

BEFORE THE CITY OF CANNON BEACH

FOR THE PURPOSE OF ADOPTING A ) RESOLUTION NO. 03-26  
CAPITAL ASSET MANAGEMENT POLICY )

WHEREAS, the City of Cannon Beach desires to establish a framework for the City's overall capital asset planning and management; and

WHEREAS, the City wishes to provide guidance for current practices and a framework for evaluation of future projects; and

WHEREAS, the City seeks to improve its financial stability to providing a consistent approach to fiscal strategy in relationship to capital assets; and

WHEREAS, adopted financial policies show the credit rating industry and prospective investors such as bond buyers the City's commitment to sound financial management and fiscal integrity; and

WHEREAS, adherence to adopted policies ensures the integrity and clarity of the financial planning process and can lead to improvement in bond ratings and lower cost of capital; now therefore

BE IT RESOLVED that the Common Council of the City of Cannon Beach hereby adopts the Capital Asset Management Policy outlined in Exhibit A attached to this resolution.

PASSED by the Common Council of the City of Cannon Beach this 7th day of October 2003, by the following roll call vote:

YEAS: Councilors: Dooley, Ayres, Swigart, Vetter; Mayor Rouse  
NAYS: None  
EXCUSED: None

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Dave Rouse, Mayor

Attest:

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Peggy Coats, City Manager

**City of Cannon Beach  
Capital Asset Management Policy**

1. The City of will operate and maintain its physical assets in a manner that protects the public investment and that ensures a maximum useful life.
2. The City will establish a Renewal and Replacement Reserve account for each operating fund responsible for major capital assets
3. The City will prepare, adopt, and update at least annually a three-year Capital Improvement Plan (CIP). The CIP will identify and set priorities for all major capital assets to be acquired, replaced, constructed, or rehabilitated by the City. The first year of each adopted three-year CIP will be included in the budget for the coming fiscal year.
4. Capital Improvement Projects are those in which facility/equipment purchases or construction result in a capitalized asset costing more than \$50,000 and having a useful (depreciable) life of three years or more. Also included are major maintenance projects of \$50,000 or more that have a useful life of at least three years.
5. An assessment of all City facilities will be conducted at least every three years. The assessment will identify repairs needed in the next three years to ensure the maximum useful life for the asset. This information will be the basis for capital improvement planning for existing facilities and in determining the adequacy of the existing Renewal and Replacement Reserves.
6. The CIP will identify adequate funding to support repair and replacement of deteriorating capital assets and to avoid a significant unfunded liability from deferred maintenance.
7. A three-year forecast of revenues and expenditures will be prepared in conjunction with the capital budgeting process.
8. To the extent possible, improvement projects and major equipment purchases will be funded on a “pay-as-you-go” basis from existing or foreseeable revenue sources. Fund Balances above established reserve requirements may be used for one-time expenditures such as capital equipment or financing of capital improvements.
9. Debt, including capital leases, may only be used to finance capital, including land acquisition, not ongoing programs and operations. Projects that are financed through debt must have a useful service life at least equal to the debt repayment period.
10. When choosing funding sources for capital items, every effort should be made to fund enterprise projects either with revenue bonds or self-liquidating general obligation bonds. For the purpose of funding non-enterprise projects, other legally permissible funding sources, such as system development charges, should be considered.
11. Acquisition or construction of new facilities must be approved by Council and should be done in accordance with any adopted facility or master plans. Council will be presented with an estimate of the full cost to operate and maintain the facility through its useful life and the plan for meeting those costs prior to approval. At the time of approval, Council will determine and establish the Renewal and Replacement Reserve for the asset to ensure resources are adequate to meet future major maintenance needs.