

# Meeting the Infrastructure Challenge with Sound Capital Planning and Budgeting



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Commonwealth of Pennsylvania

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# Multi-Year Financial Planning



# The framework: the multi-year financial plan

## **Multi-year planning**

Funding sources

Funding amounts

Operating budget  
impacts

Previously  
authorized projects

The out-years

- “Capital improvements require careful long-term planning and budgeting so that cyclical downturns or unforeseen financial emergencies do not curtail planned maintenance and necessary replacement.”
- The MYP is an “early detection system” identifying potential challenges and opportunities and providing feasible solutions
- Moody’s cites multi-year financial planning as a fiscal management practice that tends to yield strong results



# The framework: the multi-year financial plan

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- Both operating and capital budgets need to be developed within the context of a multi-year financial plan
  - How fast are revenues and expenditures growing?
  - What are the best and worst case scenarios, and what actions may be needed?
  - How much debt should be issued?
  - What funds will be available for pay-as-you-go?
  - What impact will new capital projects have?



# San Clemente Long Term Financial Plan

## **Multi-year planning**

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- The *2006 Long Term Financial Plan* is the City's 14<sup>th</sup> annual plan
  - Based upon current financial conditions
  - Assumes the continuation of current service levels
  - Includes the General Fund and 5 other major operating funds
  - Economic assumptions are based on forecasts by Cal State Fullerton

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
<b>Beginning Fund Balance</b>	<b>12,720</b>	<b>11,586</b>	<b>11,381</b>	<b>11,776</b>	<b>12,189</b>
<b>Receipts</b>					
Taxes	29,424	30,807	33,847	35,478	37,526
Licenses & Permits	3,135	3,144	2,435	1,939	1,975
Intergovernmental	750	769	790	812	829
Service Charges	4,249	4,189	3,477	3,556	3,642
Fines & Forfeitures	1,022	1,058	1,095	1,137	1,172
Interest & Rents	1,518	1,652	1,709	1,768	1,830
<u>Interfund Transfers</u>	<u>3,326</u>	<u>3,266</u>	<u>3,207</u>	<u>3,287</u>	<u>3,368</u>
<b>Total GF Receipts</b>	<b>43,424</b>	<b>44,885</b>	<b>46,558</b>	<b>47,978</b>	<b>50,342</b>
<b>Disbursements by Category</b>					
Salaries & wages	9,748	10,087	10,273	10,464	10,818
Employee benefits	3,961	4,104	4,250	4,383	4,535
Supplies	859	881	903	925	949
Contractual services	22,482	23,298	23,873	24,738	26,036
Other charges	1,131	1,160	1,189	1,218	1,249
Capital outlay	299	305	312	319	326
Interdepartmental charges	3,369	3,450	3,537	3,625	3,716
<u>Interfund transfers</u>	<u>2,698</u>	<u>1,843</u>	<u>1,877</u>	<u>1,914</u>	<u>1,955</u>
<b>Total GF Disbursements</b>	<b>44,408</b>	<b>44,990</b>	<b>46,074</b>	<b>47,445</b>	<b>49,437</b>
<b>Emergency Reserve</b>	150	100	90	120	140
<b>Reservation of FB</b>	0	0	0	0	0
<b>Ending Fund Balance</b>	<b>11,586</b>	<b>11,381</b>	<b>11,776</b>	<b>12,189</b>	<b>12,954</b>



# Growth rate assumptions

## Multi-year planning

Funding sources

Funding amounts

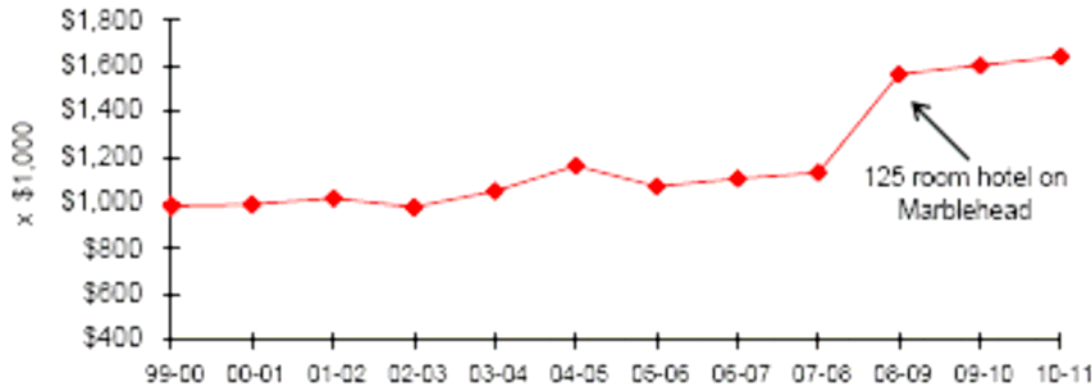
Operating budget impacts

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- Major budget drivers are assumed to grow at the following rates:

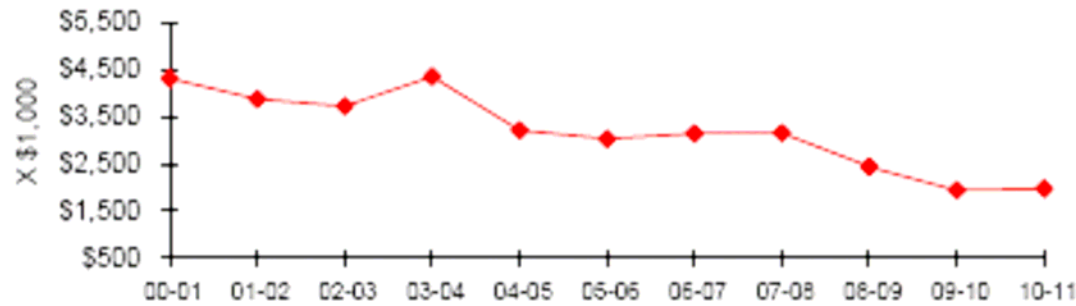
	2006-07	2007-08	2008-09	2009-10	2010-11
Inflation	3.2%	2.5%	2.5%	2.5%	2.5%
Population	3.8%	2.4%	2.3%	2.7%	1.8%
Assessed Valuation	2.0%	2.0%	2.0%	2.0%	2.0%
Personal Income	6.0%	5.4%	5.6%	5.6%	5.6%
Taxable Sales	6.4%	6.0%	6.0%	6.0%	6.0%
Property Taxes	2.0%	2.0%	2.0%	2.0%	2.0%
Prop. Transfer Tax	3.2%	2.5%	2.5%	2.5%	2.5%
Construction Permits	3.8%	2.4%	2.3%	2.7%	1.8%
Salaries & Wages	2.9%	2.3%	2.3%	2.3%	2.3%
Employee Benefits	2.9%	2.3%	2.3%	2.3%	2.3%
Services/ Other Charges	3.2%	2.5%	2.5%	2.5%	2.5%



