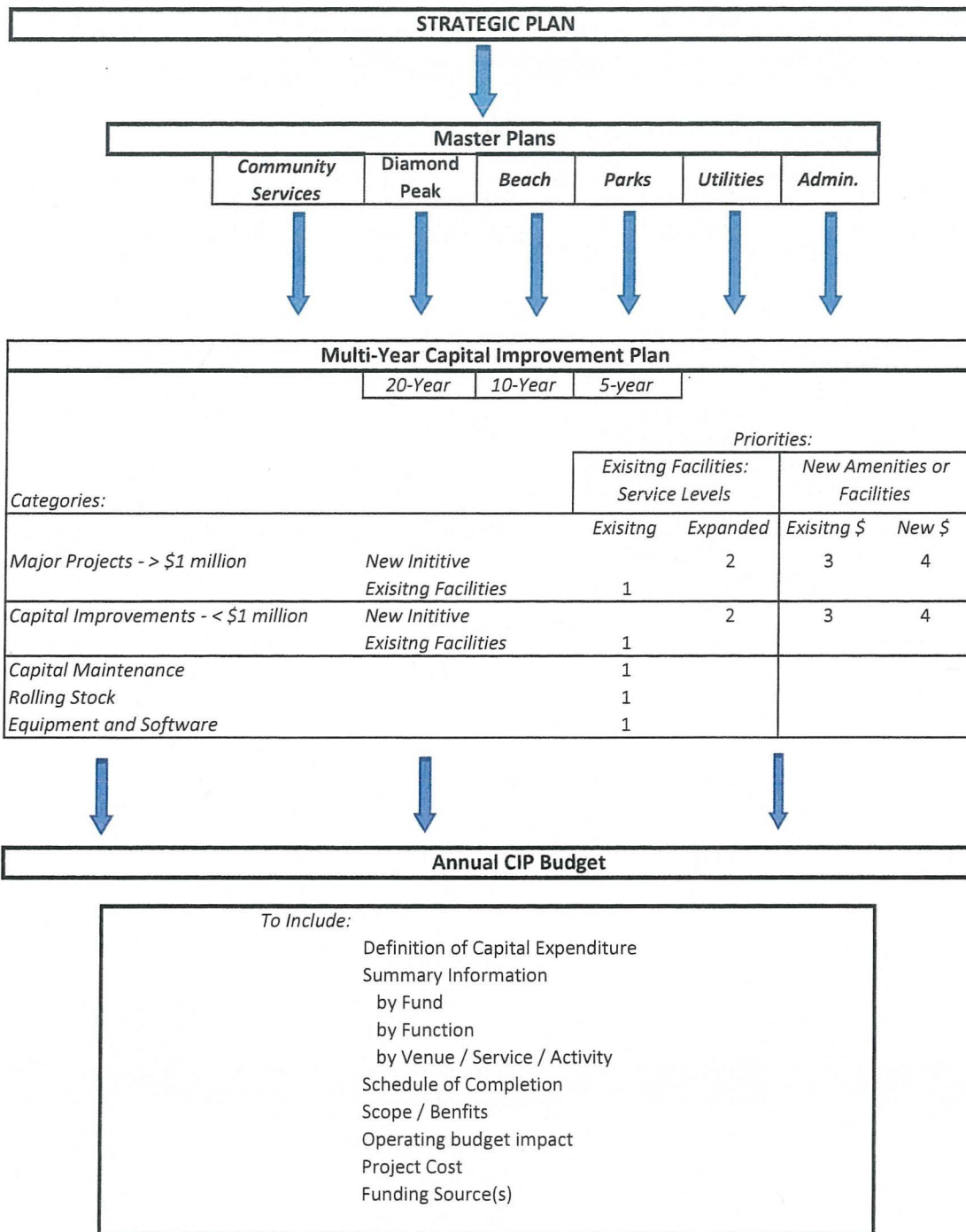


**POLICY UPDATE:**  
**CAPITAL PROJECT PLANNING, BUDGETING AND REPORTING**

**NEXT STEPS**

- Capital Planning Flowchart
- Capital Project Roles and Responsibilities
- Capital Project Reporting Framework

