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Capital Planning to Get Projects Done

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Why Do Capital Planning?

- Increased reliance on local resources for streets
- Utilities must be self-supporting (no property taxes)
- Address deferred maintenance from Great Recession
- Meet new challenges
 - Increased storm water requirements
 - Finding City share of state and county street projects
- Coordination with other jurisdictions

- Get Projects Done!



A Basic Capital Plan Identifies:

- What the projects are
- Why they are needed
- When they will be completed
- How they will be paid for
- Who will benefit

CIP Basics

- Five year horizon (some communities do 10 years)
- Prioritization
- Separated by funding sources or departments
 - General Fund – paid from taxes
 - Utilities
 - Capital Project Funds
 - Equipment Funds
- “Bonds” are not a funding source – specify how Bonds will be repaid?
- Understand your constraints

Successful Capital Planning Also Identifies

- Financial Impact on:
 - Property Owners
 - Property taxes
 - Assessments (can be charged against exempt properties)
 - Ratepayers (not the same as taxpayers)
 - Sewer
 - Water
 - Storm
 - Developers
 - SAC and WAC
 - Assessments
 - Impact Fees



Build Confidence and Establish Credibility

- List needs, not wants
- Give rationale for need
- Tie to tangible results
- Annual approvals by governing board
- Funding sources identified
- Financial impacts known and transparent

Build Confidence and Establish Credibility

- Know CIP Impact on Operating Costs
 - Can create efficiencies
 - Shared facilities/equipment
 - Can reduce operating costs
 - New equipment saves downtime and repairs, more efficient
 - Or can require more staff and materials
 - New water treatment plant
- Measure financial impact of operating and capital by forecasting tax and utility rates
- Demonstrate capacity to fund projects

Identify Funding Sources

- Cash (pay-as-you-go)
- Grants/State Aids
- State and Federal Loan Programs
 - PFA Loans and Grants
 - RD Loans and Grants
- Bond Financing

Bond Financing – Statutory Considerations

- Streets/Roads
 - At least 20% of “project” specially assessed
 - Street Reconstruction Plan
 - State Aid Bonds
 - Abatement
- Equipment/Facilities
 - Certificates (up to 10 years)
 - Capital Improvement Plan
 - Lease Financing/Lease Revenue Bonds
- Utility Infrastructure: Replacements/Improvements
 - Various authorizations
 - Utility revenues **must** demonstrate ability to support debt service

Selling the Plan: Improved Service

- Metering – More Accurate Bills
 - Early Detection of leaks
 - Saving in staff time
- Softening Plant
 - Saving in home softeners
 - Salt
 - Maintenance
- Iron & Manganese Removal
 - No more red and black water complaints
- Communication with stakeholders