### Hotel Occupancy Tax:

Hist: 3.4% per year

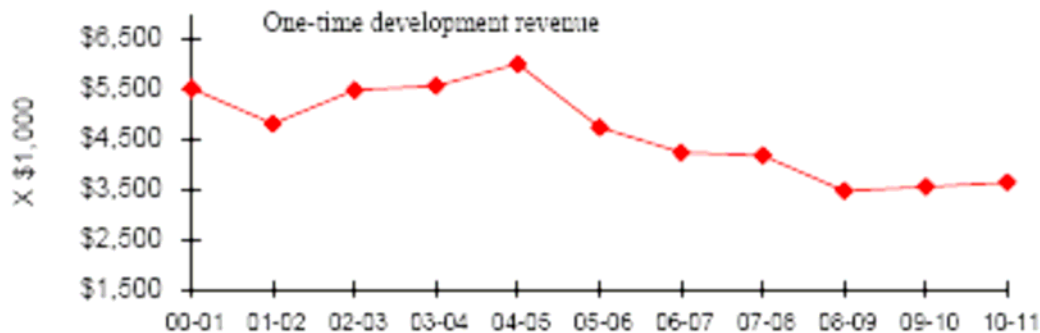
Proj: 9.7% per year



### Licenses & Permits:

Hist: 3.6% per year

Proj: -7.5% per year



### Service Charges:

Hist: 8.0% per year

Proj: -4.8% per year

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## Capital Funding Sources



# Capital funds

Multi-year planning

**Funding sources**

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- The multi-year plan defines the parameters of the capital plan
- Based on the multi-year plan, the amounts and timing of all CIP funding sources will be defined

# Planning for debt issuance

- The Commonwealth of PA monitors debt levels in terms of several ratios:
  - Carrying charge: debt service as a % of GF expenditures
  - Debt per capita
  - Debt to income ratio: net per capita debt divided by per capita income

Index	Benchmark	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10	FY10-11
Carrying Charge	Low: ≥ 5% Med: 10% High: ≥ 15%	3.2%	3.5%	3.9%	4.2%	4.4%	4.5%
Debt per Capita	Low: \$1,000 Med: \$1,000-\$2,500 High: ≥ \$2,500	\$608	\$685	\$779	\$833	\$869	\$872
Debt to Income	Low: 0-3% Med: 3-6% High: ≥ 6%	1.7%	1.8%	2.0%	2.0%	2.0%	1.9%