## MULTI-YEAR CAPITAL PLANNING FLOW CHART







**CAPITAL PROJECT DELIVERY**

*Authority / Roles / Responsibilities  
Per CURRENT Board Practice (13.2.0)*

Project Phase:	CIP Capital Program Review Committee		
	Board of Trustees	General Manager	Project Manager
Construction/ Acquisition	The process entails constructing or acquiring a project's assets, including the selection of contractors or vendors. Approval of final payment means the project has been "completed."		
	General oversight of contract awards, major payments and acceptance of capital assets constructed or acquired	Ensure contracts and request for major payments submitted to the Board for approval meet requirements of CIP budget.	1) Recommend award and execute construction/acquisition contracts. 2) Recommend approval of change orders 3) Recommend release of retention to GM. 4) Recommend approval of final payment. 5) Coordinate final contract preparation 6) Establish and administer inspection and testing. 7) Supervise Construction Representative. 8) Serve as District's representative to contractor. 9) Approva all shop drawings; 10) approval all requests for equals; 11) approve all certificates of payment.
	1) Award and execute construction/acquisition contracts	1) Approve change orders cumulatively not exceeding 10% of construction contract or \$50,000.	
2) Approve change orders cumulatively exceeding 10% of construction contract or \$50,000, whichever is greater	2) Upon substantial completion, approve release of retention for construction projects. 3) Accept warranty report		
Close-Out			

NEW Capital Program Advisory Committee

## DRAFT CAPITAL PLANNING, BUDGETING AND CIP PROJECT REPORTING FRAMEWORK

	GM	Senior Mgmt.	Finance	PW / Engineering
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<b>Strategic Plan</b>	x	x		
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*Comprehensive Strategic Plan update every two-years - coincides with Board term.*

*Adopted: February (odd years)*

*Bi-annual status report - progress on achieving budgeted initiatives*

*July / August*

*Jan. / Feb.*

<b>Master Plan</b>	x	x	x	x
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Major Facility Master Plan documents should be comprehensively updated every \_\_\_ years

Current service levels / unmet needs / potential facility improvement projects / cost

Consideration of alternative financing strategies

Master Plan updates

Project-specific updates: Cost estimates, schedules, funding sources

Consider more frequent facility (condition) assessment report for major venues/facilities

Recreation Center

Chateau / Aspen Grove

Golf Course Facilities

Beach Facilities

Diamond Peak Facilities

<b>Multi-Year Capital Plan</b>	x	x	x	x
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High-level 20 year CIP plan for Major Capital projects and Major Facilities / Venues

Develop expanded 10-year Capital Improvement plan for all major infrastructure and capital assets

with focus on Five-Year Capital Improvement Plan (with identified funding sources)

Prepare Companion Multi-Year Financing Plan, with identified funding sources / financing strategies.

By Venue / Fund:

*Major Projects - > \$1 million*

*Capital Improvements - < \$1 million*

*Capital Maintenance*

*Rolling Stock*

*Equipment and Software*

**DRAFT CAPITAL PLANNING, BUDGETING AND CIP PROJECT REPORTING FRAMEWORK**

	GM	Senior Mgmt.	Finance	PW / Engineering
<b>Annual CIP Budget</b>	x	x	x	x

Formal approval of fiscal year Capital Budget, to include:  
 Project scope, definiton and benefits  
 Updated project cost estimates, phases and schedule  
 Formal cost estimate / funding authorization for Year 1 of Multi-Year Capital Plan

Quarterly Popular CIP Status Report - Nov. / Feb. / May / Aug.  
 Expenditures vs. fiscal year budget (Q1, Q2, Q3, Q4)  
 Reflects changes in approved budget (augmentations, reduction, re-allocation)

Individual contracts for planning, design, construction /acquistion require subsequent Board approval per District Policy and Purchasing procedures.  
 Change order authorization to be established with each applicable contract award.