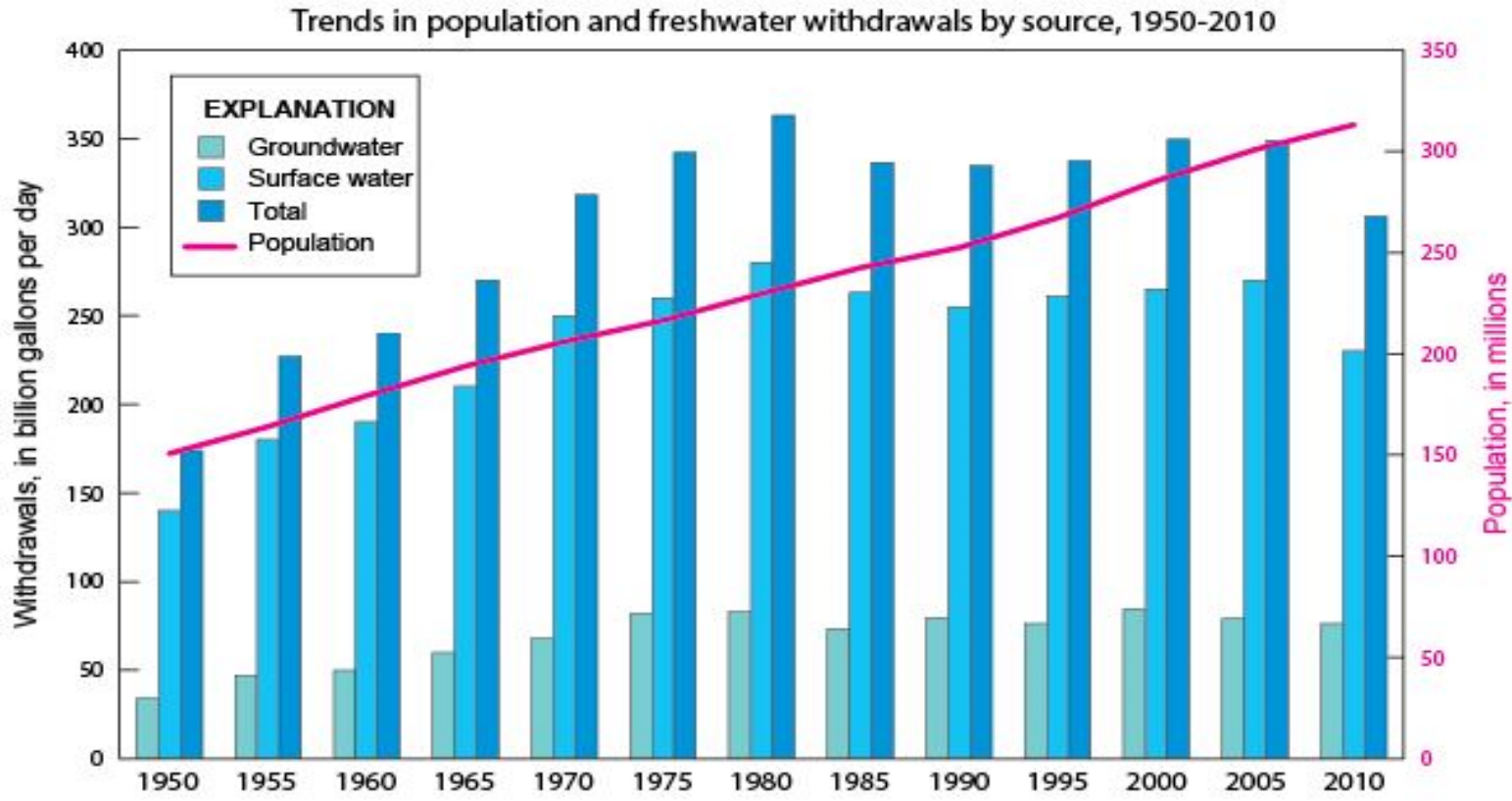
A Special Note on Utilities

- Steady incremental rate increases
 - Compound over time
 - Avoid rate shock
 - Position utility to afford capital projects