# Planning for debt issuance

Multi-year planning

**Funding sources**

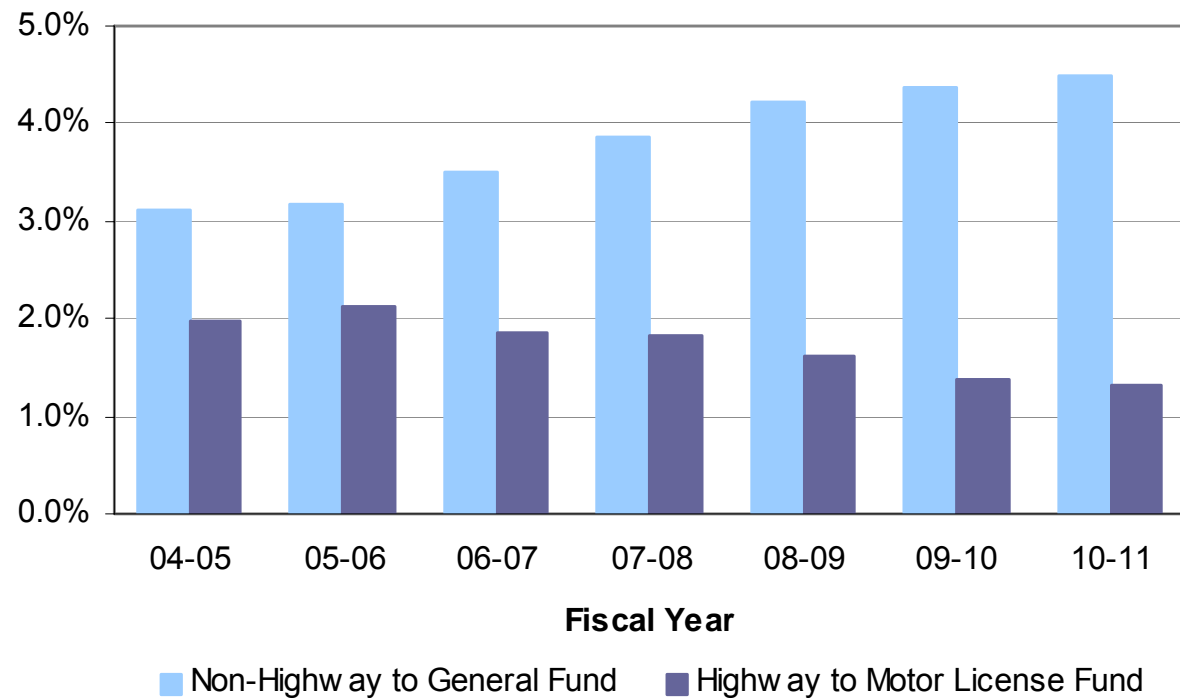
Funding amounts

Operating budget impacts

Previously authorized projects

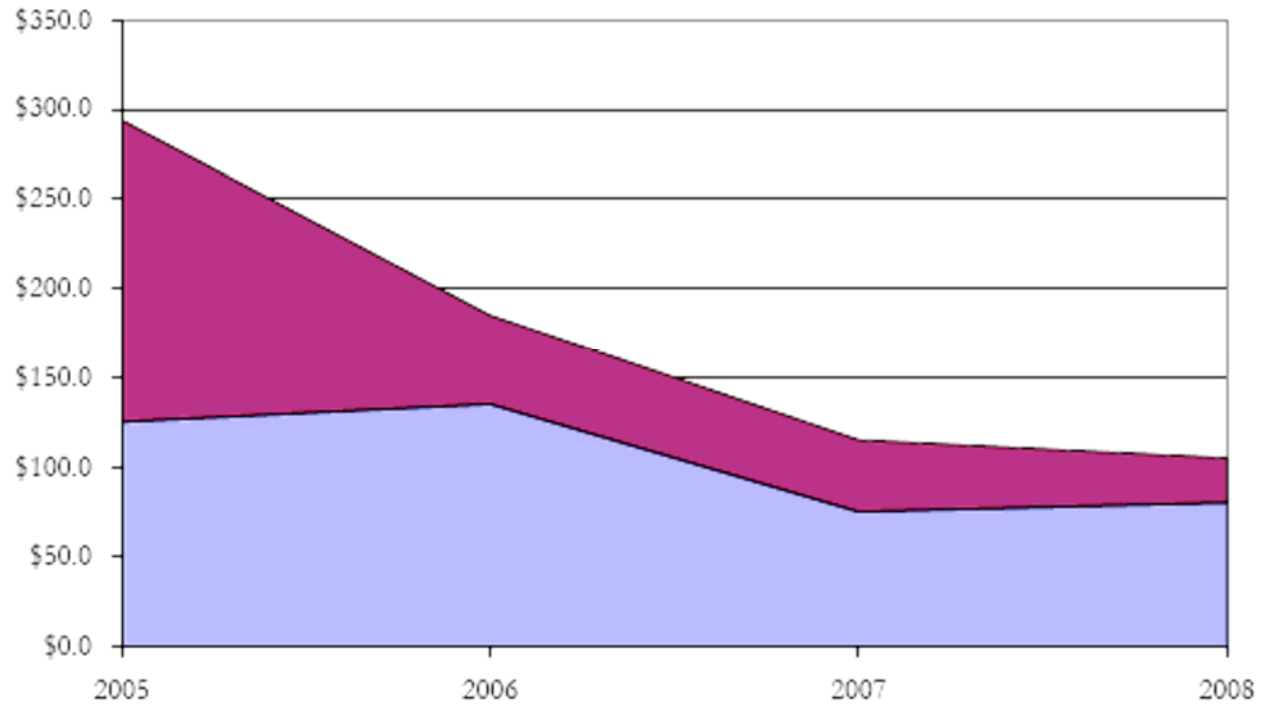
The out-years

**General Fund Supported Debt Service as a Percent of Revenues**





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	2005	2006	2007	2008
Capital	\$70.0	\$70.0	\$75.0	\$80.0
NUMC Capital	\$5.0	\$0.0	\$0.0	\$0.0
BCP BAN Takeout	\$0.0	\$64.9	\$0.0	\$0.0
Open Space	\$50.0	\$0.0	\$0.0	\$0.0
Tax Certioraris	\$134.0	\$15.0	\$10.0	\$0.0
Other Judgments	\$35.0	\$35.0	\$30.0	\$25.0
<b>Total</b>	<b>\$294.0</b>	<b>\$184.9</b>	<b>\$115.0</b>	<b>\$105.0</b>



# Capital funds

Multi-year planning

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- But identifying capital funds shouldn't just be planning the size and timing of future bond issues
- According to S&P, necessary characteristics of the CIP include:
  - The flexibility to modify the program in difficult economic periods, and
  - The ability to finance investment through operating surpluses



# Capital funding diversification: not so good

Multi-year planning

**Funding sources**

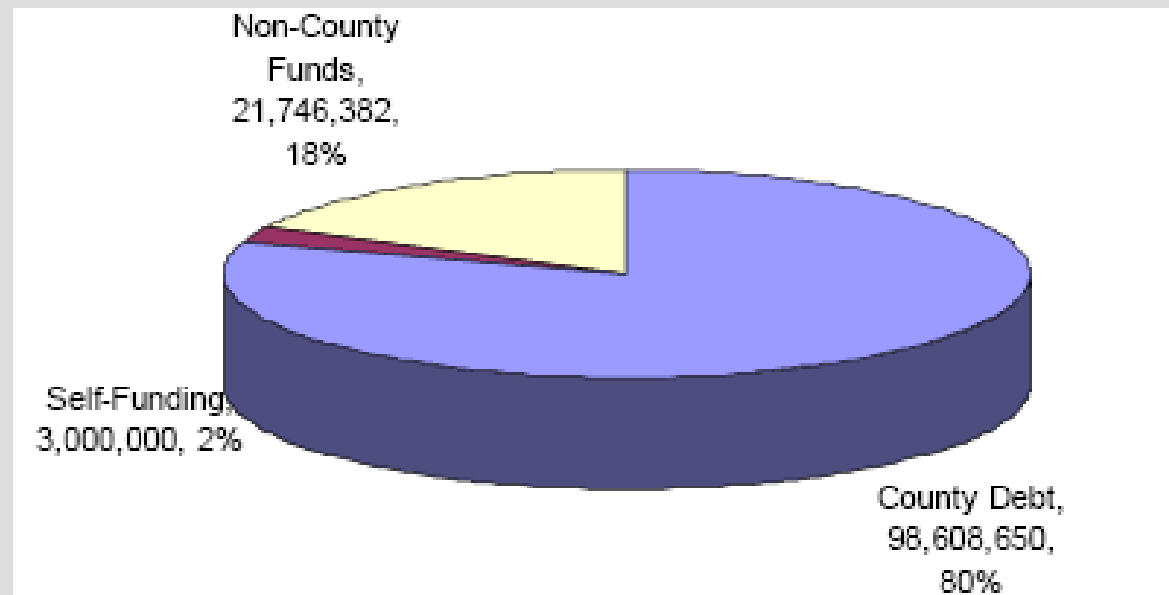
Funding amounts

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The out-years

- Nassau County notes that its CIP is heavily reliant on debt – 80% in the 2006-09 CIP





