



Policy Type: Board

Category: Fiscal and Budget

Policy Name: Policy for Planning, Reporting, and Financing Capital Projects
- Board Policy 4.11

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4.11 POLICY FOR PLANNING, REPORTING, AND FINANCING CAPITAL PROJECTS (Adopted 3-10-98; Amended 2-26-08)

The Board of Supervisors believes that a high priority must be placed on the financing of capital projects. This approach allows for a capital expenditure strategy which enables the County to:

- provide appropriate facilities for its workforce and clients;
- manage maintenance, utilities and other facility ownership costs; and,
- plan for the future replacement of facilities.

The Board supports a rigorous annual planning process and application of well-defined and policy driven criteria. Board Policy 4.10 describes the annual Capital Outlay Process whereby departments will submit capital budget concept proposals for review to the Administrative Capital Committee. The Finance and Government Operations Committee will annually review capital project requests as submitted by the Administrative Capital Committee and will forward recommended projects to the full Board of Supervisors for consideration based upon the following criteria:



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- **Legal Mandates** - legal requirements which require implementation of the proposed project.
- **Health and Safety Effects** - the degree to which a project reduces or eliminates the exposure of employees and residents to health and safety hazards.
- **Preservation of Existing Capital Facilities** - the ability of a project to eliminate an existing deficiency, substandard condition, or need for future major rehabilitation.
- **Service Level Changes (Quality of Service)** - the project's effect on the efficiency of County programs.
- **Fiscal Impacts** - the cost effectiveness of the project (cost-benefit, life cycle cost, payback term, risk assessment analysis).
- **Environmental Sustainability** - the potential for the project to improve one or more of the following indicators of environmental sustainability, consistent with Board Policy Section 7.14 (County Green Building Policy):
 - (A) Reduced energy use
 - (B) Reduced Greenhouse Gas (GHG) emissions
 - (C) Reduced water use
 - (D) Improvements to water quality
 - (E) Improvements to air quality
 - (F) Contribution of project to habitat conservation goals



- **Aesthetic or Social Effects** - the beneficial or adverse impact of a project on the quality of life for residents and/or employees.

4.11.1 Reporting Capital Projects in the 10-Year Capital Improvement Plan

Capital projects are developed and reviewed by the Finance and Government Operations Committee and by the Board of Supervisors as described in Board Policy Section 4.10 (Capital Outlay Policy). Capital projects are reported in the annually updated 10-Year Capital Improvement Plan as described below:

- (A) Capital projects that exceed \$500,000 will be presented in the 10-Year Capital Improvement Plan and will include information on the stage of the project, estimated life cycle costs including one-time and ongoing costs, and additional costs of the service program, if any.
- (B) Capital projects that exceed \$500,000 and require more than one year for completion will be presented to the Board in a multi-year format with clear definition of the need for expenditures and/or encumbrances within each fiscal year based.
- (C) For capital projects that exceed \$500,000, distinct phases will be clearly defined separating the design phase from the construction phase. Though a total cost of all phases will be estimated, funding for construction will normally be considered only at the completion of the design phase when accurate costs have been determined.
- (D) Projects to be funded from bonds or other sources outside the regular capital review process, such as Santa Clara Valley Health and



Hospital capital accounts, will be included in the document for reference purposes.

Projects that are not requested during the annual Capital Projects planning process, as described in Board Policy Section 4.10 (Capital Outlay Policy), will not be considered for funding unless the need has been created by an emergency or other compelling reason.

4.11.2 Capital Projects Descriptions

This policy recommends that capital expenditures be sorted as based on the following categories of projects:

- (A) Preventative / Corrective Maintenance projects
- (B) Life Cycle Replacement / Major Maintenance projects
- (C) Special Program projects
- (D) New Construction / Alteration projects

4.11.3 Preventative / Corrective Maintenance Projects (Amended 6-19-98)

Preventative and corrective maintenance projects are the maintenance work needed to keep a facility and its systems functioning to the end of their engineered lives or "life cycle." Preventative maintenance accomplishes facility system inspections and services in accordance with schedules established by manufacturers' recommendations, industry standards, and government regulations. Corrective maintenance is the repair of a facility system that has failed unexpectedly prior to the end of the engineered life of that system. Most corrective maintenance projects are small repair



projects that can be performed by County employees since the project work costs less than the dollar amount established by California Public Contract Code Section 22032(a).

These projects typically fall under the criteria of "Preservation of Capital Facilities," "Legal Mandates," and "Health and Safety Effects."