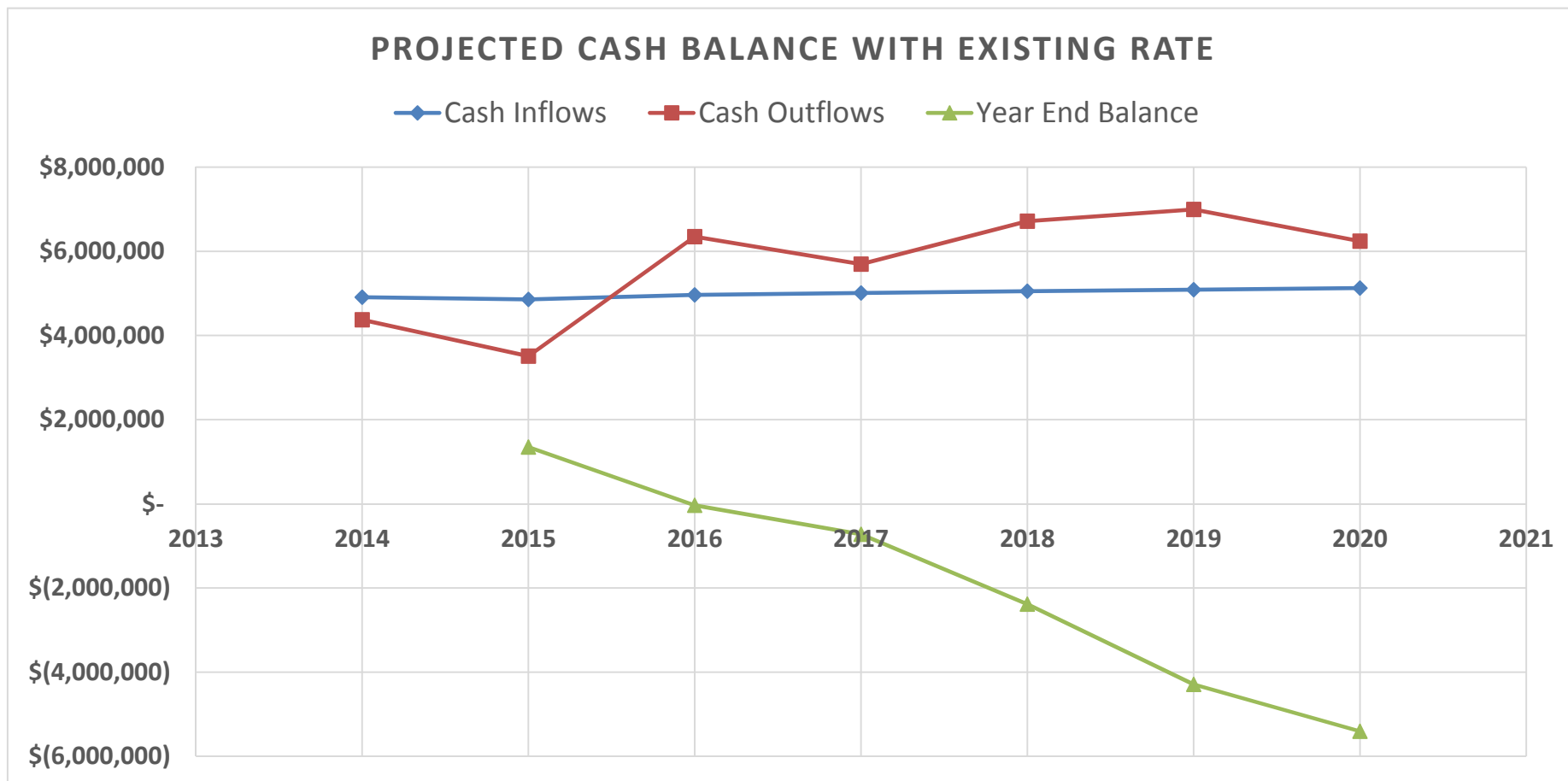
Example: A \$3M project will require about \$200,000 in annual debt service. Difficult to increase revenues by \$200,000 in one year.