<b>Capital Project Status Report</b>		x	x	x
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Major Projects: Over \$1,00,000 PLUS Board Priority Projects  
 Monthly CIP Project Status Reports  
 Detailed project status report covering significant activity  
     Progres report - work completed, next steps  
     Phase status - project milestones through planning, feasibility, desing and construction  
     Cost Estimates - Approved; updates  
     Project expenditures  
         Fiscal year-to-date  
         Project-to-date  
     Summary of Board actions/approvals  
     Planned / scheduled Board actions (upcoming)

<b>Project Close-out Report</b>		x	x	x
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Final project reporting  
 Acceptance of capital asset constructed / acquired  
 Establishment of capital deprecation schedule, based on final capitalized costs  
 Project objective accomplished  
 Lessons learned





**BACKGROUND INFORMATION**  
**EXISTING BOARD POLICIES & PRACTICE**

- Policy 12.1.0 – Multi-Year Capital Planning
- Policy 13.1.- - Capital Project Budgeting
  - Practice 13.2.0 - Capital Expenditures





## Capital Planning Multi-Year Capital Planning Policy 12.1.0

**POLICY.** The District will prepare and adopt comprehensive multi-year capital plans to ensure effective management of capital assets. A prudent multi-year capital plan identifies and prioritizes expected needs based on a community's strategic plan, establishes project scope and cost, details estimated amounts of funding from various sources, and projects future operating and maintenance costs. The capital plan should cover a period of at least five years, preferably ten or more.

**1.0 Identify needs.** The first step in the District's capital planning is identifying needs. The District has a commitment to the maintenance of its existing infrastructure. The District's Multi-Year Capital Plan will use information including development projections, strategic plans, comprehensive plans, facility master plans, regional plans, and citizen input processes to identify present and future service needs that require capital infrastructure or equipment. In this process, attention will be given to:

- 1.1 Capital assets that require repair, maintenance, or replacement that, if not addressed, will result in higher costs in future years.
- 1.2 Infrastructure improvements needed to support new development or redevelopment.
- 1.3 Projects with revenue-generating potential.
- 1.4 Improvements that support economic development.
- 1.5 Changes in policy or community needs.

**2.0 Determine costs.** The full extent of project costs should be determined when developing the multi-year capital plan. Cost issues to consider include the following:

- 2.1 The scope and timing of a planned project should be well defined in the early stages of the planning process.
- 2.2 The District should identify and use the most appropriate approaches, including outside assistance, when estimating project costs and potential revenues.



## Capital Planning Multi-Year Capital Planning Policy 12.1.0

- 2.3 For projects programmed beyond the first year of the plan, the District should consider cost projections based on anticipated inflation.
- 2.4 The ongoing operating costs associated with each project should be quantified, and the sources of funding for those costs should be identified.
- 2.5 A clear estimate of all major components required to implement a project should be outlined, including land acquisition needs, pre-design, design, and construction or acquisition, contingency and post-construction costs.
- 2.6 Recognize the non-financial impacts of the project (e.g., environmental) on the community.

**3.0 Prioritize capital requests.** The District continually faces extensive capital needs and limited financial resources. Therefore, prioritizing capital project requests is a critical step in the capital plan preparation process. When evaluating projects the District will:

3.1 Categorize each submittal under Project Types:

### 3.1.1 Major Projects

- A non-recurring project with scope and management complexity with a project budget greater than \$1,000,000 and a 25-year minimum asset life.

#### 3.1.1.1 New Initiatives

- A project that creates a new amenity or significantly expands an existing facility with new programming, operations or capacities.

#### 3.1.1.2 Existing Facilities

- A project that maintains, renews, and re-invests in existing facilities without significantly adding new programming, operations or capacities.



## **Capital Planning Multi-Year Capital Planning Policy 12.1.0**

### **3.1.2 Capital Improvement**

- A non-recurring project with some scope and management complexity with a project budget generally less than \$1,000,000.