# Capital funding diversification: better

Multi-year planning

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The out-years

- City of Charlotte's goal: maintain a balanced mix of financing strategies for funding capital projects without an excessive reliance on any one source:
  - Pay-as-you-go funding
  - Grants
  - Debt
  - Loan repayments
  - Capital Reserve



# Charlotte – capital funds

Multi-year planning

**Funding sources**

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The out-years

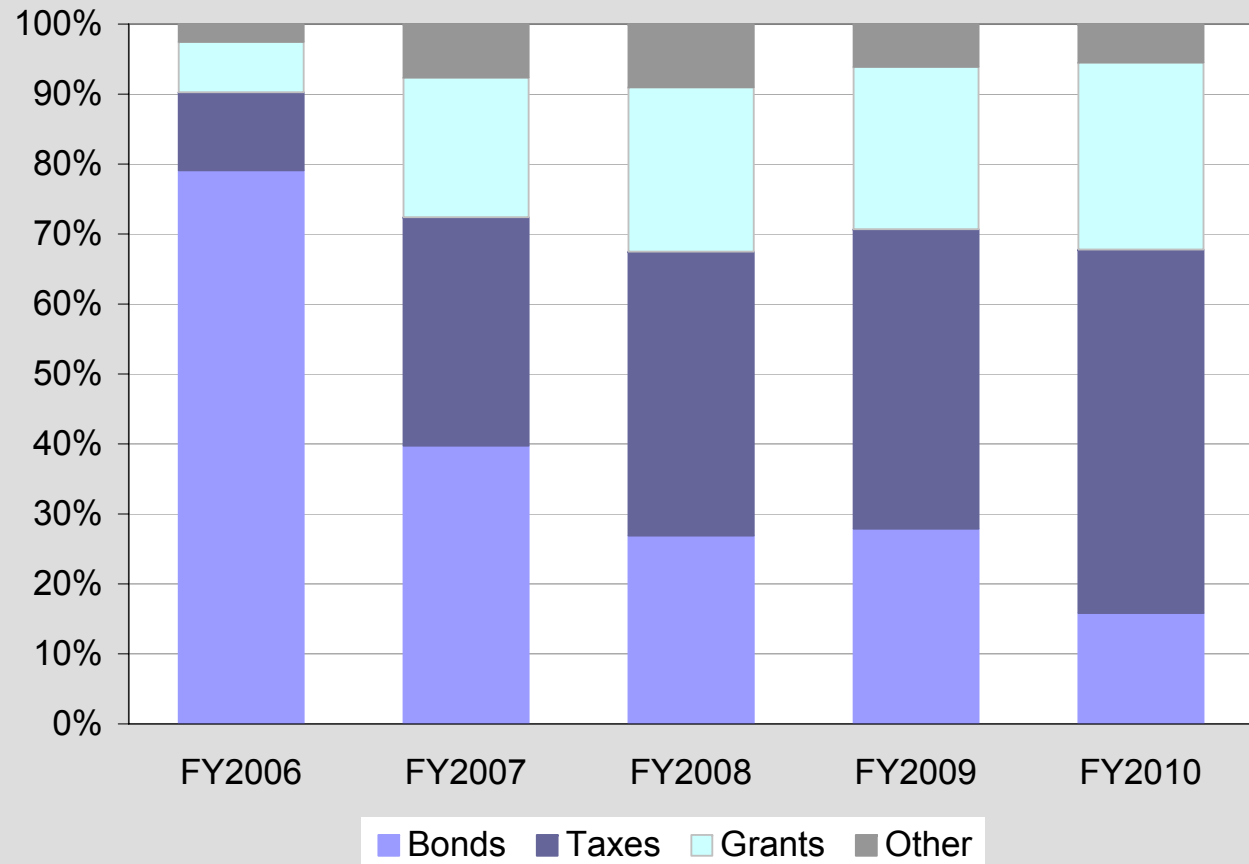
	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>
Bonds	89,625,000	16,225,000	9,325,000	9,800,000	4,822,940
Taxes	12,662,047	13,319,901	14,081,740	15,022,685	15,825,357
Grants	8,148,950	8,148,950	8,148,950	8,148,950	8,148,950
<u>Other</u>	<u>2,873,857</u>	<u>3,113,857</u>	<u>3,129,307</u>	<u>2,145,219</u>	<u>1,661,611</u>
<b>TOTAL</b>	<b>113,309,854</b>	<b>40,807,708</b>	<b>34,684,997</b>	<b>35,116,854</b>	<b>30,458,858</b>

- 1.6 cent pay-as-you-go property tax rate will generate \$12.7 million in 2006 and is projected to grow to \$15.8 million 2010
- Capital Reserve: funding in excess of 16% of the General Fund balance is dedicated to pay-as-you-go capital expenses



# Charlotte – capital funds

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# Capital funding sources

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- If revenues from a particular source are volatile, declining, or one-shots, consider dedicating them to the capital program
  - Revenues from taxes that are being phased out
  - Revenues from sales of assets

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## Capital Funding Amounts



# Capital funding amounts

Multi-year planning

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- Maximum amounts should be firmly established and adhered to

## Good

- Decide on the maximum amount to be spent for each funding source based on financial planning

## Not good

- Develop the capital budget by identifying needs and adding them together

## Project selection: not so good

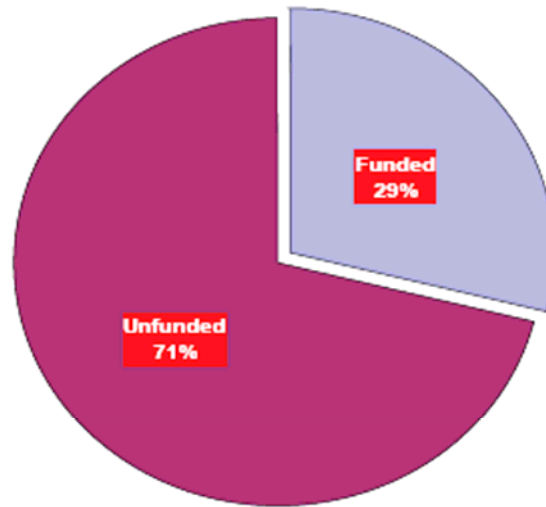
- The table below records a process in which the total spend changes based on project selections, rather than the other way around
- The final 5-year number of \$701 million was far less than the peak of \$818 million
- ...But it was also much higher than the target amount of \$569 million

