

Policy 2035 Capital Improvement Plan

The Capital Improvement Plan Policy establishes the framework by which the District plans, prioritizes, funds, and oversees capital investments to ensure the long-term reliability and fiscal sustainability of its infrastructure and services.

PURPOSE

The District shall prepare a Capital Improvement Plan (CIP) for the upcoming budget year and the subsequent nine fiscal years, with a minimum of five years presented to the Board. The CIP systematically plans, prioritizes, schedules, and finances capital projects across all District service areas—water, sewer, fire protection and emergency medical services, solid waste, and administrative facilities—to ensure cost-effectiveness and conformance with established funding policies.

The CIP shall evaluate capital projects that replace or enhance existing assets, as well as those that expand the District's asset base. Given the District's infrastructure and the demands placed on its systems, disciplined long-term capital planning is essential to fiscal sustainability and reliable service delivery.

SCOPE

This policy applies to all District departments and service areas. A capital project is any expenditure resulting in the acquisition, construction, improvement, or replacement of a tangible asset with an expected useful life exceeding one year and a total cost of \$10,000 or more, consistent with the District's capitalization threshold. Expenditures below this threshold are treated as maintenance and repair and are charged to the operating budget.

Capital projects are organized into the following categories:

- Water System – transmission, pumping, storage, wells, and telemetry
- Sewer System – collection, pumping, interceptors, inflow and infiltration, and telemetry
- Fire and Emergency Medical Services – apparatus, stations, and equipment
- Solid Waste – related infrastructure
- Administrative – buildings, fleet, equipment, and information technology

POLICY

A. Annual Adoption

The Board of Directors shall review and adopt the CIP concurrently with the Annual Budget. The CIP shall include the upcoming fiscal year and projections for the following four fiscal years. Projects and funding identified beyond the current budget year are provided for planning purposes only and subject to future Board review and approval.

All capital expenditures must be formally appropriated by the Board through the annual budget resolution or subsequent Board-approved budget amendments. The Board retains sole authority to approve new projects or authorize the use of undesignated reserves.

B. Long-Term Capital Replacement Planning

The District shall maintain a long-term capital asset replacement plan for each major fund, tracking the estimated remaining useful life and projected replacement cost of each significant asset. Reserve contribution targets shall be set through the Cost of Service and Rate Study and reviewed at least every five years.

The capital replacement model plans shall be reviewed and updated annually to verify that reserve contribution targets are not changing considerably. Depreciation is calculated on the straight-line method using the following estimated useful lives: facilities and systems, 3–50 years; vehicles, furniture, and equipment, 3–20 years.

C. Funding Sources

Capital projects may be funded through one or more of the following sources:

Capital Reserve Funds – The District maintains dedicated reserve accounts for each service area (Water Capital, Water Reserve, Sewer Capital, Sewer Reserve, Fire Capital, Fire Reserve, Garbage Reserve, and Bike Trail Snow Removal Reserve), funded through operating surpluses, rates, property taxes, and connection fees.

Grants – The District actively pursues state and federal grants. Award amounts shall be incorporated into the CIP upon confirmation. Any required local match shall be budgeted in advance.

Connection and Impact Fees – Fees collected from new development shall be deposited into the applicable capital fund as required by law.

Long-Term Debt – Debt financing is considered only for large non-recurring projects when reserves are insufficient and the full cost of financing is justified. Any debt issuance requires Board approval and compliance with California law.

D. Project Management

Every approved capital project shall have a designated project manager responsible for preparing the project proposal, managing scope and schedule, authorizing expenditures within the approved budget, ensuring compliance with all applicable laws and grant conditions, and reporting project status to the General Manager and Board of Directors.

E. Amendments

The Board may amend the CIP at any time. Material changes—such as the addition or elimination of significant projects or changes in funding sources—require formal Board action. Minor administrative adjustments within the General Manager’s budgetary authority shall be reported to the Board at the next regular meeting.

TRANSPARENCY AND REPORTING

The District is committed to open and accountable capital planning. In support of that commitment:

1. **Public Availability** – The adopted CIP and annual budget shall be published on the District’s website at www.ovpsd.org and made available for public review prior to Board adoption.
2. **Annual Audit** – Capital expenditures and reserve fund balances shall be reflected in the District’s annual audited financial statements, prepared in accordance with Generally

Accepted Accounting Principles (GAAP) and Government Auditing Standards, and issued an independent auditor's opinion.

3. Project Monitoring – The General Manager or Finance Manager shall provide the Board with regular updates on active capital projects, including expenditures to date, budget status, schedule adherence, and grant compliance. At a minimum, monitoring shall confirm that scope is defined, expenditures are reviewed against the approved budget and total project life, and all grant conditions are met.
4. Reserve Reporting – Capital and reserve fund balances shall be reported to the Board quarterly and summarized in the annual financial report, ensuring the Board and public can assess progress toward funding the long-term capital replacement plan.
5. Policy Review – This policy shall be reviewed periodically and updated as necessary.

(Adopted 05-26-2026)