#### **3.1.2.1 New Initiatives**

#### **3.1.2.2 Existing Facilities**

### **3.1.3 Capital Maintenance**

- A generally recurring project at an existing facility with limited scope and management complexity and a project budget less than \$1,000,000.

### **3.1.4 Rolling Stock**

- On-going projects for the replacement of vehicles, heavy and light duty wheeled and tracked machinery, tractors, mowers, trailers, etc.

### **3.1.5 Equipment & Software**

- On-going replacement of non-rolling stock and non-building system equipment (kitchen, ski rental, uniforms, furniture, serviceware, etc.), information technology hardware and software.

## **3.2 Prioritize Projects under these criteria:**

**3.2.1** Priority 1 are projects that address Existing Facilities or replace existing assets via Capital Maintenance, Rolling Stock, or Equipment & Software projects that have reached or are near the end of useful life and are necessary to meet existing programming, operations, or capacities that the community wants, needs and uses.

**3.2.2** Priority 2 are New Initiative projects that address existing facilities and assets that have reached or are



**Capital Planning  
Multi-Year Capital Planning  
Policy 12.1.0**

near the end of useful life in order to expand existing programming, operations, or capacities to meet the community's wants, needs and uses.

- 3.2.3 Priority 3 are New Initiative projects that create new amenities that are wanted by the community and will be funded by new sources.
- 3.2.4 Priority 4 are New Initiative projects that create new amenities that are wanted by the community and will be funded by existing sources.
- 3.3 Ongoing consideration of Project Types and Prioritization by District Staff will consider:
  - 3.3.1 Reflect the relationship of project submittals to financial and governing policies, plans, and studies.
  - 3.3.2 Allow venues to provide a prioritization recommendation.
  - 3.3.3 Incorporate input and participation from major stakeholders and the general public.
  - 3.3.4 The condition assessment of existing assets as it relates to asset life-cycle, industry best practices, manufacturer's guidelines, safety, and the aesthetic character of the facility.
  - 3.3.5 Adhere to legal and regulatory requirements and/or mandates.
  - 3.3.6 Anticipate the operations and operating budget impacts resulting from capital projects.
  - 3.3.7 Apply analytical techniques, as appropriate, for evaluating potential projects (e.g., return on service,



## Capital Planning Multi-Year Capital Planning Policy 12.1.0

payback period, cost-benefit analysis, cash flow modeling).

3.3.8 Re-evaluate capital projects approved in previous multi-year capital plans.

3.3.9 The availability of outside funding (e.g. grants, direct community contribution, in-kind contribution, public private partnership) to support completion of a capital project.

**4.0 Develop financing strategies.** The District recognizes the importance of establishing a viable financing approach for supporting the multi-year capital plan. Financing strategies should align with expected project requirements while sustaining the financial health of the District. The capital financing plan should:

- 4.1 Anticipate expected revenue and expenditure trends, including their relationship to multi-year financial plans.
- 4.2 Prepare a flow of resources projection of the amount and timing of the capital financing and expenditure
- 4.3 Continue compliance with all established financial policies.
- 4.4 Recognize appropriate legal constraints.
- 4.5 Consider and estimate funding amounts from all appropriate funding alternatives.
- 4.6 Ensure reliability and stability of identified funding sources.
- 4.7 Evaluate the affordability of the financing strategy, including the impact on debt ratios, taxpayers, ratepayers, and others.







## Capital Planning Capital Project Budgeting Policy 13.1.0

**POLICY.** The District will prepare and adopt a formal capital budget as part of their annual budget process. The capital budget will be directly linked to, and flow from, the Multi-Year Capital Improvement Plan. It may be necessary to modify projects approved in the capital plan before adopting them in a capital budget. Modifications may be necessary based on changes in project scope, funding requirements, or other issues. If these modifications are material, the District will consider the impacts these may have on its multi-year capital and financial plans. The capital budget should be adopted by formal action of the Board of Trustees, either as a component of the operating budget or as a separate capital budget. It will comply with all state and local legal requirements.