Date	2003	2004	2005	2006	2007	5 Yr Total
Target	118,682	119,570	107,349	101,311	122,070	568,982
1/8/02	148,210	150,365	123,931	89,335	204,486	716,327
1/22/02	172,313	202,849	149,240	118,565	156,704	799,671
1/24/02	172,408	204,794	144,590	108,465	140,377	770,634
1/29/02	181,059	217,813	147,833	112,265	141,070	800,040
2/1/02	185,337	224,893	149,433	109,865	132,041	801,569
2/5/02	185,869	229,976	154,856	116,227	131,458	818,386
2/12/02	181,310	228,226	156,102	115,083	131,627	812,348
4/30/02	133,194	164,681	173,712	143,362	86,205	701,154



# Project selection: better

Multi-year planning  
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- Maximum amounts should be firmly established and adhered to

- For Charlotte, that means that less than one-third of identified projects are actually funded
- The pie chart shows the \$254.4 million funded portion of total General Government project requests of \$860.7 million

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## Capital Projects – Operating Budget Impacts



# Operating budget impacts of capital projects

Multi-year planning

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**Operating budget impacts**

Previously authorized projects

The out-years

- Need to account for operating costs or savings projected to result from completed projects
  - Costs
    - Staffing & services – e.g., security, maintenance
    - Utilities & supplies
  - Savings – e.g., reduced utility costs
  - Revenues – e.g., recreation facilities fees



# Operating budget impacts: good

Multi-year planning

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- Narrative description of operating budget impacts
  - Reduced maintenance, including reduced wear/tear on pump stations (due to reduced flow), fewer responses to customer complaints, and improved system reliability

## **Inflow/Infiltration Reduction Program**

*Project description:* Projects designed to reduce the inflow and infiltration of stormwater into the sanitary sewer system based on system monitoring results and flow data.

*Cost:* \$704,000

*Operating Budget Impact:* Projects are performed by contractors. Staff involvement would include determination of appropriate projects from priority list, selection of design engineer, review of plans/specs, project inspection, and customer service during project. **Reduced maintenance, including reduced wear/tear on pump stations (due to reduced flow), fewer responses to customer complaints, and improved system reliability** are project outcomes. Projects are selected annually and are typically in older neighborhoods, due to the age of existing infrastructure.



# Operating budget impacts: better

Multi-year planning

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## Some quantification of costs/ savings

- Bikeway expansion project: annual O&M costs of \$1,000 per mile beginning in 2007
- Signalized intersection: annual operating costs estimated at \$5,000 each
- Enterprise-wide cashiering solution: licensing fees for additional users of \$5,000 each plus est. annual maintenance fees of \$750

### **Park, Environment, Education and Land Use**

A bikeway expansion project has annual operational and maintenance costs estimated to cost \$1,000 per mile, or approximately \$5,000 annually per year beginning in the year 2007. The energy efficiency updates at the Expo Center are designed to lower utility costs and maintenance work is designed to prevent more costly repairs and maintenance. The aging parks facilities maintenance buildings at Menomonee and Muskego Parks have poor energy efficiencies and functionality for the occupants and park users. Updating these structures is expected to result in more usable space along with reduced utility costs. Annual planned replacement of pavement prevents the need for excessive costly repairs.



# Operating budget impacts: best

Multi-year planning

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**Operating budget impacts**

Previously authorized projects

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- A method for estimating impacts was developed centrally by the budget office
- The method is applied to every project as part of the capital budget development process
  - There are instructions for use and assistance available if needed
  - Accounts for inflationary cost increases over the plan period
  - The budget office reviews all results for accuracy
- Costs are considered in the project prioritization process
- Results are presented in the capital plan
- Results are fully coordinated with the operating budget and multi-year plan

## CIP Project Costs

**Project Name:** \_\_\_\_\_

Provide the estimated cost of the project and the requested year of funding. Do not adjust for inflation, we will do that for you. In addition, provide estimated operating costs. Should you require assistance, please feel free to contact your budget analyst. Bob Rivers, Capital Projects Management (796-7098) can assist with formulating project costs.

	Account	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
<b>Project Costs</b>							
Testing Services	521F0						
Architectural Services	52130						
Engineering Services	52170						
Other Contractual Services	52990						
Non-Capital Furniture & Equipment	55130						
Right-of-Way (Easements)	58110						
Land Acquisition Costs	58120						
Site Improvements	58210						
Building Construction	58250						
Utility Connections	58370						
Communications Equipment	58480						
Other (Capital) Equipment	58490						
Construction Management (4%)	549Q0						
Contingency (15%)	58280						
<b>Total Project Costs</b>							
<b>Operating Costs</b>							
Personnel/Benefits - New Positions (attach detail)							
Equipment & Software Maintenance Charges							
Travel, Education & Conferences							
Utilities (Electric, Water, etc.)							
Materials and Supplies							
Custodial/Maintenance							
Office and Other Equipment, Including Vehicles							
<b>Total Operating Costs</b>							

## CIP Project Costs

**Project Name:** \_\_\_\_\_

Provide the estimated cost of the project and the requested year of funding. Do not adjust for inflation, we will do that for you. In addition, provide estimated operating costs. Should you require assistance, please feel free to contact your budget analyst. Bob Rivers, Capital Projects Management (796-7098) can assist with formulating project costs.