Preventative and corrective maintenance projects are funded in department annual operating maintenance budgets from county "ongoing funds", and are not capital projects per se. But, failure to perform this work will result in the creation of expensive capital repair projects. Larger corrective maintenance projects may be reclassified as "major maintenance" projects.

The Board of Supervisors has adopted a policy to determine a level of allocation for preventive maintenance based on the value of County-owned buildings. The preventative maintenance annual funding standard shall be 2% of the facility value.

4.11.4 Life Cycle Replacement / Major Maintenance Projects

Buildings and their systems are engineered for a useful design life. Life cycle replacement and major maintenance projects, also known within the County as Backlog projects, are those capital funded projects that replace or renovate buildings and their systems as those buildings / building systems reach the end of their useful lives. Large corrective maintenance projects may be reclassified as major maintenance projects due to the need to fund these projects with capital funds rather than from department annual operating budgets.

These projects typically fall under the criteria of "Preservation of Existing Capital Facilities," "Legal Mandates," and "Health and Safety Effects."



The list of projects and desired level of annual capital funding for this work is identified through a Facility Condition Assessment process. A prioritized list of these projects is annually presented to the Board of Supervisors during the annual capital planning process.

Funding for these projects is typically provided from County "one-time" funds. Consideration should be given to using other sources of funding if "one-time" funds are insufficient to meet the life cycle replacement requirements of the County's facilities.

Unexpected emergency maintenance projects are often funded from the County Contingency Reserve Fund. These projects are considered separately from the annual capital project review process due to the unexpected nature of their occurrence and the urgency with which the repair work must be completed.

4.11.5 Special Program Projects

Special program projects are those groupings of projects having unique characteristics that are of special interest to the County. Possible examples of such programs include energy conservation, water conservation, greenhouse gas reduction, Americans with Disabilities Act projects, security, and others. These projects may be reflective of one or more of the listed capital projects selection criteria.

These projects are prioritized within their groupings, and the suggested prioritized lists are annually provided to the Board of Supervisors for funding consideration. The program lists are often included in the 10-Year Capital Improvement Plan.

These projects are typically funded from "one-time" funds.



4.11.6 New Construction / Alteration Projects (Amended 9-10-13)

These projects provide new, or significantly or materially alter, improve or modify existing, facilities, facility design, parking needs, leased or licensed buildings, space or other properties. An alteration, improvement or modification to a facility, parking need, building, space or other property may be considered material or significant if it materially or significantly alters, modifies or changes the County's or a Department's fiscal, operational, management, structural or facility responsibility needs or obligations. While these projects may be selected due to a number of capital project selection criteria, the most commonly used criteria for these projects may be "Service Level Changes." Changes in Federal or State laws, regulations, and building codes may also create a need for such projects under the "Legal Mandates" criteria.

This policy will require the Administration to include comprehensive statements regarding the fiscal, operational, facility and management impact of new construction or design, and the alteration, improvement, or modification of new or existing capital projects on affected departments including, but not limited to, the impact on the Facilities and Fleet Department relating to utility, custodial, and maintenance costs, space and design needs and modifications, lease amendments and change orders, and to other support departments such as the Information Services Department. An additional requirement will be to demonstrate how the funding of such a project will improve the performance of particular departments as it relates to productivity, efficiency, service outcomes, or meeting legal mandates. It is anticipated that projects to provide (by lease, license, purchase or agreement) new, expanded, altered, improved or modified facilities, facility design, space, parking, buildings or properties will derive from the Facilities Condition Assessment process, the Real Estate Master Plan, and/or specific operational strategic plans that examine productivity, efficiency, service outcomes, short-term and long-term



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objectives, legal mandates and a cost/benefit analysis taking into account a lease versus purchase option (where applicable). An examination of the cost effectiveness including a life cycle analysis should be reported regardless of funding sources. All of these factors must be included in the justifications presented to the Finance and Government Operations Committee and the Board of Supervisors.

These projects may be funded from a variety of funding sources including Federal, State, grant, bond indebtedness, and County "one-time" funds; and special funds such as Tobacco Funds, Criminal Justice Funds, parcel tax, and other funding sources.

The financial amount required to fund a large new construction or major alteration project may exceed the financial resources available in any given year. These projects should be considered on a case by case basis and be evaluated separately from annual capital requirements.

Related Policies

None.

Related Forms and Information

None.



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History

Date	Changes Made
1/30/2014	Policy Uploaded. (Kyle Larson)
9/10/2013	Policy Amended. View legislative file.
2/26/2008	Policy Amended. View legislative file.
6/19/1998	Policy Amended. View legislative file.
3/10/1998	Policy Adopted. View legislative file.