- 1.0 Preparing and Adopting the Capital Budget. The capital budget will include the following information:
  - 1.1 A definition of capital expenditure for the District.
  - 1.2 Summary information of capital projects by fund, function, venue/service or activity.
  - 1.3 A schedule for completion of the project, including specific phases of a project, estimated funding requirements for the upcoming year(s), and planned timing for acquisition, pre-design, design, and construction or acquisition activities and transition to complete operation.
  - 1.4 Descriptions of the general scope of the project, including expected service and financial benefits to the District.
  - 1.5 A description of any impact the project will have on the current or future operating budget.
  - 1.6 Estimated costs of the project, based on recent and accurate sources of information.
  - 1.7 Identified funding sources for all aspects of the project, specifically referencing any financing requirements for the upcoming fiscal year.
  - 1.8 Funding authority based either on total estimated project cost, or estimated project costs for the upcoming fiscal year. Consideration should be given to carry-forward funding for projects previously authorized.



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- 1.9 Any analytical information deemed helpful for setting capital priorities.

The District needs a greater level of detail and information for non-routine capital projects than for routine projects. For non-routine projects, the capital budget should thoroughly describe the impact on the operating budget, number of additional positions required, tax or fee implications, and other financial or service impacts.

- 2.0 Reporting on the Capital Budget. The District recognizes the importance of timely and accurate reporting on projects adopted in the capital budget. Management, Trustees, and citizens should all have the ability to review the status and expected completion of approved capital projects. Periodic reports will be issued routinely on all ongoing capital projects. The reports will compare actual expenditures to the original budget, identify level of completion of the project, and enumerate any changes in the scope of the project, and alert management to any concerns with completion of the project on time or on schedule.



## Capital Planning Capital Expenditures Practice 13.2.0

**RELEVANT POLICIES: 1.1.0 Strategic Planning, 9.1.0 Establishing Appropriate Capitalization Threshold for Capital Assets, 12.1.0 Multi-Year Capital Planning, and 13.1.0 Capital Project Budgeting**

### **1.0 AUTHORITY**

Decision-making responsibilities and duties on capital projects shall be allocated by the General Manager to specific members of the IVGID staff as provided herein. The staff member so assigned may delegate “duties” to another, but shall remain “responsible” for their actions pertaining to the project.

A Project Manager will usually be a representative of the IVGID department which will acquire or construct the project. The Project Manager may seek the input or assistance of a representative of the IVGID department that will utilize the capital asset. A planner, analyst, designer, or construction representative usually reports to the Project Manager as an employee or through a contract for services.

### **2.0 CAPITAL PROJECT FINANCING RESOURCES**

Financial management of capital projects is controlled through a system including the Multi-Year Capital Improvement Plan and each fiscal year’s Capital Improvement Project Budget. The ability to pay for the costs of a project will be based on identifiable and predictable financing resources at the time of acquisition.

**2.1 Establishment.** A capital project’s financing resources may be established by action of the Board of Trustees by the adoption of a Capital Project Report. Financing resources may be established for each fund; for each program; or for each project or group of projects. The preference is on each project to facilitate calculating the affects of each project on the Multi-Year Capital Improvement Plan.

**2.2 Status.** All financing resources identified and received for a Capital Improvement Project shall be held in cash or



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investments and shall constitute an element of fund balance or net position until expended or released by an action of the Board of Trustees.