	Account	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
<b>Project Costs</b>							
Testing Services	521F0						
Architectural Services							
Engineering Services							
Other Contractual Services							
Non-Capital Furniture & Equipment	55120						
Right-of-Way (Easements)	53100						
Land Acquisition Costs	53100						
Site Improvements	58210						
Building Construction	58250						
Utility Connections	58250						
Communications Equipment	58250						
Other (Capital) Equipment	58250						
Construction Management (4%)	54000						
Contingency (15%)	58250						
<b>Total Project Costs</b>							
<b>Operating Costs</b>							
Personnel/Benefits - New Positions (attach detail)							
Equipment & Software Maintenance Charges							
Travel, Education & Conferences							
Utilities (Electric, Water, etc.)							
Materials and Supplies							
Custodial/Maintenance							
Office and Other Equipment, Including Vehicles							
<b>Total Operating Costs</b>							
	<i>Chesterfield County, VA</i>						

# Aggregate Operating Budget Impacts

- Peoria, AZ summarizes the operating budget impacts of all plan projects in the introductory section of the CIP

Project Type	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Op Facilities	\$146,106	\$169,256	\$604,256	\$631,256	\$633,256
Drainage	\$4,520	\$606,304	\$610,931	\$613,472	\$680,709
Parks	\$610,133	\$1,182,594	\$1,797,508	\$1,999,250	\$2,263,484
Public Safety	\$0	\$10,000	\$2,198,210	\$3,164,226	\$3,164,226
Streets	\$24,867	\$327,734	\$424,798	\$427,928	\$465,585
Traffic Controls	\$95,005	\$207,510	\$220,015	\$247,520	\$262,025
Wastewater	\$54,514	\$167,345	\$553,216	\$867,068	\$4,707,221
Water	\$19,025	\$498,535	\$729,818	\$927,191	\$1,050,692
<b>Total</b>	<b>\$954,170</b>	<b>\$3,169,278</b>	<b>\$7,138,752</b>	<b>\$8,877,911</b>	<b>\$13,227,198</b>

*Peoria, AZ FY2006 Capital Improvement Program*

Project Name	Year 1 FY 2007	Year 2 FY 2008	Year 3 FY 2009	Year 4 FY 2010	Year 5 FY 2011	Five Year Total
Arroyo Chico Wash Improvements	-	-	-	46.9	98.3	145.2
Atturbury Wash Sanctuary Expansion	-	-	10.3	37.9	40.3	88.5
Catalina High School Track and Field Lighting	8.0	14.3	14.5	14.8	15.1	66.7
Christopher Columbus Park	-	431.9	307.7	319.9	332.9	1,392.4
Eastside Senior Center Recreation Facility	-	-	160.8	196.1	209.1	566.0
Eastside Sports Complex	-	-	466.3	509.5	531.7	1,507.5
General Instruments Site Improvements	-	118.3	92.1	95.9	100.2	406.5
Greenway and Natural Resource Area Acquisition	-	152.1	159.6	167.4	175.6	654.7
Houghton Greenway	-	-	192.3	198.2	204.4	594.9
Julian Wash Linear Park	-	-	-	23.6	24.1	47.7
Lincoln Park/William Clements Center Expansion	381.7	395.3	407.8	418.9	429.8	2,033.5
Miscellaneous Parks Development/Renovations	53.3	54.6	56.0	57.4	58.5	279.8
New Comfort Stations	72.7	75.4	77.9	80.0	81.6	387.6
Northside Community Park	-	-	498.4	786.2	831.1	2,115.7
Performing Arts Center	-	-	32.8	33.5	34.1	100.4
Playground Equipment Replacement	6.2	6.4	6.6	6.8	7.0	33.0
Reid Park Renovation	-	6.3	6.4	6.5	6.6	25.8
Reid Park Zoo School	-	2.2	2.2	2.3	2.3	9.0
Rio Vista Park Expansion	-	-	77.6	117.2	125.3	320.1
Rodeo Grounds Improvements	65.5	67.1	80.2	82.2	83.8	378.8
Santa Cruz River Sports Park	-	-	254.0	176.6	186.1	616.7
Santa Rita Skate Park	-	21.1	21.5	21.9	22.4	86.8
Southeast Community Park	-	-	290.0	396.6	414.1	1,100.7
Sunnyside Neighborhood Improvements	1.0	1.0	1.1	1.1	1.1	5.3
<b>Total</b>	<b>588.4</b>	<b>1,346.0</b>	<b>3,216.0</b>	<b>3,797.4</b>	<b>4,015.4</b>	<b>12,963.3</b>

Tucson, AZ – Proposed CIP 2007-2011



# Use of “surplus” capital funds

Multi-year planning

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## Good

- Use to defease debt service
- Deposit in a capital reserve fund
- Transfer to other projects (with approval)

## Not good

- Transfer to the General Fund
- Transfer to other projects (without approval)

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## Previously Authorized Projects



# Spring cleaning: “carry forward” funds

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## Good

- Account for existing authorizations every year
- “Liquidate” capital authorizations if appropriate
- Survey projects in progress for supplementary funding needs

## Not Good

- Provide funding for new projects but insufficient funds to complete projects in progress
- Lose track of the number of capital projects you have
- Lose track of prior year appropriations

A primary goal of the Suozzi Administration has always been to reduce the County's debt burden and, in turn, improve the management of the capital program. A first step toward this goal was essentially shutting down the existing capital program and re-establishing it for sound financial and asset management. At the beginning of 2002, in preparation for the development of the Administration's first CIP, there were two goals for addressing capital projects that are already in progress: first, to assess their status and anticipated spending each year from 2002 to 2006, and second, to identify any projects that should not proceed based on the administration's priorities and financial constraints. To accomplish these goals, an audit of the County's capital projects was conducted. The audit process identified open projects that should have been closed along with any funds that were dedicated to debt service. As a result of the audit, the County identified 92 projects and to develop procedures to close projects timely in

The audit also determined the status and goals of each project; identified projects that might be funded from the County; and projects that might be transferred to the then-proposed Sewer and Stormwater program. A project prioritization process was identified, such as the existence of a significant level of non-County funds leveraged by the County; the value of assets; and impacts of project cancellation (e.g., project completion at the end of design). Projects were then grouped based on whether they have compelling reasons to continue, and whether they are projected 2002 spending. Based on all available information from the Multi-Year Plan, the Administration determined whether projects should be slowed down, or cancelled.

The Administration has identified 92 projects that were completed and can be closed out. The use of \$5.4 million in proceeds from closed out projects will be used to defease debt, thereby offsetting debt service payments to various degrees through 2020.