Consider Planning Environment

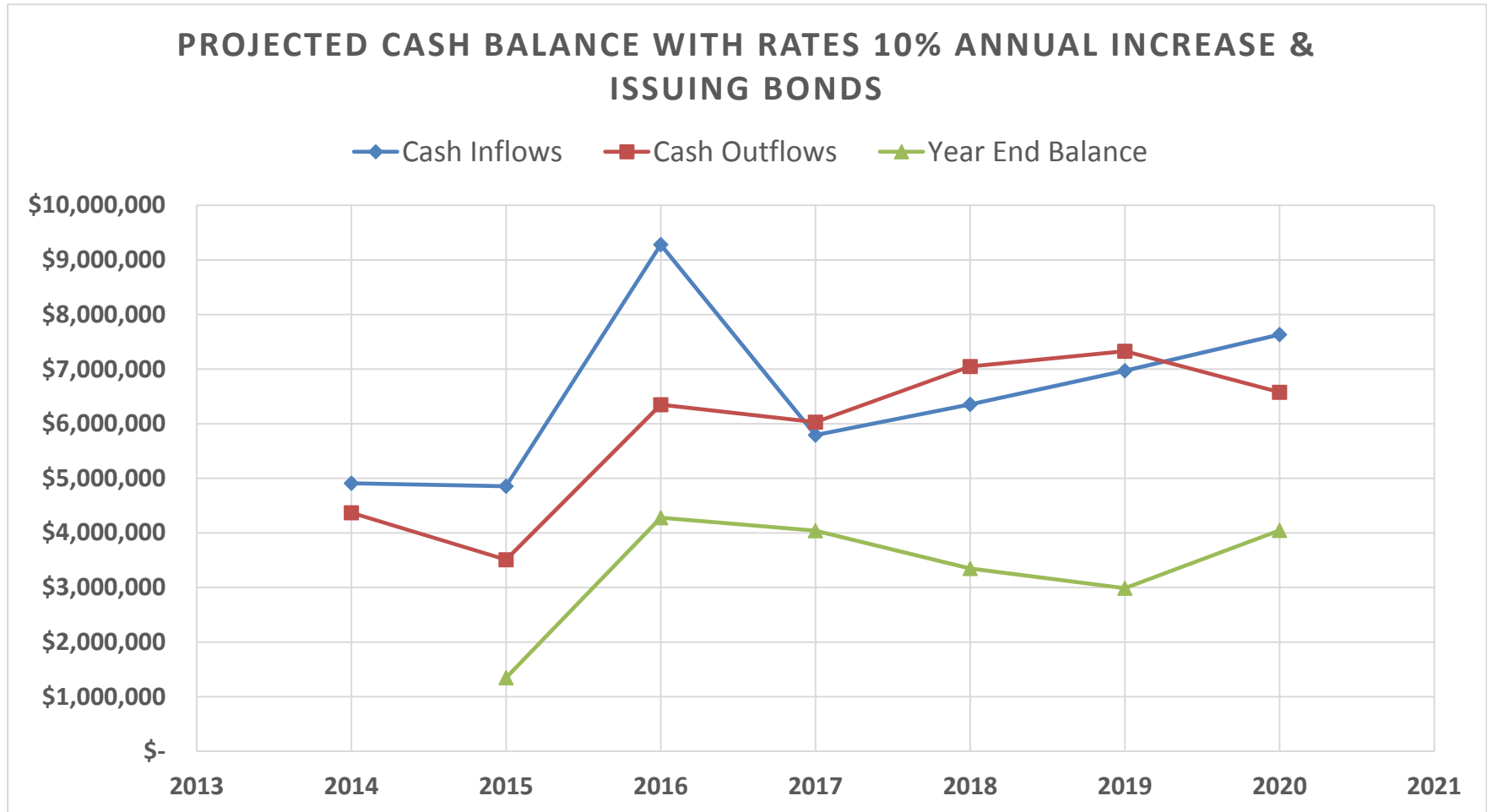
- Declining Demands- Reduced Revenue Stream
- 5% decrease from 2005-2010 1st time in 50 Yrs



Selling the Plan: Show Impact on Rates



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Highlight Efficiencies

- Improved Water Quality
- Reduce Frequency of Flushing after Water Plant Construction
- Reduces Staff Time in Flushing
 - Example 1,000 Hydrants
 - 15 minutes per hydrants 250 hours 2 person crew
 - Saving \$25,000 @ \$100 per Hr. -2 person crew



Celebrate Success!

- Project Updates on Website
- Open Houses
- Newsletters

“Capital improvements are not just money out the door or fixing a street; capital improvements are making better neighborhoods.”

– *Sandstone City Administrator*



Summary

- Identify need for improvements
- Define benefits
- Update City Council & Policy Makers every 6 Months
- Make Presentations to Civic Bodies
- Upload presentation to website
- Search for potential financing



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