- 2.3 Interest.** Investment earnings on a project's financing resources shall accrue to the project to the extent they were included in the Capital Improvement Project Data Sheet or are deemed needed for possible project cost adjustments. In any project where part of the financing resources came from bond proceeds, the investment earnings must be attached to the project in order to determine and comply with IRS arbitrage regulations.
- 2.4 Expenditures.** Funds identified as financing resources may only be expended by action of the Board of Trustees according to the District's Capital Improvement Project Budget. Projects carrying over from one fiscal year to another are expected to be identified during each budget process to extend spending authority and facilitate completion of the construction or acquisition of the capital assets. The General Manager has the authority to redirect the design or specifications affecting up to an aggregate of \$50,000 if it does not exceed the total approved cost of the project.
- 2.5 Exclusivity.** All financing resources identified for a project, are considered exclusively for expenditures related to that project. No expenditures or obligations shall be made related to that project which cumulatively exceeds the available balance in identifiable and predictable financing resources.
- 2.6 Changes.** The amount of funds in identifiable and predictable financing resources may be increased or decreased by action of the Board of Trustees, provided that no decrease shall occur which causes the unexpended financing resources for any project to fall below the cumulative total of obligations outstanding pertaining to the project.



## Capital Planning Capital Expenditures Practice 13.2.0

- 2.7 Close-out.** Upon completion or termination of a project, the unexpended financing resources for that project may be closed out by the General Manager, except when a previous action by the Board of Trustees, designates where the unexpended amount, if any, shall be transferred.

### **3.0 PROJECT LIFE CYCLE**

Projects shall be managed in relation to the following typical project life cycle:

- 3.1 Definition.** The process of developing a document which describes a specific project, in terms of location, function, cost, and other parameters. Approval of a Capital Project Data Sheet means the project has been "**defined.**"
- 3.2 Planning.** The process of developing documents which identify the location and function of projects, in relation to other projects and existing facilities. Approval of a project plan document within an approved Capital Project Summary means the project has been "**planned.**"
- 3.3 Feasibility.** The process of analyzing the practicality of a project, in terms of capital financing and cost, operating revenue and cost, environmental and permit conditions, and other factors. Acceptance information stated on the Capital Project Data Sheet as a feasibility report, means the project has been "**justified.**"
- 3.4 Scheduling.** The process of developing an outline identifying the cost, timing and financing of the capital project. All capital project expenditures shall be evaluated through a Multi-Year Capital Improvement Plan and authorized for expenditure through a specific fiscal year's Capital Improvement Plan Budget. Inclusion of a project within an approved Multi-Year Capital Improvement Plan means the project has been "**scheduled.**"



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- 3.5 Funding Identified.** The process by which funds are identified, as either planned or set aside to underwrite capital costs. Identification of predictable financing resources for inclusion of a project in a specific fiscal year's Capital Improvement Plan Budget means the project has been "**funded.**"
- 3.6 Design/Specification.** The process of determining the size, specifications, acquisition/construction methods, and other factors prerequisite to construction or acquisition, including the selection of the designers. Approval of final design means the project has been "**designed.**"
- 3.7 Construction/Acquisition.** The process entails constructing or acquiring a project's assets, including the selection of contractors or vendors. Approval of final payment means the project has been "**completed.**"
- 3.8 Requirements.** All projects may not be subject to all phases, or be phased in the same order. However, all capital projects shall be defined. All capital projects shall be scheduled and have funding identified, prior to design/specification. All construction projects shall be planned. All construction projects shall be justified, prior to design/specification.

### **3.8.1.0 Definition**

**3.8.1.1 Trustees Responsibility:** Relate District needs identified through the Strategic Plan to capital projects placed on the Multi-Year Capital Improvement Plan. **Duties:** Consider project definitions as part of Capital Improvement Project Budget submittal.

**3.8.1.2 General Manager Responsibility:** Ensure capital projects developed for consideration by the Board of Trustees relate to strategies and actions



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developed under the District's Strategic Planning Process. **Duties:** Approve capital project definitions.

**3.8.1.3 Staff Duties:** Prepare an accurate and up to date Capital Project Data Sheet, containing statement of project cost, schedule, location, financing, and other factors.

### **3.8.2.0 Planning**

**3.8.2.1 Trustees Responsibility:** Ensure adequate planning basis for capital improvement projects. **Duties:** Define general goals, constraints, and directions. Award and execute planning contracts according to Nevada Revised Statutes. Establish public input process. Review and approve final plan.