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# Carryforward: Charlotte

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authorized projects**

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- Charlotte's CIP lists "Appropriations to Date" and "Estimated Balance" for each project
- The CIP also summarizes estimated prior year appropriation balances:

Neighborhoods	16,094,289
Housing	21,213,978
Storm Water	36,427,265
Transportation	92,457,668
Charlotte Area Transit System	79,002,573
Economic Development	55,587,722
Aviation	144,985,638
Water and Sewer	274,965,956
Facility Investments	18,741,322
<b>Total</b>	<b>739,476,411</b>



# Carryforward: San Clemente

Multi-year planning

Funding sources

Funding amounts

Operating budget impacts

**Previously authorized projects**

The out-years

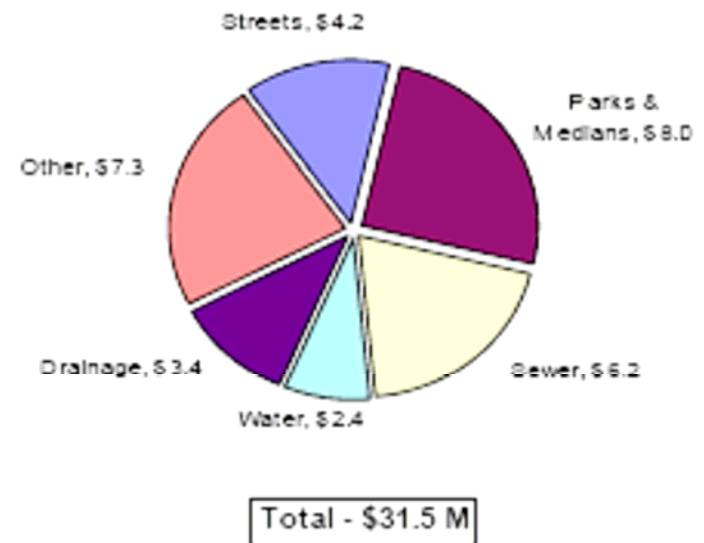
- San Clemente's CIP is comprised of 3 major sections: Carry Forward Projects, New Capital Projects, and Maintenance and Other Projects
- The Carry Forward Projects represent about 45% of the entire CIP

	Carry Forward	New Capital Projects	Maintenance & Other	TOTAL
Drainage Projects	3,400,000	1,150,000	120,000	4,670,000
Parks and Medians	8,000,000	9,441,000	80,000	17,521,000
Sewer Projects	6,200,000	6,270,000	1,455,000	13,925,000
Street Projects	4,200,000	7,964,000	1,569,000	13,733,000
Water Projects	2,400,000	3,500,000	905,000	6,805,000
<u>Other Facilities Projects</u>	<u>7,300,000</u>	<u>4,773,000</u>	<u>1,335,000</u>	<u>13,408,000</u>
<b>TOTAL</b>	<b>31,500,000</b>	<b>33,098,000</b>	<b>5,464,000</b>	<b>70,062,000</b>

# Carryforward: San Clemente

Carry Forward Projects are CIP projects approved in prior fiscal years which have been brought forward into the new fiscal year budget. There are 89 projects totaling \$31.5 million being carried forward into FY 2005-06. Carry Forward Projects include 14 Drainage projects, 10 Parks & Medians projects, 16 Sewer projects, 26 Street projects, 10 Water projects, and 13 Facilities and Other Improvement projects.

Carry Forward Projects are listed below with the total approved project budget (before any 2005-2006 fiscal year funding), the project costs to date, and the amount to be carried forward to the next fiscal year. There is also a page reference to additional funding approved as part of the 2005-2006 fiscal year capital budget.



- By identifying the carryforward projects, San Clemente's CIP ensures that previously approved funds continue to be accounted for

6

## Capital Plans – the Out-Years



# Making the out-years mean something

Multi-year planning

Funding sources

Funding amounts

Operating budget impacts

Previously authorized projects

**The out-years**

- Ideally, this year's capital plan should begin by transposing the amounts from last year's capital plan
- By the time they appear in the budget, projects should already be familiar to the attentive annual CIP reader

(\$000) CIP NUMBER	PROJECT TITLE	2005-06	2006-07	2007-08	2008-09	2009-10	TOTAL
<b>KEY</b>							
Shaded areas denote new projects							
TBD To Be Determined							
<i>Italicized</i> text indicates reimbursement							
* Denotes CityWorks infrastructure projects							
<b>CAPITAL FUND</b>							
<b>Infrastructure Management Plan</b>							
<b>Buildings and Facilities</b>							
PF-07000	Art Center Electrical & Mechanical Upgrades*		75	500			\$575
PF-07002	Baylands Interpretive Center Improvement*		267				\$267
PF-09000	Children's Theatre Improvements*				100	500	\$600
PE-05010	College Terrace Library Improvements*	283	1,000				\$1,283
PF-06003	Cubberley Community Center Fire Alarm System*	50	300				\$350
PF-06004	Cubberley Restroom Upgrades*		240				\$240
PF-07001	Cubberley Wing I Elevator Upgrade*		200				\$200
PF-09001	Downtown Library Mechanical and Electrical Upgrades*				75	250	\$325



Multi-year planning

Funding sources

Funding amounts

Operating budget  
impacts

Previously  
authorized projects

**The out-years**

## ...Is harder than it looks

- However – **stuff happens**
  - Brand new projects appear in the budget
  - Projects skip a few years
  - Projects get permanently parked in year 5
  - Project amounts increase/ decrease dramatically
- In this particular plan -
  - There are 161 projects in the 2005-10 CIP
  - 20 of those projects (12%) were new to the 2005-10 Plan and require funding in the first year



## But we should try anyway...

Multi-year planning

Funding sources

Funding amounts

Operating budget  
impacts

Previously  
authorized projects

**The out-years**

- Maintaining continuity from one year to the next is hard even with the best capital planning skills
- Working at continuity is still worthwhile:
  - Consider all the projects that were scheduled to advance and identify the impacts of deferral
  - Use a formal prioritization method
  - Structure the plan document so you can retrace your steps
    - Project numbers
    - Plan structure
    - Graphics