**3.8.2.2 General Manager. Responsibility:** Ensure all issues are addressed and plans are coordinated with the Multi-Year Capital Improvement Plan. **Duties:** Review and approve planning scope. Approve requests for proposals on consulting contracts. Approve planning methods and planning team. Provide guidance to Project Manager during planning.

**3.8.2.3 Project Manager. Responsibility:** Administration, quality and accuracy. **Duties:** Define specific objectives, alternatives, criteria, and scope. Prepare requests for proposals and administer selection process for planning team. Prepare planning contracts. Recommend approval for and executing planning contracts. Coordinate project with, public, staff, and General Manager. Review and approve progress reports, make substantive and procedural decisions during planning process, and



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recommend preferred alternatives and final plans to the General Manager and Board of Trustees.

**3.8.2.4 Engineering and Staff. Duties:** Provide input to planning scope, methods, analysis, conclusions, and recommendations.

**3.8.2.5 Planner Duties:** Conduct analysis and produce planning documents and reports, for review by Project Manager.

### **3.8.3.0 Feasibility**

**3.8.3.1 Trustees. Responsibility:** Ensure feasibility of capital improvement projects prior to design and construction. **Duties:** Determine when feasibility studies are required. Identify issues to be addressed. Award and execute consulting contracts according to Nevada Revised Statutes.. Review and accept the final "Capital Improvement Project Budget" as a basis for decision-making.

**3.8.3.2 General Manager. Responsibility:** Ensure critical issues are addressed and conservative approach to feasibility is applied. **Duties:** Review and approve study scope. Approve requests for proposals on consulting contracts. Approve study methods and team. Provide guidance to the Project Manager during study.

**3.8.3.3 Project Manager. Responsibility:** Administration, quality and accuracy. **Duties:** Define specific concerns, alternatives, criteria, and scope. Prepare requests for proposals and administer selection process for study team. Prepare study contracts. Recommend award and execute study contract. Coordinate project with, staff and General





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Manager. Review and approve progress reports, make substantive and procedural decisions during study process, and approve conclusions and recommendations.

**3.8.3.4 Finance, Engineering, and Staff. Duties:** Provide input to study contract, scope, methods, analysis, conclusions, and recommendations.

**3.8.3.5 Analyst. Duties:** Conduct analysis and produce study documents and reports for review by the Project Manager.

**3.8.4.0 Scheduling**

**3.8.4.1 Trustees. Responsibility:** Prioritization and prudent investment of capital assets. **Duties:** Review and approve Multi-Year Capital Improvement Plan considering financing programs, priorities and needs and validity to proceed as scheduled. Approve project amendments and substitutions according to District purchasing policies.

**3.8.4.2 General Manager. Responsibility:** Validate scheduling in terms of sound financial planning and the ability to construct or acquire the capital assets. **Duties:** Review, revise and recommend capital improvement projects to the Board of Trustees.

**3.8.4.3 Engineering Staff. Responsibility:** Accuracy of cost projections and coordination of project scheduling. **Duties:** Identify capital project scheduling issues correlated to timing of expenditures and acquisition of the capital assets. Coordinate input of operating staff receiving the capital asset.



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**3.8.4.4 Finance Staff Responsibility:** Adequacy of identifiable and predictable financing resources to meet the timing of expenditures. **Duties:** Analyze alternative financing schemes and prepare capital financing program coordinated with appropriate Capital Improvement Project Budget and the Multi-Year Capital Improvement Plan.

**3.8.5.0 Funding**

**3.8.5.1 Trustees. Responsibility:** Adequate identifiable and predictable financial resources exist for the project prior to the approval to proceed. **Duties:** Establish appropriate identifiable predictable financing resources are available. Increase and decrease funding level.

**3.8.5.2 General Manager Responsibility:** Approve recommendations for project to proceed and increases in project financing resources beyond levels identified in Capital Project Report, prior to submitted to Board. **Duties:** Review updated financial analysis for the capital project with Finance Staff for adequate financing resources and cash flows. Approve close-out upon project termination or completion.

**3.8.5.3 Project Manager. Responsibility:** Accuracy. **Duties:** Assemble and update project cost estimates.

**3.8.5.4 Finance Staff. Responsibility:** Administration of project finances. **Duties:** Produce periodic report on capital project financing resources, obligations and expenditures. Recommend periodic action to establish, increase, decrease, and close out



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financing resources. Consider the current affects of projects on the Capital Improvement Project Budget and the Multi-Year Capital Improvement Plan.

**3.8.5.5 Engineering Staff. Duties:** Coordinate estimates of project cost for periodic funding report.

**3.8.6.0 Design/Specification**

**3.8.6.1 Trustees. Responsibility:** General oversight of project design and specifications. **Duties:** Award and execute design contract according to Nevada Revised Statutes. Review and accept regulatory permit conditions on construction projects, if \$50,000 or more.

**3.8.6.2 General Manager. Responsibilities:** Ensure design and specifications correlate to defined capital project. **Duties:** Approve design methods and team. Provide guidance to Project Manager during design. Review and approve final design/specification reports on projects. Review and accept regulatory permit conditions.

**3.8.6.3 Project Manager. Responsibility:** Administration, detailed oversight and design functionality. **Duties:** Prepare scope of services and requests for proposals for design services. Administer selection process for design team. Prepare design contracts. Recommend for award and execute design contracts. Assemble cost estimates; prepare project budget and budget revisions. Prepare project schedule and schedule revisions. Approve project budget and budget revisions. Approve project schedule and schedule revisions. Establish, execute, and administer arrangements for surveys, analysis, environmental



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studies, and other forms of technical support. Supervise designers. Establish functional and performance requirements. Coordinate activities of designers with the balance of the technical team, and operating staff. Present major design alternatives and issues. Provide direction to on major design alternatives and issues. Review and approve ongoing design reports and documents. Sign all regulatory permits and permit applications. Review, approve, and correct ongoing design reports and documents, including all technical specifications. Prepare construction contract forms. Assemble and submit regulatory permit applications and coordinate regulatory process. Approve all requests for payment.

**3.8.6.4 Designer Duties:** Analysis of design alternatives. Preparation of plans and specifications. Preparation of support material for permit applications, and other contract documents. Coordination of various members of the design team. Preparation of cost estimates.

### **3.8.7.0 Construction/Acquisition**

**3.8.7.1 Trustees. Responsibility:** General oversight of contract awards, major payments and acceptance of capital assets constructed or acquired. **Duties:** Award and execute construction/acquisition contract according to Nevada Revised Statutes. Approve change orders cumulatively exceeding 10% of construction contract or \$50,000, whichever is the greater.

**3.8.7.2 General Manager. Responsibility:** Ensure contracts and requests for payments submitted to the Board of Trustees for approval meet the



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requirements outlined in the Capital Improvement Project Budget. **Duties:** Approve change orders cumulatively not exceeding 10% of construction contract or \$50,000. Upon substantial completion, approve release of retention for Construction projects.

**3.8.7.3 Project Manager Responsibility:** Detailed oversight. **Duties:** Recommend award and execute construction/acquisition contracts. Recommend approval of change orders. Recommend release of retention to General Manager and Board of Trustees. Recommend approval of the final payment. Administer bid process. Recommend contract award. Coordinate final contract preparation, including insurance, bonding, and certificates. Establish, administer and execute arrangements for inspection and testing. Supervise construction representatives. Review all inspection, testing and construction observation reports. Serve as District's representative to contractor and regulatory agencies. Approve all shop drawings. Approve requests for equals. Approve all certificates for payment. Update construction schedule.

**3.8.7.4 Construction Representative. Duties:** Observe construction and testing. Prepare construction observation reports. Advise Project Manager of deficiencies when noted. Notify Project Manager of deviations from plans and specifications. Prepare and execute notice to proceed.