# CIP: financial planning as well as project planning

Multi-year planning

Funding sources

Funding amounts

Operating budget impacts

Previously authorized projects

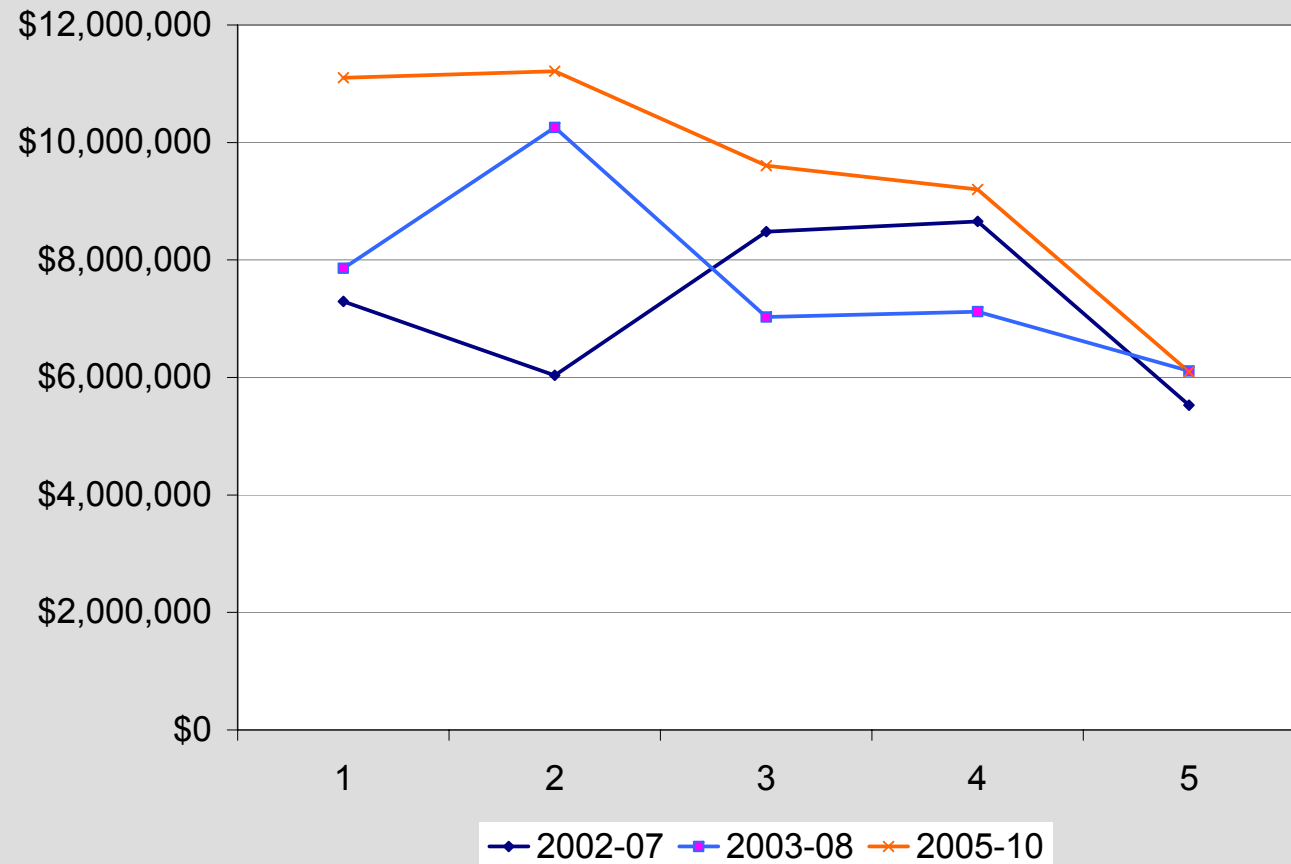
**The out-years**

- Most importantly, the plan should help with financial planning: how much will you need in year 5?
- If capital needs are constant or increasing, and financial capacity is constant or increasing, then projected capital spending should be constant or increasing



# The mysteriously inexpensive plan year 5

Multi-year planning  
Funding sources  
Funding amounts  
Operating budget impacts  
Previously authorized projects  
**The out-years**



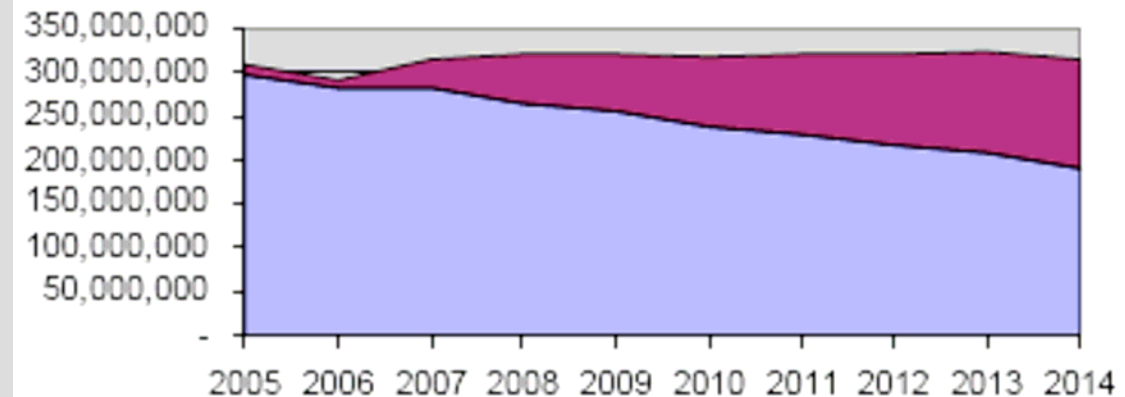


# Planning expenditures, then projects

Multi-year planning  
Funding sources  
Funding amounts  
Operating budget impacts  
Previously authorized projects

## The out-years

- If plan year 5 just isn't well defined, not really cheaper, then establish "placeholders"
- Putting dollar amounts to future needs will help make your CIP consistent with other financial planning tools



- The placeholders may also help to spur project planning capacity



# Financial planning & the CIP

Multi-year planning

Funding sources

Funding amounts

Operating budget  
impacts

Previously  
authorized projects

**The out-years**

- With many thanks to:
  - City of San Clemente, CA
  - Nassau County, NY
  - City of Charlotte, NC
  - City of Lawrence, Kansas
  - Waukesha County, WI
  - Chesterfield County, VA
  - Peoria, AZ
  - City of Tucson, AZ
  - City of Palo Alto, CA